

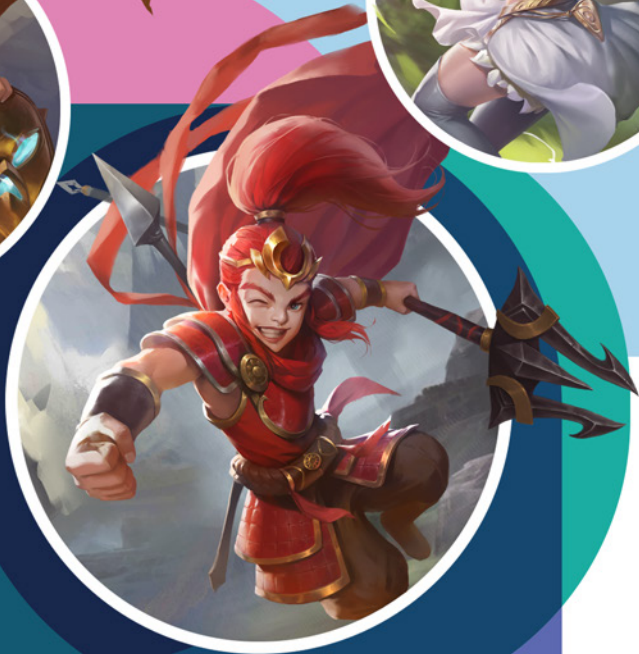
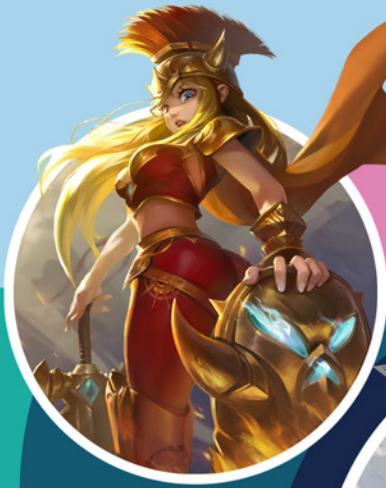


**FIRE ROCK** 火岩

**FIRE ROCK HOLDINGS LIMITED 火岩控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8345



**INTERIM REPORT 2016**

## 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 monthly average royalties from the net sale of credits of licensed operators for the in-game tokens during a certain period by the average MPU during the same period
“Articles of Associations”	the articles of association of the Company conditionally adopted on 24 January 2016 and as amended, supplemented and otherwise modified from time to time
“Audit Committee”	the audit committee under the Board
“Board”	the board of Directors of the Company
“browser games”	online games that can be played within a web browser which does not require active installation of client software

“Code”	the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules
“commercial launch” or “commercialisation”	a game is considered commercially launched once our licensed operator(s) have (i) designated third party payment channels to collect payment for sales of in-game tokens, and (ii) concluded the open beta testing stage
“Company”	Fire Rock Holdings Limited (火岩控股有限公司), a company incorporated in the Cayman Islands with limited liability and all of its subsidiaries, the Shares of which are listed on the GEM (Stock code: 8345)
“Director(s)”	the director(s) of the Company
“EUR”	the lawful currency of the Euro Zone
“free-to-play”	a model used in the gaming industry, under which game players can play games for free, but may need to pay for in-game tokens to enhance their gaming experience
“GEM”	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
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JPY”	Japanese Yen, the lawful currency of Japan

“Listing”	the listing of the Shares of the Company on GEM
“mobile games”	online games that are downloaded to and played on mobile devices including smartphones and tablets
“monthly paying users” or “MPU”	monthly paying users, which is the number of paying players in the relevant calendar month. Average MPU for a particular period is the average of the MPU of each calendar month during that period
“paying player”	players who obtain in-game tokens with credits of licensed operators
“Placing”	the conditional placing of Shares of the Company in February 2016
“PRC”	the People’s Republic of China excluding, for the purpose of this report, Hong Kong, Macau and Taiwan
“Prospectus”	this prospectus being issued on 29 January 2016 in connection with the Placing
“remuneration committee”	the remuneration committee under the Board
“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
“RUB”	Russian Rouble, the lawful currency of the Russian Federation
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time

“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Fire Element”	Shenzhen Fire Element Network Technology Company Limited (深圳市火元素網絡技術有限公司), a company incorporated in the PRC with limited liability, an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USA”	the United States of America
“USD”	United States dollars, the lawful currency of the United States
“Reporting Period”	the six months ended 30 June 2016
“%”	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 six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	<b>17,042</b>	11,143
Gross profit	<b>13,536</b>	7,230
Profit	<b>5,000</b>	196

- For the six months ended 30 June 2016, the Group's revenue increased approximately 53.2% from approximately RMB11.1 million for the six months ended 30 June 2015 to approximately RMB17.0 million.
- For the six months ended 30 June 2016, the Group's gross profit increased approximately 87.5% from approximately RMB7.2 million for the six months ended 30 June 2015 to approximately RMB13.5 million.
- For the six months ended 30 June 2016, the Group's profit increased approximately 2,400% from approximately RMB0.2 million for the six months ended 30 June 2015 to approximately RMB5.0 million.
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Group is a game developer focusing on the development of browser and mobile games. We have launched various language versions for the games we developed and licensed 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 Listing of our Company's Shares 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.

During the Reporting Period, the global game industry remained highly competitive, yet the development of various social network platforms in recent years has made it easier and less costly for game developers to open up new distribution channels and marketing platforms that has facilitated the presentation and distribution of their self-developed games to the public globally, and has also enabled the developers to cater to specific markets, which has contributed to the growth in the size of the browser games market we have been focusing on by leveraging on our cost advantage and strong research and development capability. We have been deepening our penetration in the browser games market so as to maintain our competitive strength in the highly competitive browser games market.

During the Reporting Period, in order to better capture the development opportunity from the fast growing global mobile markets, we grasped our advantage in research and development and our strong accumulation of technological knowledge and 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), which further expanded our game portfolio and diversified our revenue sources.

As of 30 June 2016, five main series of games, in aggregate, 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 33.3%. It has been over 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 RMB10.2 million for the six months ended 30 June 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 RMB0.3 million for the six months ended 30 June 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 RMB0.5 million for the six months ended 30 June 2016.

Since the mobile version of our Legend of Fairies (萌仙記) series was commercially launched in March 2016, the game series recorded revenue of approximately RMB0.4 million for the six months ended 30 June 2016.

The table below sets forth the five main series of games commercially launched by our licensed operators as of 30 June 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
	デヴァイン・グリモワール ／Divine Grimoire	Browser	September 2012
German	王者召喚~禁斷の魔導書	Mobile	September 2014
French	Kings and Legends	Browser	July 2013
Portuguese	Kings and Legends	Browser	December 2013
Traditional Chinese	Rise of Mythos	Browser	January 2014
Simplified Chinese	卡卡們的大亂鬥	Browser	June 2012
	卡卡們大亂鬥	Mobile	April 2013
Russian	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	Death of Shadow (formerly known as: Wgame)	Mobile	February 2016
Simplified Chinese	魔戒外传	Mobile	April 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 30 June 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 globally. Subject to their development progress and market response, it is estimated that these three new games will be launched in the third 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	Third to fourth quarter 2016	Fourth quarter 2015
Sweeties Fighting (零食大亂鬥) series	ACT	Third to fourth quarter 2016	Second quarter 2016
War of the Sulfulons (薩弗隆戰記) series	ARPG	Third to fourth quarter 2016	Second quarter 2016

## Prospects

The Group will further optimize the quality of self-developed game products with its excellent research and development core capability as the base, the stable research and development team as the support and a longer research and development cycle as to ensure and elevate the quality of its self-developed products. The Group will persist in the simultaneous development model of various games which can assure the Group's competitiveness in research and development, and to maintain a multiple product portfolio. For our existing games, the Group will carry out ongoing update and optimization of our browser games so as to generate stable revenue for us, we will at the same time raise the revenue generated from third-party internet platforms by mobile games launched during the Reporting Period in order to further enhance the growth potential of mobile games. Our research and development team will continue to introduce new modes of play for the games, release its games in more languages so as to cater for different players and license the games to operators for operation, in the short-to-mid term, the games should see continuing revenue growth from newly-acquired users.

In the second half of 2016, we will maintain our ongoing, timely and effective research as well as our capability in game upgrades, further profound our ascendancy in research and development and expand its research and development cooperation network through the increased cooperation with licensed operators, in order to establish our strengths in games research and development as well as to enhance the Group's profile in games research and development. Meanwhile, the Group has made active attempts into the development of innovative game types with further exploration, innovation and development. The Group will continue to enhance the investment in research and development and to attract and satisfy players with high-quality and diversified games.

## Financial Review

### *Revenue*

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

During the six months ended 30 June 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 53.2% from approximately RMB11.1 million for the six months ended 30 June 2015 to approximately RMB17.0 million for the six months ended 30 June 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 six months ended 30 June 2015 and 2016:

	For the six months ended 30 June			
	2016		2015	
	RMB'000	%	RMB'000	%
	(unaudited)		(unaudited)	
<b>Browser version</b>	<b>14,578</b>	<b>85.5</b>	10,776	96.7
License fees	<b>1,244</b>	<b>7.3</b>	989	8.9
Royalties	<b>13,334</b>	<b>78.2</b>	9,787	87.8
<b>Mobile version</b>	<b>2,464</b>	<b>14.5</b>	367	3.3
License fees	<b>539</b>	<b>3.2</b>	190	1.7
Royalties	<b>1,925</b>	<b>11.3</b>	177	1.6
	<b>17,042</b>	<b>100.0</b>	11,143	100.0



### Revenue by Game Series

The table below sets forth the breakdown of revenue by game series for each of the six months ended 30 June 2015 and 2016:

	For the six months ended 30 June			
	2016		2015	
	RMB'000	%	RMB'000	%
	(unaudited)		(unaudited)	
Kings & Legends (王者召喚)	5,675	33.3	7,975	71.6
Hero's Crown (英雄皇冠)	10,182	59.8	2,995	26.9
Heroines of the Three Kingdoms (姬戰三國)	332	1.9	173	1.5
Endless Battles (無盡爭霸)	463	2.7	—	—
Legend of Fairies (萌仙記)	390	2.3	—	—
<b>Total</b>	<b>17,042</b>	<b>100.0</b>	<b>11,143</b>	<b>100.0</b>

### 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 six months ended 30 June			
	2016		2015	
	RMB'000	%	RMB'000	%
	(unaudited)		(unaudited)	
PRC <sup>1</sup>	11,889	69.8	3,876	34.8
PRC <sup>2, 4</sup>	898	5.3	767	6.9
PRC <sup>3, 4</sup>	2	0.0	22	0.2
North America <sup>2</sup>	1,515	8.9	2,885	25.9
Asia Pacific (including Japan and Taiwan) <sup>2</sup>	1,834	10.7	2,507	22.5
Europe <sup>3</sup>	904	5.3	1,043	9.4
Europe <sup>2</sup>	—	—	43	0.3
<b>Total</b>	<b>17,042</b>	<b>100.0</b>	<b>11,143</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 and Reality Squared Game Co., Limited, in which Reality Squared Game Co., Limited and R2Game Co., Limited are group companies based in the PRC. The license we gave to R2Game Co., Limited for the operation of our games had been transferred to Reality Squared Game Co., Limited during the Reporting Period. Both companies had commercially launched our games in Europe and North America.

### **Direct Costs**

Our direct costs for the six months ended 30 June 2016 amounted to approximately RMB3.5 million, representing a decrease of approximately 10.3% as compared to approximately RMB3.9 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 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, 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 middle 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.

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

Our gross profit for the six months ended 30 June 2016 amounted to approximately RMB13.5 million, representing an increase of approximately 87.5% as compared to approximately RMB7.2 million for the six months ended 30 June 2015. Our gross profit margin for the six months ended 30 June 2016 amounted to approximately 79.4% and approximately 64.9% for the six months ended 30 June 2015. The increase in our gross profit and gross profit margin was mainly due to the increase in revenue brought by Hero's Crown (英雄皇冠) game series and the new game series launched during the Reporting Period.

### ***Other Income***

Our other income mainly consisted of interest income on short-term bank deposits. For the six months ended 30 June 2016, our other income was approximately RMB0.10 million, compared with approximately RMB0.14 million for the same period of 2015.

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

Our game research costs for the six months ended 30 June 2016 amounted to approximately RMB0.2 million, representing an increase of approximately 100.0% as compared to approximately RMB0.1 million for the six months ended 30 June 2015. The increase in our research costs was mainly due to the fact that three new games were in the game inception and evaluation stage during the Reporting Period.

### ***Distribution Costs***

Our distribution costs for the six months ended 30 June 2016 amounted to approximately RMB0.3 million, representing a decrease as compared to approximately RMB0.8 million for the same period in 2015. The decrease in our distribution costs was mainly due to the decrease in the number of promotional personnel.

### ***Administrative Expenses***

Our administrative expenses for the six months ended 30 June 2016 amounted to approximately RMB6.8 million, representing an increase of approximately 15.3% as compared to approximately RMB5.9 million for six months ended 30 June 2015. Without taking into account the listing related expenses, our administrative expenses for the six months ended 30 June 2016 amounted to approximately RMB3.5 million, remaining relatively stable as compared to approximately RMB3.3 million for the six months ended 30 June 2015.

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

Our income tax expenses for the six months ended 30 June 2016 amounted to approximately RMB1.4 million while we recorded RMB0.4 million for the six months ended 30 June 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 for the Period***

Given the aforesaid reasons, profit attributable to owner of the Company increased by approximately 2,400% from approximately RMB0.2 million for the six months ended 30 June 2015 to approximately RMB5.0 million for the six months ended 30 June 2016.

### ***Liquidity and Financial Resources***

For the six months ended 30 June 2016, we mainly financed our business with cash generated from our operating activities. The net proceeds from the completion of Listing in February 2016 also improved our cash position. 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 2016, the Group deposited its idle capital with commercial banks in the PRC and Hong Kong as short-term time deposits to allow inactive capital of the Group to generate certain return and did not engage in any investments with high risks or speculative derivative instruments.

## Cash and Cash Equivalents

As of 30 June 2016, our cash and cash equivalents amounted to approximately RMB60.2 million, compared with approximately RMB19.4 million as of 31 December 2015, which primarily consisted of cash at bank and cash in hand and which are mainly denominated in RMB (as to approximately 33.7%), HKD (as to approximately 58.4%), USD (as to approximately 7.8%) and other currencies (as to approximately 0.1%).

## Capital Expenditures

Our capital expenditures comprised expenditures on the purchase of furniture and office equipment and leasehold improvements. For the six months ended 30 June 2016, our total capital expenditures amounted to approximately RMB0.2 million (same period in 2015: approximately RMB0.7 million), including the purchase of furniture and office equipment of approximately RMB0.2 million (same period in 2015: approximately RMB0.5 million) and leasehold improvements of approximately RMBNil (same period in 2015: RMB0.2 million). We funded our capital expenditure by using our cash flow generated from our operations.

## Capital Structure

The Shares were listed on GEM of the Stock Exchange on 18 February 2016. The capital structure of the Company comprised ordinary shares.

## Borrowing and Gearing Ratio

As of 30 June 2016, we did not have any short-term or long-term bank borrowings.

As of 30 June 2016, the gearing ratio of the Group, calculated as total liabilities divided by total assets, was approximately 8.7% (31 December 2015: approximately 22.1%).

## Charge on Group Assets

As of 30 June 2016, no asset of the Group was pledged as a security for bank borrowing or any other financing facilities (31 December 2015: Nil).

## Information on Employees

As of 30 June 2016, the Group had 81 employees (30 June 2015: 113), mainly worked and located in the PRC. The table below sets forth the number of employees by function as at 30 June 2015 and 2016:

Department	As of 30 June 2016		2015	
	Number	% of total employees	Number	% of total employees
<b>Management</b>	<b>8</b>	<b>10%</b>	8	7%
<b>Project Development</b>	<b>46</b>	<b>57%</b>	70	62%
Game design	<b>11</b>	<b>14%</b>	15	13%
Programming	<b>18</b>	<b>22%</b>	28	25%
Art	<b>17</b>	<b>21%</b>	27	24%
<b>Project Support</b>	<b>20</b>	<b>24%</b>	30	27%
Marketing	<b>1</b>	<b>1%</b>	3	3%
Licensing and operator support	<b>13</b>	<b>16%</b>	20	18%
Information technology	<b>6</b>	<b>7%</b>	7	6%
<b>Finance and Administration</b>	<b>7</b>	<b>9%</b>	5	4%
<b>Total</b>	<b>81</b>	<b>100%</b>	113	100%

The total remuneration of the employees of the Group was approximately RMB4.8 million for the six months ended 30 June 2016 (same period in 2015: approximately RMB4.7 million).

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

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

The Group offers competitive remuneration package commensurate in line 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 Group is able to provide its employees with ample career development choices and opportunities of advancement. The Group organizes various training programs on a regular basis for its employees to enhance their knowledge of online game development, improve time management and internal communications and strengthen team building.

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

In preparation for the Listing, the Company carried out corporate reorganisation, details of which are set out in the section headed "History, Development and Reorganisation" in the Prospectus.

Save as disclosed in the Prospectus, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company during the Reporting Period.

### **Contingent Liabilities**

As of 30 June 2016, the Group did not have any significant contingent liabilities (31 December 2015: 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, RUB and HKD. Approximately 30.2% 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 2016 (30 June 2015: approximately 65.2%). Therefore, foreign exchange risk primarily arose from recognised assets in the Group when receiving or to receive foreign currencies from overseas cooperated counter parties.

Approximately 69.8% (30 June 2015: approximately 34.8%) of the transactions of the Company are denominated and settled in its functional currency, RMB. The Company's foreign exchange risk primarily arose from the cash and cash equivalents denominated in USD, EUR and HKD.

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

### **Use of Proceeds from the Placing**

The Shares of the Company was listed on the GEM of the Stock Exchange on 18 February 2016, and the net proceeds from the Placing was approximately HK\$28.9 million. During the Reporting Period, the Group has spent approximately HK\$1.8 million on the development of new games, approximately HK\$0.9 million on the continual optimisation of our existing games on various platforms, and approximately HK\$1.2 million on working capital and other general corporate purposes. The Company is currently actively seeking opportunities to obtain/acquire the adaptation rights of appropriate source materials, opportunities to acquire/invest in game developers, and enhance and diversify our game development capabilities.

### **Earnings Per Share**

For the six months ended 30 June 2015, the earnings per share of the Group was RMB0.16 cents. The calculation is based on the earnings for the period of approximately RMB0.2 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 issued on 1 January 2015.

For the six months ended 30 June 2016, the earnings per share of the Group was RMB3.12 cents. The calculation is based on the earnings for the period of approximately RMB5.0 million and on the basis of 160,000,000 shares of the Company in issue immediately after the Capitalisation Issue and pursuant to the Placing on 18 February 2016.

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 2016 and 2015.



## **Interim Dividends**

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2016.

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **Corporate Governance Practices**

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

The Company has adopted the principles and the Code provisions set out in the Code contained in Appendix 15 of the GEM Listing Rules.

The Directors consider the Company has complied with all the Code provisions throughout the Reporting Period.

### **Directors' Securities Transactions**

The Company has adopted the required standard of dealings regarding directors' securities transactions as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Among other things, the Company periodically issues notices to its Directors reminding them the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of financial results of the Group.

Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standards of dealings for the six months ended 30 June 2016.

## Disclosure of Interest as Per Registers Kept Pursuant to the SFO

### (a) *Interests and Short Positions of Substantial Shareholders and Other Persons in the Shares or Underlying Shares*

So far as is known to the Directors or chief executive of the Company, on 30 June 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%

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.

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

As at 30 June 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):

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

<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%

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 at 30 June 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.

## Share Option Scheme

The following is a summary of the principal terms of the share option scheme ("**Share Option Scheme**") conditionally adopted by our Company on 24 January 2016. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 23 of the GEM Listing Rules.

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the eligible participants have had or may have made to the Group. The scheme is valid and effective for a period of ten years commencing from the date of adoption of the scheme.

Eligible participants of the Share Option Scheme include:

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any Directors (including non-executive Directors and independent non executive Directors) of the Company or any of its subsidiaries;

- (iii) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and
- (iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group, the assessment criteria of which are:
  - (aa) contribution to the development and performance of the Group;
  - (bb) quality of work performed for the Group;
  - (cc) initiative and commitment in performing his/her duties; and
  - (dd) length of service or contribution to the Group.

As at 30 June 2016, the total number of Shares available for issue under the scheme is 16,000,000 Shares, representing 10% of the issued share capital of the Company. The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme or any other scheme of the Company but subsequently cancelled (the “**Cancelled Shares**”) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular and the approval of the Shareholders in general meeting.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date.

Upon acceptance of an option to subscribe for shares granted pursuant to the scheme (the “**Option**”), the eligible participant shall pay HK\$1.00 to the Company as consideration for the grant. The subscription price for the Shares subject to Options will be a price determined by the Board and notified to each participant and shall be the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the Options;

- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of grant of the Options; and
- (iii) the nominal value of a Share.

No share option has been granted as at 30 June 2016 and since the adoption of the scheme.

### **Competing Interest**

None of the Directors or the Controlling Shareholders or the substantial shareholders of the Company or their respective associates has any interest in any business which competed or may compete with the business of the Group during the Reporting Period.

### **Contracts with Controlling Shareholders**

No contract of significance has been entered into between the Company or any of its subsidiaries and the Controlling Shareholders during the Reporting Period.

### **Directors' Interest in Contracts of Significance**

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party to and in which a Director had a material interest in, whether directly or indirectly, and subsisted as of 30 June 2016 or at any time during the Reporting Period.

### **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 six months ended 30 June 2016.

## 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. Zhang Xiongfeng and Mr. He Yunpeng, our independent non-executive Directors. The written terms of reference of the Audit Committee are published on the GEM website and the Company's website.

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

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

The Group's unaudited financial statements for the six months ended 30 June 2016 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 2016 complied with applicable accounting standards, the GEM listing Rules and that adequate disclosures have been made.

## Interest of Compliance Adviser

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



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

FOR THE SIX MONTHS ENDED 30 JUNE

	Notes	2016 RMB	2015 RMB
<b>Revenue</b>	4	<b>17,042,541</b>	11,143,392
Direct costs		<b>(3,506,462)</b>	(3,913,221)
Gross profit		<b>13,536,079</b>	7,230,171
Other income	4	<b>98,132</b>	141,316
Game research costs		<b>(159,438)</b>	(54,932)
Distribution costs		<b>(297,566)</b>	(824,714)
Administrative expenses		<b>(6,778,320)</b>	(5,890,265)
Profit before income tax	5	<b>6,398,887</b>	601,576
Income tax expenses	6	<b>(1,399,125)</b>	(405,096)
<b>Profit for the period</b>		<b>4,999,762</b>	196,480
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
— Exchange differences on translating foreign operations		<b>333,539</b>	(392,731)
<b>Other comprehensive income for the period</b>		<b>333,539</b>	(392,731)
<b>Total comprehensive income for the period</b>		<b>5,333,301</b>	(196,251)
<b>Profit for the period attributable to:</b>			
Owners of the Company		<b>4,999,762</b>	196,480
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>5,333,301</b>	(196,251)
<b>Earnings per Share</b>			
Basic and diluted (RMB cents)	8	<b>3.12</b>	0.16

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	<i>Notes</i>	<b>As at 30 June 2016 RMB (unaudited)</b>	As at 31 December 2015 RMB (audited)
<b>Non-current assets</b>			
Plant and equipment	9	<b>1,810,947</b>	1,924,636
Intangible assets	10	<b>10,315,360</b>	9,536,376
		<b>12,126,307</b>	11,461,012
<b>Current assets</b>			
Trade receivables	11	<b>12,398,534</b>	10,825,753
Prepayments, deposits and other receivables		<b>376,007</b>	4,226,636
Cash and cash equivalents	12	<b>60,224,200</b>	19,364,920
		<b>72,998,741</b>	34,417,309
<b>Current liabilities</b>			
Trade and other payables	13	<b>988,296</b>	4,264,197
Deferred revenue	14	<b>4,818,066</b>	3,410,259
Tax payables		<b>741,723</b>	964,538
		<b>6,548,085</b>	8,638,994
<b>Net current assets</b>		<b>66,450,656</b>	25,778,315
<b>Total assets less current liabilities</b>		<b>78,576,963</b>	37,239,327
<b>Non-current liability</b>			
Deferred revenue	14	<b>829,905</b>	1,480,761
<b>Net assets</b>		<b>77,747,058</b>	35,758,566
<b>Equity</b>			
Issued share capital	15	<b>1,347,236</b>	1
Reserves	16	<b>76,399,822</b>	35,758,565
<b>Total equity</b>		<b>77,747,058</b>	35,758,566

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

	Share capital	Capital reserve*	Merger reserve*	Statutory reserve*	Dividend reserve*	Foreign exchange reserve*	Retained profits*	Total
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
For the six months ended 30 June 2016 (unaudited)								
As 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	—	—	—	—	—	—	4,999,762	4,999,762
Total comprehensive income	—	—	—	—	—	333,539	—	333,539
Profit and total comprehensive income for the period	—	—	—	—	—	333,539	4,999,762	5,333,301
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	—	—	—	—	—	36,655,191
As at 30 June 2016	1,347,236	46,509,216	10,000,000	4,333,239	—	939,163	14,618,204	77,747,058
For the six months ended 30 June 2015 (unaudited)								
As at 1 January 2015	10,000,001	—	—	2,618,482	5,000,000	—	2,604,016	20,222,499
Profit for the period	—	—	—	—	—	—	196,480	196,480
Total comprehensive income	—	—	—	—	—	(392,731)	—	(392,731)
Profit and total comprehensive income for the period	—	—	—	—	—	(392,731)	196,480	(196,251)
Transactions with owners:								
Arising from the Reorganisation	(10,000,000)	—	10,000,000	—	—	—	—	—
Capital contribution from shareholders (note 16(a))	—	11,201,260	—	—	—	—	—	11,201,260
Dividend to shareholders of a subsidiary (note 7)	—	—	—	—	(5,000,000)	—	—	(5,000,000)
	(10,000,000)	11,201,260	10,000,000	—	(5,000,000)	—	—	6,201,260
As at 30 June 2015	1	11,201,260	10,000,000	2,618,482	—	(392,731)	2,800,496	26,227,508

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)**

FOR THE SIX MONTHS ENDED 30 JUNE

	<b>2016</b>	2015
	<b>RMB</b>	RMB
Net cash generated from operating activities	<b>6,598,679</b>	662,482
Net cash used in investing activities	<b>(2,636,960)</b>	(3,352,527)
Net cash generated from financing activities	<b>36,564,022</b>	3,454,372
<b>Net increase in cash and cash equivalents</b>	<b>40,525,741</b>	764,327
<b>Cash and cash equivalents at beginning of period</b>	<b>19,364,920</b>	14,619,480
<b>Effect of foreign exchange rate changes</b>	<b>333,539</b>	(392,731)
<b>Cash and cash equivalents at end of period</b>	<b>60,224,200</b>	14,991,076
<b>Analysis of cash and cash equivalents</b>		
Cash at banks and in hand	<b>60,224,200</b>	14,991,076

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

### 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 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 statement of financial position as at 30 June 2016, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows of the Group for the six months ended 30 June 2016, 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 12 August 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 interim condensed financial statements for the six months ended 30 June 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 interim condensed 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 interim condensed financial statements has been prepared on the historical cost basis. The interim condensed financial statements are presented in Renminbi (“RMB”) except when otherwise indicated.

### 3. SEGMENT INFORMATION

#### (a) Reportable Segments

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

#### (b) Geographic Information

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

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

	<b>Revenue from licensed operators*</b>	
	<b>For the six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>RMB</b>	RMB
	<b>(unaudited)</b>	(unaudited)
PRC (place of domicile)	<b>12,789,895</b>	4,664,953
North America	<b>1,514,722</b>	2,885,404
Japan	<b>1,379,500</b>	1,545,740
Taiwan	<b>454,587</b>	960,930
Germany	<b>903,837</b>	1,086,365
	<b>17,042,541</b>	11,143,392

(c) **Information About Major Licensed Operators**

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

	For the six months ended 30 June	
	2016 RMB (unaudited)	2015 RMB (unaudited)
Licensed operator A	6,380,459	N/A*
Licensed operator B	2,591,518	1,680,389
Licensed operator C	1,857,758	**
Licensed operator D	N/A*	2,591,730
Licensed operator E	N/A*	1,545,740
	<b>10,829,735</b>	5,817,859

\* The corresponding revenue does not contribute over 10% of the Group in the respective year.

\*\* No revenue contribute to the Group in the respective period.

4. **REVENUE AND OTHER INCOME**

	For the six months ended 30 June	
	2016 RMB (unaudited)	2015 RMB (unaudited)
<b>Revenue</b>		
License fees and royalties	17,042,541	11,143,392
<b>Other income</b>		
Interest income	98,132	115,865
Others	—	25,451
	<b>98,132</b>	141,316

## 5. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	For the six months ended 30 June	
	2016 RMB (unaudited)	2015 RMB (unaudited)
Auditors' remuneration	311,955	3,302
Depreciation of plant and equipment*	314,655	116,393
Amortisation of intangible assets**	1,755,142	1,152,782
Operating lease rentals in respect of land and buildings	857,335	563,462
Operating lease rentals in respect of servers	147,244	256,693
Write-off of plant and equipment	—	4,238
Loss on disposal of plant and equipment	—	1,904
Listing expenses	3,330,254	2,625,000

\* 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	
	2016 RMB (unaudited)	2015 RMB (unaudited)
PRC Enterprise Income Tax ("EIT")	1,399,125	405,096

No Hong Kong Profits Tax was provided in the consolidated financial statements as the Group has no estimated assessable profit derived from or arising in Hong Kong during the six months ended 30 June 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 twelve months ended 31 December 2014. For six months ended 30 June 2016 and 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 30 June 2016 and 2015.

## 7. DIVIDEND

No dividend was paid or declared by the Company during the six months ended 30 June 2015 and 2016, nor has any dividend been proposed since the end of the Reporting Period.

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

## 8. EARNINGS PER SHARE

For the six months ended 30 June 2015, the earnings per share of the Group was RMB0.16 cents. The calculation is based on the earnings for the period of approximately RMB0.2 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 issued on 1 January 2015.

For the six months ended 30 June 2016, the earnings per share of the Group was RMB3.12 cents. The calculation is based on the earnings for the period of approximately RMB5.0 million and on the basis of 160,000,000 shares of the Company in issue immediately after the Capitalisation Issue and pursuant to the Placing on 18 February 2016.

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 2016 and 2015.

## 9. PLANT AND EQUIPMENT

For the six months ended 30 June 2016, purchases of related equipment by the Group was RMB0.2 million (for the six months ended 30 June 2015: approximately RMB0.7 million).

## 10. INTANGIBLE ASSETS

For the six months ended 30 June 2016, additional development cost of the Group was approximately RMB2.5 million (for the six months ended 30 June 2015: RMB2.5 million). The remaining movement was merely due to amortisation and the transfer from development costs to game intellectual properties.

## 11. TRADE RECEIVABLES

The Group allows credit period within 120 days to its licensed operators.

The aging analysis of trade receivables at the end of the Reporting Period, based on invoice date is as follows:

	<b>As at 30 June 2016 RMB (unaudited)</b>	As at 31 December 2015 RMB (audited)
0–30 days	<b>2,914,829</b>	3,184,160
31–60 days	<b>4,179,635</b>	3,220,362
61–90 days	<b>1,452,187</b>	1,370,568
91–120 days	<b>1,355,310</b>	1,368,849
More than 120 days	<b>2,496,573</b>	1,681,814
	<b>12,398,534</b>	10,825,753

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

	<b>As at 30 June 2016 RMB (unaudited)</b>	As at 31 December 2015 RMB (audited)
Neither past due nor impaired	<b>9,901,961</b>	9,143,939
Past due for less than 30 days	<b>755,823</b>	810,733
Past due for more than 30 days but less than 60 days	<b>873,916</b>	716,502
Past due for more than 60 days but less than 120 days	<b>456,034</b>	127,436
Past due for more than 120 days but less than 1 year	<b>357,819</b>	25,271
Past due for more than 1 year	<b>52,981</b>	1,872
	<b>12,398,534</b>	10,825,753

Receivables that were neither past due nor impaired related to licensed operators for whom there was no recent history of default. Receivables that were past due but not impaired related other licensed operators with long business relationship. The management considered that no impairment allowance was provided as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience.

The Group does not hold any collateral over these balances.

## 12. CASH AND CASH EQUIVALENTS

	<b>As at 30 June 2016 RMB (unaudited)</b>	As at 31 December 2015 RMB (audited)
Cash at banks and in hand	<b>60,224,200</b>	19,364,920

The analysis of cash and bank balances denominated in foreign currencies at the end of the Reporting Period is shown as follows:

	<b>As at 30 June 2016 RMB (unaudited)</b>	As at 31 December 2015 RMB (audited)
Euro ("EUR")	<b>38,428</b>	31,478
HK\$	<b>35,192,358</b>	1,531,813
United States dollars ("USD")	<b>4,696,874</b>	4,813,055
RMB	<b>20,296,540</b>	12,988,574
	<b>60,224,200</b>	19,364,920

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

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

### 13. TRADE AND OTHER PAYABLES

	<b>As at 30 June 2016 RMB (unaudited)</b>	As at 31 December 2015 RMB (audited)
Trade payables	<b>203,030</b>	99,000
Accruals	<b>785,266</b>	3,898,613
Other payables	<b>—</b>	266,584
	<b>988,296</b>	4,264,197

An aging analysis of the Group's trade payables at the end of the Reporting Period, based on invoice date, is as follows:

	<b>As at 30 June 2016 RMB (unaudited)</b>	As at 31 December 2015 RMB (audited)
Less than 30 days	<b>203,030</b>	99,000

## 14. DEFERRED REVENUE

	<b>As at 30 June 2016 RMB (unaudited)</b>	As at 31 December 2015 RMB (audited)
Deferred license fees		
— Current	<b>4,818,066</b>	3,410,259
— Non-current	<b>829,905</b>	1,480,761
	<b>5,647,971</b>	4,891,020

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

As at 30 June 2016 and 31 December 2015, deferred revenue included in non-current liability was expected to be recognised as license fees and royalties within two years commencing from the end of the Reporting Period.

## 15. SHARE CAPITAL

The Company was incorporated on 3 November 2014 in the Cayman Islands with an authorised share capital of HK\$390,000 divided into 39,000,000 shares of HK\$0.01 each, of which one share was allotted and issued to a subscriber at par value. On 10 November 2014, the one share was transferred to Meteor Technology International Limited ("**Meteor Technology**"), a shareholder of the Company.

On 10 November 2014, the Company allotted and issued 49 shares, 15 shares, 16 shares and 16 shares to Sulfulon International Limited, Meteor Technology, Raglon International Limited and R&P Global Limited respectively, the shareholders of the Company at par value. Upon completion of such subscription and allotment, the total number of issued shares of the Company was 97 shares as at 31 December 2014.

On 18 November 2014, Fire Rock International Limited ("**Fire Rock International**") allotted and issue 1 share to the Company at par value. Fire Rock International thus became a direct wholly-owned subsidiary of the Company.

Since incorporation of Fire Rock International (HK) Limited ("**Fire Rock (HK)**"), which is wholly owned by Fire Rock International.

On 21 April 2015, the then shareholders of Shenzhen Fire Element has entered into the equity transfer agreements with Fire Rock (HK), pursuant to which each of the then shareholders of Shenzhen Fire Element agreed to transfer their equity interests in Shenzhen Fire Element to Fire Rock (HK).

Pursuant to the Reorganisation of the Group, on 2 June 2015, the Company, Elite Charm Ventures Limited (“**Elite Charm**”), one of then shareholders of Shenzhen Fire Element, and Fire Rock (HK) entered into a supplemental reorganisation equity transfer agreement, pursuant to which the Company agreed to allot and issue 3 shares to Elite Charm, representing 3% of the then enlarged issued share capital of the Company after allotment at a consideration of RMB330,000, which the parties agreed has to be used to fully set off the consideration payable by Fire Rock (HK) to Elite Charm under the reorganisation equity transfer agreements. The 3 shares were then allotted and issued by Company to Elite Charm, credited as fully paid, on the same date.

As a result of the above allotment, the total number of issued shares of the Company increased to 100 shares as at 30 June 2016.

On 24 January 2016, the shareholders of the Company resolved to increase the authorised share capital of the Company from HK\$390,000 to HK\$5,000,000, divided into 500,000,000 shares each by the creation of an additional 461,000,000 shares.

**Issued shares:**

	Number of shares	Par value of shares <i>HKD</i>	Equivalent par value of shares <i>RMB</i>
Ordinary shares of HK\$0.01 each			
Upon incorporation	1	—	—
Allotment of shares	96	1	1
As at 31 December 2014	97	1	1
Issue of shares pursuant to the Reorganisation	3	—	—
As at 31 December 2015	100	1	1
Allotment of shares under the Capitalisation			
Issue (a)	119,999,900	1,199,999	1,011,899
Issue of shares by way of Placing (b)	40,000,000	400,000	335,336
As at 30 June 2016	160,000,000	1,600,000	1,347,236

- (a) Pursuant to the resolutions passed by the shareholders of the Company on 24 January 2016, the Directors were authorised to capitalise HK\$1,199,999 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 119,999,900 Shares for allotment and issue to the then existing shareholders of the Company and so that each share should rank pari passu in all respects with the then existing issued shares. On 18 February 2016, the Company allotted and issued such shares and gave effect to such capitalisation as mentioned above.
- (b) The Company's shares were listed on the GEM of the Stock Exchange on 18 February 2016 and 40,000,000 ordinary shares were issued at HK\$1.28 per share on 18 February 2016.

## 16. RESERVES

Details of the movements on the Group's reserves for the six months ended 30 June 2016 and 2015 is presented in the consolidated statement of changes in equity. The nature and purposes of reserves within equity are as follows:

### (a) *Capital Reserve*

On 20 March 2015, each of the shareholders of the Company advanced a shareholders' loan (the "**Shareholders' Loan**") amounted to HK\$28,000,000 (equivalent to approximately RMB22,094,240) to the Company but irrevocably waived by them on 24 March 2015. The Shareholders' Loan was classified as capital reserve of the Company on the same date. The funds were used to provide an inter-group loan to Fire Rock (HK).

On 21 April 2015, Fire Rock (HK) paid a cash consideration of HK\$13,800,000 (equivalent to approximately RMB10,892,980) to Mr. Zhang, Mr. Wu, Mr. Rao and Mr. Huang, the then shareholders of Shenzhen Fire Element in exchange for their equity interests in Shenzhen Fire Element as part of the Reorganisation. The consideration was funded by the Shareholders' Loan. The remaining balance of the Shareholders' Loan would be used for general working capital requirements and the expenses of the Group.

The above transactions are an integral part of the Reorganisation and in substance are accounted for by the Group as a single arrangement. Accordingly, the capital reserve of the Group reflects the cash inflow of HK\$14,200,000 (equivalent to approximately RMB11,201,260) to the Group during the six months ended 30 June 2016.

**(b) Merger Reserve**

The merger reserve of the Group represents the difference between the investment costs in subsidiaries and the nominal value of the issued share capital of the Group's subsidiaries.

**(c) Statutory Reserve**

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the company incorporated in the PRC now comprising the Group, i.e. the PRC Operational Entity, it is required to appropriate 10% of the annual net profits of the PRC Operational Entity, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory reserve fund before distributing any net profit. When the balance of the statutory reserve fund reaches 50% of the registered capital of the PRC Operational Entity, any further appropriation is at the discretion of shareholders. The statutory reserve fund can be used to offset prior years' losses, if any, and may be capitalised as capital, provided that the remaining balance of the statutory reserve fund after such issue is no less than 25% of registered capital.

## 17. RELATED PARTY TRANSACTIONS

- (a)** In addition to those related party transactions disclosed elsewhere in the financial statements, the Group entered into the following transaction with its related party during the period:

Name	Related party relationship	Type of transaction	For the six months ended 30 June	
			2016 RMB (unaudited)	2015 RMB (unaudited)
深圳市銳網科技 有限公司	Common director who has equity interest in both entities	Rental expenses on servers	—	36,258

The above party is a related company in which Mr. Zhang Yan, one of the Company's directors, acts as a director and have indirect equity interests. On 4 February 2015, the above party ceased to be a related party as Mr. Zhang Yan disposed all of his equity interests to an independent third party.



**(b) Emoluments of Key Management Personnel**

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

	<b>For the six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>RMB</b>	RMB
	<b>(unaudited)</b>	(unaudited)
Salaries, allowances and benefits in kind	<b>787,404</b>	731,789
Discretionary bonus	—	301,620
Contributions to defined contribution retirement plan	<b>33,422</b>	32,974
	<b>820,826</b>	1,066,383

**18. OPERATING LEASE COMMITMENTS**

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

	<b>As at 30 June 2016 RMB (unaudited)</b>	As at 31 December 2015 RMB (audited)
Within one year	<b>1,795,097</b>	1,769,691
In the second to third year, inclusive	<b>1,495,914</b>	2,345,481
	<b>3,291,011</b>	4,115,172

The Group leases an office under operating lease. The lease runs for an initial period of three years (2015: two years). The above lease commitments only include commitments for basic rental and none of the lease includes any contingent rental.