



**FIRE ROCK** 火岩

# 2016

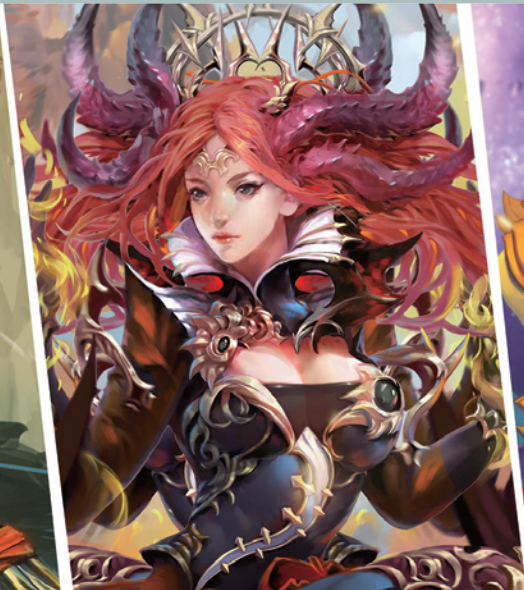
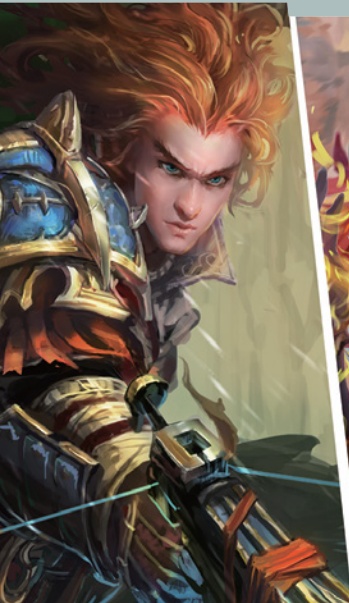
FIRST QUARTERLY REPORT

**火岩控股有限公司**

**FIRE ROCK HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8345



## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors (the “**Directors**”) of Fire Rock Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this report misleading.*

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## DEFINITION

“ACT”	action game, which refers to action-themed games in which players control the avatar of a protagonist to navigate different levels of the game, and typically to, collect items, avoid obstacles and fight enemies, testing players’ hand-eye coordination and reaction time
“Android”	an operating system developed and maintained by Google Inc. designed primarily for touchscreen technology used in smartphones and tablets
“ARPG”	action role-playing game, also known as the real-time combat role-playing game, in which the player character instantly responses to the player’s operations and the game player has direct control over their characters
“ARPPU”	average revenue per paying user, calculated by dividing the average monthly royalties from the net sale of credits of licensed operators for the in-game tokens during a certain period by the average MPU during the same period
“Articles of Associations”	the articles of association of the Company conditionally adopted on 24 January 2016 and as amended, supplemented and otherwise modified from time to time
“Audit Committee”	the audit committee under the Board
“Board”	the board of directors of the Company
“browser games”	online games that can be played within a web browser which does not require active installation of client software

“commercial launch” or “commercialisation”	a game is considered commercially launched once our licensed operator(s) have (i) designated third party payment channels to collect payment for sales of in-game tokens, and (ii) concluded the open beta testing stage
“Company”	Fire Rock Holdings Limited (火岩控股有限公司), a company incorporated in the Cayman Islands with limited liability and all of its subsidiaries, the Shares of which are listed on the GEM (Stock code: 8345)
“Director(s)”	the director(s) of the Company
“EUR”	the lawful currency of the Euro Zone
“free-to-play”	a model used in the gaming industry, under which game players can play games for free, but may need to pay for in-game tokens to enhance their gaming experience
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“Group” or “we”	the Company and where the context otherwise requires, all of its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing”	the listing of the Shares of the Company on GEM

“mobile games”	online games that are downloaded to and played on mobile devices including smartphones and tablets
“monthly paying users” or “MPU”	monthly paying users, which is the number of paying players in the relevant calendar month. Average MPU for a particular period is the average of the MPU of each calendar month during that period
“paying player”	players who obtain in-game tokens with credits of licensed operators
“Placing”	the conditional placing of Shares of the Company in February 2016
“PRC”	the People’s Republic of China excluding, for the purpose of this report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	this prospectus being issued on 29 January 2016 in connection with the Placing
“Reporting Period”	the three months ended 31 March 2016
“RMB”	Renminbi, the lawful currency of the PRC
“RPG”	role-playing game, in which players adopt the roles of one or more in-game characters and are able to interact within the game’s virtual world in accordance with in-game rules and guidelines
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time

“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USA”	the United States of America
“USD”	United States dollars, the lawful currency of the United States
“%”	per cent

In this report, the terms “associate”, “close associate”, “connected”, “connected person”, “core connected person”, “controlling shareholder”, “subsidiary” and “substantial shareholder” shall have the meanings ascribed thereto under the GEM Listing Rules, unless the context otherwise requires.

## COMPANY PROFILE

### EXECUTIVE DIRECTORS

Mr. HUANG Yong  
(*Chief Executive Officer*)

Mr. RAO Zhenwu

Mr. WU Zhe

### NON-EXECUTIVE DIRECTOR

Mr. ZHANG Yan (*Chairman*)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. ZHANG Xiongfeng

Mr. HE Yunpeng

Mr. CHAN King Fai

### AUDIT COMMITTEE

Mr. CHAN King Fai (*Chairman*)

Mr. HE Yunpeng

Mr. ZHANG Xiongfeng

### REMUNERATION COMMITTEE

Mr. ZHANG Xiongfeng (*Chairman*)

Mr. CHAN King Fai

Mr. HUANG Yong

### NOMINATION COMMITTEE

Mr. ZHANG Yan (*Chairman*)

Mr. HE Yunpeng

Mr. ZHANG Xiongfeng

### JOINT COMPANY SECRETARIES

Mr. WEI Dong and

Mr. CHAN Chin Wang Keith

### AUTHORIZED REPRESENTATIVES

Mr. HUANG Yong and

Mr. CHAN Chin Wang Keith

### COMPLIANCE OFFICER

Mr. WU Zhe

### REGISTERED OFFICE

Clifton House

75 Fort Street

Grand Cayman KY1-1108

Cayman Islands

### HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

4th Floor

Dongjiang Environmental Building

No. 9 Langshan Road

North Zone, Hi-Tech Industries Park

Nanshan District

Shenzhen, Guangdong

The People's Republic of China

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

2201–2203, 22/F

World-Wide House

Central

Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited

Clifton House

75 Fort Street

P.O. Box 1350

Grand Cayman

KY1-1108

Cayman Islands



**HONG KONG BRANCH SHARE  
REGISTRAR AND TRANSFER  
OFFICE**

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

**PRINCIPAL BANKERS**

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

**COMPLIANCE ADVISER**

China Everbright Capital Limited

**HONG KONG LEGAL ADVISER**

Li & Partners

**AUDITOR**

BDO Limited  
*Certified Public Accountants*

**GEM STOCK CODE**

8345

**COMPANY WEBSITE**

[www.firerock.hk](http://www.firerock.hk)

## **FINANCIAL HIGHLIGHTS (UNAUDITED)**

For the three months ended 31 March 2016, the Group's revenue increased from approximately RMB4.9 million for the three months ended 31 March 2015 to approximately RMB8.8 million.

For the three months ended 31 March 2016, the Group's gross profit increased from approximately RMB2.4 million for the three months ended 31 March 2015 to approximately RMB7.7 million.

For the three months ended 31 March 2016, the Group's profit increased from a loss of approximately RMB1.0 million for the three months ended 31 March 2015 to a profit of approximately RMB2.1 million.

The Board does not recommend the payment of any interim dividend for the three months ended 31 March 2016.

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

FOR THE THREE MONTHS ENDED 31 MARCH

	Notes	2016 RMB (unaudited)	2015 RMB (unaudited)
<b>Revenue</b>	3	<b>8,780,915</b>	4,876,442
Direct costs		<b>(1,095,525)</b>	(2,506,613)
Gross profit		<b>7,685,390</b>	2,369,829
Other income	3	<b>29,573</b>	114,337
Game research costs		<b>(158,601)</b>	(54,932)
Distribution costs		<b>(163,377)</b>	(344,319)
Administrative expenses		<b>(4,458,982)</b>	(3,008,637)
Profit/(Loss) before income tax	4	<b>2,934,003</b>	(923,722)
Income tax expense	5	<b>(803,911)</b>	(56,189)
<b>Profit/(Loss) for the period</b>		<b>2,130,092</b>	(979,911)
Other comprehensive income: Items that may be reclassified subsequently to profit or loss:			
— Exchange differences on translating foreign operations		<b>(461,945)</b>	(125,485)
<b>Other comprehensive income for the period</b>		<b>(461,945)</b>	(125,485)
<b>Total comprehensive income for the period</b>		<b>1,668,147</b>	(1,105,396)
<b>Profit/(Loss) for the period attributable to:</b>			
Owners of the Company		<b>2,130,092</b>	(979,911)
<b>Total comprehensive income/ loss attributable to:</b>			
Owners of the Company		<b>1,668,147</b>	(1,105,396)
<b>Earnings/(Loss) per share</b>			
Basic and diluted (RMB cents)	7	<b>1.33</b>	(0.82)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital	Share premium	Capital reserve	Merger reserve	Statutory reserve	Dividend reserve	Foreign exchange reserve	Retained profits	Total
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
<b>Three months ended 31 March 2016 (unaudited)</b>									
At 1 January 2016	1	—	11,201,260	10,000,000	4,333,239	—	605,624	9,618,442	35,758,566
Profit for the period	—	—	—	—	—	—	—	2,130,092	2,130,092
Other comprehensive income for the period	—	—	—	—	—	—	(461,945)	—	(461,945)
Total comprehensive income for the period	—	—	—	—	—	—	(461,945)	2,130,092	1,668,147
Transactions with owners:									
Capitalisation	1,011,899	(1,011,899)	—	—	—	—	—	—	—
Issue of ordinary shares by way of placing	335,336	42,587,672	—	—	—	—	—	—	42,923,008
Share issuance expenses	—	(6,267,817)	—	—	—	—	—	—	(6,267,817)
	1,347,235	35,307,956	—	—	—	—	—	—	—
At 31 March 2016	1,347,236	35,307,956	11,201,260	10,000,000	4,333,239	—	143,679	11,748,534	74,081,904
<b>Three months ended 31 March 2015 (unaudited)</b>									
At 1 January 2015	10,000,001	—	—	—	2,618,482	5,000,000	—	2,604,016	20,222,499
Loss for the period	—	—	—	—	—	—	—	(979,911)	(979,911)
Other comprehensive income for the period	—	—	—	—	—	—	(125,485)	—	(125,485)
Total comprehensive income for the period	—	—	—	—	—	—	(125,485)	(979,911)	(1,105,396)
Transactions with owners:									
Capital contribution from shareholders	—	—	22,094,240	—	—	—	—	—	22,094,240
At 31 March 2015	10,000,001	—	22,094,240	—	2,618,482	5,000,000	(125,485)	1,624,105	41,211,343

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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, PRC. The Company was listed on the Growth Enterprise Market (the “**GEM**”) of the Stock Exchange of Hong Kong Limited on 18 February 2016.

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 financial statements are unaudited, but have been reviewed by the Audit Committee of the Company. The unaudited condensed consolidated results were approved for issue by the board of directors on 12 May 2016.

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Except for the adoption of new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which are effective for the Group’s financial year beginning 1 January 2016, the accounting policies applied in preparing this unaudited condensed consolidated financial statements for the three months ended 31 March 2016 are consistent with those of the annual financial statements for the year ended 31 December 2015 issued by the Company on 24 March 2016, as described in those annual financial statements. The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2015.

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 condensed consolidated financial statements has been prepared under the historical cost basis. These unaudited condensed consolidated results are presented in Renminbi (“**RMB**”) except when otherwise indicated.

### 3. REVENUE AND OTHER INCOME

	<b>For the three months ended 31 March</b>	
	<b>2016</b>	2015
	<b>RMB</b>	<i>RMB</i>
	<b>(unaudited)</b>	(unaudited)
<b>Revenue</b>		
License fees and Royalties	<b>8,780,915</b>	4,876,442
<b>Other income</b>		
Interest income	<b>29,573</b>	88,886
Others	<b>—</b>	25,451
	<b>29,573</b>	114,337

### 4. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(Loss) before income tax is arrived at after charging:

	<b>For the three months ended 31 March</b>	
	<b>2016</b>	2015
	<b>RMB</b>	<i>RMB</i>
	<b>(unaudited)</b>	(unaudited)
Auditors' remuneration	<b>4,810</b>	—
Depreciation of plant and equipment	<b>142,012</b>	50,970
Amortisation of intangible assets	<b>686,834</b>	503,338
Operating lease rentals in respect of buildings	<b>172,795</b>	148,200
Operating lease rentals in respect of servers	<b>72,950</b>	108,774
Listing expenses	<b>3,330,254</b>	1,057,500

## 5. INCOME TAX EXPENSE

	For the three months ended 31 March	
	2016	2015
	RMB	RMB
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("EIT")	803,911	56,189

No Hong Kong Profits Tax was provided in the unaudited condensed consolidated financial statements as the Group has no estimated assessable profit derived from or arising in Hong Kong during the three months ended 31 March 2016 and 2015.

Provision for the EIT in the PRC is calculated at the applicable rate of 25% in accordance with the relevant laws and regulation in the PRC.

On 29 September 2013, Shenzhen Fire Element Network Technology Co., Ltd ("**Shenzhen Fire Element**") was qualified as an enterprise of Software and Integrated Circuit Industries (軟件產業和集成電路產業) in the PRC and is exempted from EIT for two years starting from the first profit making year, followed by a 50% reduction for the next three years on 5 August 2014. Shenzhen Fire Element started generating taxable profit during the year ended 31 December 2013 and therefore is exempted from EIT for the year ended 31 December 2014. Starting from the year ended 31 December 2015, Shenzhen Fire Element enjoyed a reduced EIT rate of 12.5% as a 50% reduction on the statutory tax rate. The certification of software enterprise has been cancelled by the State Council of the PRC on 24 February 2015, but the aforementioned EIT preferential treatment related to certified software enterprise is still valid for now.

The Group has no material unrecognised deferred tax as at 31 March 2016 and 2015.

## 6. DIVIDEND

On 26 February 2015, Shenzhen Fire Element declared a special dividend of RMB5,000,000 and was subsequently paid on 20 April 2015.

Save for the abovementioned, no dividend was paid or declared by the Company during the three months ended 31 March 2016, nor has any dividend been proposed since the end of the reporting period.

## **7. EARNINGS/(LOSS) PER SHARE**

The number of ordinary shares used for the purposes of calculating the basic loss per share for the period ended 31 March 2015 of 120,000,000 shares represents the number of shares of the Company in issue, as if these shares issued under the reorganisation and the capitalisation issue had been completed on 1 January 2015.

The number of ordinary shares used for the purposes of calculating the basic earnings per share for the period ended 31 March 2016 of 160,000,000 shares represents the number of shares of the Company in issue immediately after the Capitalisation Issue and the shares issued pursuant to the Placing on 18 February 2016.

Diluted earnings/(loss) per share are same as the basic earnings/(loss) per share as there are no dilutive potential ordinary shares in existence during the three months ended 31 March 2016 and 2015.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

As a game developer, we have been focusing on the development of browser and mobile games, launch of various language versions for such games and the licensing of our self-developed games to licensed operators around the world, so that the players around the world can enjoy our games on browser and mobile platforms. Our games adopt the free-to-play model. Players may log-in their game accounts to play our browser games on the browser directly. In addition, players may download our mobile games from third party internet platforms such as Apple's App Store or Google Play directly onto their mobile devices, such as iPhones, iPads and Android-based smartphones or tablets to access and log-in to their game accounts to play our games. To achieve a diversified player base, we have developed our games in various genres with different playing styles.

The Company's successful Listing on the GEM of the Stock Exchange on 18 February 2016 was a milestone for the Group in improving capital strength and corporate governance as well as enhancing our competitive edge.

The first quarter of 2016 was the first financial quarter since the Listing of the Group. During the Reporting Period, the Group has continued to develop new mobile games and published three mobile games, namely the mobile versions of Hero's Crown (英雄皇冠) and Endless Battles (無盡爭霸) in February 2016; and the mobile version of Legend of Fairies (萌仙記) in March 2016, which further expanded our game portfolio and diversified our revenue sources.

#### Our Games

During the Reporting Period, we further grasped our advantage in research and development and captured the huge development opportunity from the fast growing game markets domestically and abroad. We enhanced our research and development capability in mobile games to develop new and innovative mobile games and updated and improved the existing games. During the Reporting Period, we commercially launched three mobile games, being the mobile versions of Hero's Crown (英雄皇冠), Endless Battles (無盡爭霸) and Legend of Fairies (萌仙記).

As of 31 March 2016, five series of games, including 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 and the mobile version of Legend of Fairies (萌仙記) series have been commercially launched. Kings & Legends (王者召喚) is our flagship tactical trading card game series designed in a Japanese-styled fantasy setting; Hero's Crown (英雄皇冠) is our self-developed turn-based card driven strategic RPG series designed with an European medieval fantasy style; Heroines of Three Kingdoms (姬戰三國) is our self-developed side-scrolling browser-based adventure RPG series based on the historic era of the Three Kingdoms of ancient China; Endless Battles (無盡爭霸) is a placement game set in the Three Kingdoms of ancient China; and Legend of Fairies (萌仙記) is a leisure strategic game.

Kings & Legends (王者召喚) game series continued to deliver satisfactory performance during the Reporting Period and maintained an important position in our game portfolio. During the Reporting Period, the percentage of revenue contribution to our total revenue from the Kings & Legends (王者召喚) series of games was approximately 37.0%. It has been four years since its commercial launch in March 2012. Its ability to achieve a longer lifespan than the industry averages was attributable to our ongoing efforts in carrying out upgrades and enhancements to the content of the game with the view to retaining player interest, increasing player engagement to the game and enhancing the players' gaming experience. It also generates stable revenue for us.

Since the browser version and the mobile version of our Hero's Crown (英雄皇冠) series was commercially launched in January 2015 and February 2016 respectively, its monthly royalties, MPU and ARPPU have been increasing. Our revenue from the game series amounted to approximately RMB5.3 million for the three months ended 31 March 2016.

Since the browser version of our Heroines of Three Kingdoms (姬戰三國) series was commercially launched in January 2015, the game series recorded revenue of approximately RMB0.2 million for the three months ended 31 March 2016.

Since the mobile version of our Endless Battles (無盡爭霸) series was commercially launched in February 2016, the game series recorded revenue of approximately RMB0.02 million for the three months ended 31 March 2016.

The table below sets forth the five main series of games commercially launched by our licensed operators as of 31 March 2016:

Language version	Game title	Platform	Initial commercial launch date
<i>Kings &amp; 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
	Kings and Legends	Mobile	May 2014
	テイヴァイン・グリモワール/ Divine Grimoire	Browser	September 2012
	王者召喚~禁断の魔導書	Mobile	September 2014
German	Kings and Legends	Browser	July 2013
French	Kings and Legends	Browser	December 2013
Portuguese	Rise of Mythos	Browser	January 2014
Traditional Chinese	卡卡們的大亂鬥	Browser	June 2012
Simplified Chinese	卡卡們大亂鬥	Mobile	April 2013
	王者召喚	Browser	March 2012
Russian	Боги войны	Browser	June 2015
<i>Hero's Crown (英雄皇冠) series of games</i>			
English	Summoner's Legion	Browser	January 2015
French	Summoner's Legion	Browser	April 2015
German	Summoner's Legion	Browser	April 2015
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
Japanese	ヴェルストライズ/Velstrise	Browser	September 2015
New Malay	Wgame	Mobile	February 2016

<b>Language version</b>	<b>Game title</b>	<b>Platform</b>	<b>Initial commercial launch date</b>
<i>Heroines of Three Kingdoms (姬戰三國) series of games</i>			
Simplified Chinese	姬战三国	Browser	January 2015
Traditional Chinese	妖姬傳	Browser	June 2015
<i>Endless Battles (無盡爭霸) series of games</i>			
Simplified Chinese	无尽争霸	Mobile	February 2016
<i>Legend of Fairies (萌仙記) series of games</i>			
Simplified Chinese	萌仙记	Mobile	March 2016

As of 31 March 2016, we also had three game series under research and development, including the Sweeties Fighting (零食大亂鬥) series, the Road of Vengeance (復仇之路) series and the War of the Sulfulons (薩弗隆戰記) series. It is intended that these three games will be developed into different genres and in different languages to be launched internationally. Subject to their development progress and market response, it is estimated that these three new games will be launched in the second to fourth quarters of 2016.

<b>Game Title</b>	<b>Genre</b>	<b>Expected Launch Date</b>	<b>Start of Game Inception and Evaluation</b>
Road of Vengeance (復仇之路) series	RPG	Second to fourth quarter 2016	Fourth quarter 2015
Sweeties Fighting (零食大亂鬥) series	ACT	Second to fourth quarter 2016	Second quarter 2016 (expected)
War of the Sulfulons (薩弗隆戰記) series	ARPG	Second to fourth quarter 2016	Second quarter 2016 (expected)

## Prospects

While competition in the online game industry is still fierce, the future development of the Group is, to a large extent, dependent on our ongoing, timely and effectively research as well as our capability in game upgrades. In the past few years, the majority of our revenue was derived from a small proportion of games. As such, our ability to expect and effectively respond to the evolving interests of mobile game players will be one of the key elements for our future growth. In recent years, with the gradual increase in the number of games developed by us, we have turned into a diversified company from a single-game company.

## FINANCIAL REVIEW

### *Revenue*

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

During the three months ended 31 March 2016, 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 79.6% from approximately RMB4.9 million for the three months ended 31 March 2015 to approximately RMB8.8 million for the three months ended 31 March 2016. The increase in revenue was mainly due to the increase in revenue brought by Hero's Crown (英雄皇冠) game series.

### Revenue by game platforms and revenue types

The table below sets forth the breakdown of revenue by game platforms and revenue types for each of the three months ended 31 March 2015 and 2016:

	For the three months ended 31 March			
	2016		2015	
	RMB'000	%	RMB'000	%
Browser version	<b>8,655</b>	<b>98.6</b>	4,648	95.3
License fees	725	8.3	392	8.0
Royalties	7,930	90.3	4,256	87.3
Mobile version	<b>126</b>	<b>1.4</b>	228	4.7
License fees	23	0.2	117	2.4
Royalties	103	1.2	111	2.3
	<b>8,781</b>	<b>100.0</b>	4,876	100.0

### Revenue by game series

The table below sets forth the breakdown of revenue by game series for each of the three months ended 31 March 2015 and 2016:

	For the three months ended 31 March			
	2016		2015	
	RMB'000	%	RMB'000	%
Kings & Legends (王者召喚)	<b>3,247</b>	<b>37.0</b>	4,591	94.1
Hero's Crown (英雄皇冠)	<b>5,303</b>	<b>60.4</b>	261	5.4
Heroines of the Three Kingdoms (姬戰三國)	<b>212</b>	<b>2.4</b>	24	0.5
Endless Battles (無盡爭霸)	<b>19</b>	<b>0.2</b>	—	—
	<b>8,781</b>	<b>100.0</b>	4,876	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 the periods indicated:

	For the three months ended 31 March			
	2016		2015	
	RMB'000	%	RMB'000	%
PRC <sup>1</sup>	5,600	63.8	525	10.7
PRC <sup>2, 4</sup>	252	2.9	445	9.1
PRC <sup>3, 4</sup>	566	6.4	258	5.3
North America <sup>2</sup>	913	10.4	1,526	31.3
Asia Pacific (including Japan and Taiwan) <sup>2</sup>	921	10.5	1,446	29.7
Europe <sup>3</sup>	529	6.0	633	13.0
Europe <sup>2</sup>	—	—	43	0.9
<b>Total</b>	<b>8,781</b>	<b>100.0</b>	<b>4,876</b>	<b>100.0</b>

#### Notes:

<sup>1</sup> Settled in RMB

<sup>2</sup> Settled in USD

<sup>3</sup> Settled in EUR

<sup>4</sup> Revenue derived from R2Game Co., Limited which is based in the PRC and had commercially launched our games in Europe and North America

### ***Direct costs***

Our direct costs for the three months ended 31 March 2016 amounted to approximately RMB1.1 million, representing a decrease of approximately 56.0% as compared to approximately RMB2.5 million for the same period in 2015. The decrease in our direct costs was mainly because we commercially launched two new browser games, being Hero's Crown (英雄皇冠) and Heroines of the Three Kingdoms (姬戰三國) at the beginning of the same period in 2015 and we spared substantially all the research staff from the two games for the maintenance of the games so as to fulfill the marketing and maintenance requirement of the games during their introduction stage; and because fewer games were in the game inception and development stage during the same period in 2015, direct staff costs were higher. During the Reporting Period, the three new mobile games, being the mobile versions of Hero's Crown (英雄皇冠), Endless Battles (無盡爭霸) and Legend of Fairies (萌仙記) were only launched at the end of the period, and the number of staff required for the maintenance of mobile games was much lower than that of browser games, direct staff costs decreased significantly compared with the same period in 2015. Despite the increase in amortisation of our intangible assets resulted from the commercial launch of three mobile games, being the mobile versions of Hero's Crown (英雄皇冠), Endless Battles (無盡爭霸) and Legend of Fairies (萌仙記) during the Reporting Period, total direct costs for the Reporting Period was lower as compared to the same period of 2015.

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

Our gross profit for the three months ended 31 March 2016 amounted to approximately RMB7.7 million, representing an increase of approximately 220.8% as compared to approximately RMB2.4 million for the three months ended 31 March 2015. The increase in our gross profit was mainly due to the increase in revenue brought by Hero's Crown (英雄皇冠) game series.

### ***Other income***

Our other income mainly consisted of interest income. For the three months ended 31 March 2016, our other income was approximately RMB0.03 million, compared with approximately RMB0.1 million for the same period of 2015.



### ***Game research costs***

Our game research costs for the three months ended 31 March 2016 amounted to approximately RMB0.2 million, representing an increase of approximately 300.0% as compared to approximately RMB0.05 million for the three months ended 31 March 2015. The increase in our game research costs was mainly due to the fact that two games were in the game inception and evaluation stage during the Reporting Period.

### ***Distribution costs***

Our distribution costs for the three months ended 31 March 2016 amounted to approximately RMB0.2 million, remaining relatively stable as compared to approximately RMB0.3 million for the same period in 2015.

### ***Administrative expenses***

Our administrative expenses for the three months ended 31 March 2016 amounted to approximately RMB4.5 million, representing an increase of approximately 50.0% as compared to approximately RMB3.0 million for three months ended 31 March 2015. Without taking into account the listing related expenses, our administrative expenses for the three months ended 31 March 2016 amounted to approximately RMB1.1 million, representing a decrease of approximately 45.0% as compared to approximately RMB2.0 million for the three months ended 31 March 2015. The increase in our administrative expenses was mainly due to professional fees incurred for the Listing.

### ***Income tax expense***

Our income tax expenses for the three months ended 31 March 2016 amounted to approximately RMB0.8 million while we recorded RMB0.06 million for the three months ended 31 March 2015. The increase in our income tax expenses was mainly because the profits of the PRC subsidiary of the Group increased significantly during the Reporting Period as compared to the same period in 2015.

### ***Profit/Loss for the period***

Given the aforesaid reasons, profit attributable to owner of the Company increased by approximately 310.0% from a loss of approximately RMB1.0 million for the three months ended 31 March 2015 to a profit of approximately RMB2.1 million for the three months ended 31 March 2016.

### ***Earnings/Loss per share***

During the three months ended 31 March 2015, loss per share for the Group was RMB0.82 cents, which is based on the loss for the period of RMB1.0 million, and on the basis of 120,000,000 shares of the Company in issue, as if these shares issued under the reorganisation and the capitalisation issue had been completed on 1 January 2015.

During the three months ended 31 March 2016, earnings per share for the Group was RMB1.33 cents, which is based on the profit for the period of RMB2.1 million, and on the basis of 160,000,000 shares of the Company in issue, immediately after the capitalisation and the shares issued pursuant to the Placing on 18 February 2016.

### ***Interim dividends***

The Board does not recommend the payment of any interim dividend for the three months ended 31 March 2016.

## INTERESTS AND SHORT POSITIONS OF DIRECTORS AND THE CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES OR DEBENTURES

As of 31 March 2016, the Directors and the chief executive of our Company had the interests in the Shares, underlying shares and debentures of our Company and its associated corporations (within the meaning of part XV of the SFO):

- (a) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); or
- (b) which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or
- (c) which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, as follows:

<b>Name</b>	<b>Capacity</b>	<b>Number of Shares<sup>1</sup></b>	<b>Percentage of Shareholdings</b>
Mr. Zhang Yan <sup>2</sup>	Interest in controlled corporation	58,800,000	36.75%
Mr. Wu Zhe <sup>3</sup>	Interest in controlled corporation	19,200,000	12.00%
Mr. Huang Yong <sup>4</sup>	Interest in controlled corporation	19,200,000	12.00%
Mr. Rao Zhenwu <sup>5</sup>	Interest in controlled corporation	19,200,000	12.00%

*Notes:*

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

Save as disclosed above, as of 31 March 2016, none of the Directors or chief executive of our Company has any interest or short position in the Shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he will be taken or deemed to have under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by Directors to be notified to our Company and the Hong Kong Stock Exchange.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES OR UNDERLYING SHARES

So far as is known to the Directors or chief executive of the Company, on 31 March 2016, the following persons had, or were deemed or taken to have interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

<b>Name</b>	<b>Capacity</b>	<b>Number of Shares<sup>1</sup></b>	<b>Percentage of shareholding</b>
Sulfulon International Limited	Beneficial owner	58,800,000	36.75%
Mr. Zhang Yan <sup>2</sup>	Interest of controlled corporation	58,800,000	36.75%
Ms. Zheng Xin <sup>3</sup>	Interest of spouse	58,800,000	36.75%
R&P Global Limited	Beneficial owner	19,200,000	12.00%
Mr. Wu Zhe <sup>4</sup>	Interest of controlled corporation	19,200,000	12.00%
Ms. Xu Yao <sup>5</sup>	Interest of spouse	19,200,000	12.00%
Raglon International Limited	Beneficial owner	19,200,000	12.00%
Mr. Huang Yong <sup>6</sup>	Interest of controlled corporation	19,200,000	12.00%
Ms. Pan Li <sup>7</sup>	Interest of spouse	19,200,000	12.00%
Meteor Technology International Limited	Beneficial owner	19,200,000	12.00%
Mr. Rao Zhenwu <sup>8</sup>	Interest of controlled corporation	19,200,000	12.00%
Ms. Chen Xuanqi <sup>9</sup>	Interest of spouse	19,200,000	12.00%

*Notes:*

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

## **REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

The Shares were listed on the GEM of the Stock Exchange on 18 February 2016. Neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2016.

## INTEREST OF COMPLIANCE ADVISER

As confirmed by the Group's compliance adviser, China Everbright Capital Limited (the "**Compliance Adviser**"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 26 January 2016, neither the Compliance Adviser nor its directors, employees or associates (as defined in the GEM Listing Rules) had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

By order of the Board

**Zhang Yan**

*Chairman*

Hong Kong, 12 May 2016

*As of the date of this report, the Chairman and non-executive Director is Mr. Zhang Yan; the executive Directors are Mr. Huang Yong, Mr. Wu Zhe and Mr. Rao Zhenwu; and the independent non-executive Directors are Mr. Chan King Fai, Mr. Zhang Xiongfeng and Mr. He Yunpeng.*