



INTERIM REPORT 2017



**火岩控股**  
FIRE ROCK HOLDINGS

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

(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.*

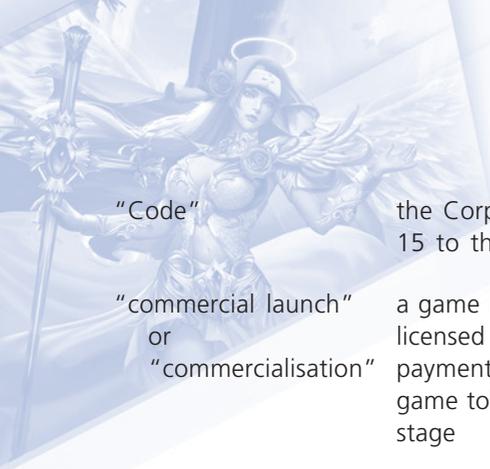


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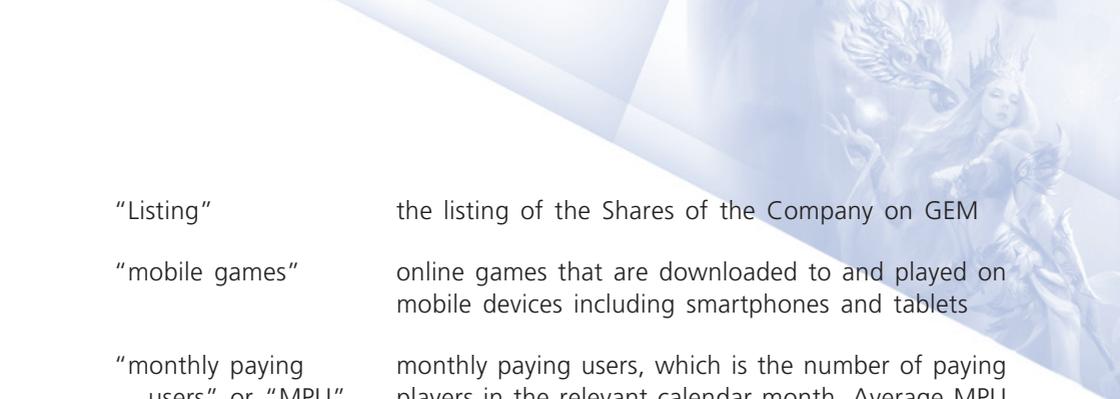
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## DEFINITION

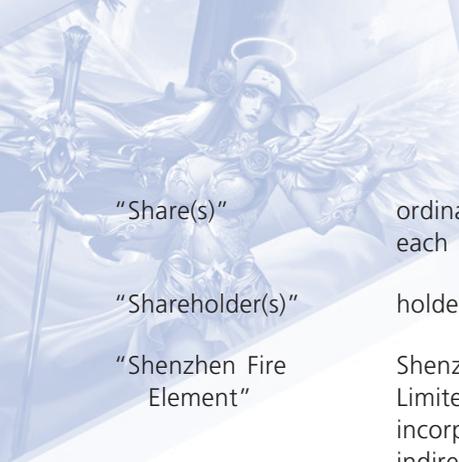
“ACT”	action game, which refers to action-themed games in which players control the avatar of a protagonist to navigate different levels of the game, and typically to, collect items, avoid obstacles and fight enemies, testing players’ hand-eye coordination and reaction time
“Android”	an operating system 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 28 February 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
“remuneration committee”	the remuneration committee under the Board
“Reporting Period”	the six months ended 30 June 2017
“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
“%”	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 Directors

Mr. ZHANG Yan (*Chairman*)  
Mr. ZHANG Xiongfeng  
Ms. YANG Kan

### Independent Non-executive Directors

Mr. CHAN King Fai  
Mr. HE Yunpeng  
Mr. CHEN Di

### Audit Committee

Mr. CHAN King Fai (*Chairman*)  
Mr. HE Yunpeng  
Mr. CHEN Di

### Remuneration Committee

Mr. CHEN Di (*Chairman*)  
Mr. CHAN King Fai  
Mr. HUANG Yong

### Nomination Committee

Mr. ZHANG Yan (*Chairman*)  
Mr. HE Yunpeng  
Mr. CHEN Di

### 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

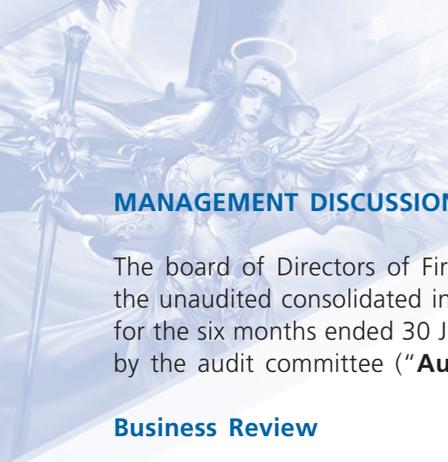
**Company Website**

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

## FINANCIAL HIGHLIGHTS (UNAUDITED)

	For the six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	<b>34,105</b>	17,042
Gross profit	<b>29,268</b>	13,536
Profit	<b>21,354</b>	5,000

- For the six months ended 30 June 2017, the Group's revenue increased approximately 100.6% from approximately RMB17.0 million for the six months ended 30 June 2016 to approximately RMB34.1 million.
- For the six months ended 30 June 2017, the Group's gross profit increased approximately 117.0% from approximately RMB13.5 million for the six months ended 30 June 2016 to approximately RMB29.3 million.
- For the six months ended 30 June 2017, the Group's profit increased approximately 328.0% from approximately RMB5.0 million for the six months ended 30 June 2016 to approximately RMB21.4 million.
- The Board declares the payment of interim dividend of HK\$0.15 per share for the six months ended 30 June 2017 (for the six months ended 30 June 2016: Nil).



## MANAGEMENT DISCUSSION AND ANALYSIS

The board of Directors of Fire Rock Holdings Limited is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries for the six months ended 30 June 2017. The interim results have been reviewed by the audit committee (“**Audit Committee**”) of the Company.

### Business Review

Notwithstanding the competition and challenges of the game market in general during the six months ended 30 June 2017, the Group nonetheless achieved satisfactory financial results. Our revenue increased by 100.6% from approximately RMB17.0 million for the six months ended 30 June 2016 to approximately RMB34.1 million for the six months ended 30 June 2017. The revenue of browser games and mobile games reached approximately RMB8.6 million and approximately RMB25.5 million respectively, representing a decrease of 41.1% and an increase of 962.5% respectively as compared to approximately RMB14.6 million and approximately RMB2.4 million for the same period in 2016. The revenue of mobile games amounted to 74.8% of the Company’s revenue. Profit attributable to owner of the Company increased by 328.0% from approximately RMB5.0 million for the six months ended 30 June 2016 to approximately RMB21.4 million for the six months ended 30 June 2017.

The increase in revenue of our games can be attributable to the continued upgrades of our games that continued to attract users, the closer co-operations with licensed operators and the continued commercial launches of new game products. During the Reporting Period, the Group commercially launched three mobile games, being the mobile versions of Number Drop, G-game and Sweeties Fighting (零食大亂鬥), which better captured the fast growing opportunity from the mobile markets and further expanded our game portfolio and diversified our revenue sources.

As of 30 June 2017, we have licensed nine self-developed games in aggregate, including the mobile and browser versions of Kings & Legends (王者召喚) series, the mobile and browser versions of Hero’s Crown (英雄皇冠) series, the browser version of Heroines of Three Kingdoms (姬戰三國) series, the mobile version of Endless Battles (無盡爭霸) series, the mobile version of Legend of Fairies (萌仙記) series, the mobile version of Road of Vengeance (復仇之路) series, the mobile version of Number Drop series, the mobile version of G-game



series and the mobile version of Sweeties Fighting (零食大亂鬥) series to various game operators for the operation, publication and distribution of such games within an agreed period and within designated territories.

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 13.1%. It has been over five 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.

The browser version and the mobile version of our Hero's Crown (英雄皇冠) series were commercially launched in January 2015 and February 2016, respectively. Our revenue from the game series amounted to approximately RMB12.2 million for the six months ended 30 June 2017.

The browser version of our Heroines of Three Kingdoms (姬戰三國) series was commercially launched in January 2015. Our revenue from the game series amounted to approximately RMB0.2 million for the six months ended 30 June 2017.

The mobile version of our Endless Battles (無盡爭霸) series was commercially launched in February 2016. Our revenue from the game series amounted to approximately RMB2.5 million for the six months ended 30 June 2017.

The mobile version of our Legend of Fairies (萌仙記) series was commercially launched in March 2016. Our revenue from the game series amounted to approximately RMB3.6 million for the six months ended 30 June 2017.

The mobile version of our Road of Vengeance (復仇之路) series was commercially launched in August 2016. Our revenue from the game series amounted to approximately RMB2.7 million for the six months ended 30 June 2017.



The mobile version of our Number Drop series was commercially launched in March 2017. Our revenue from the game series amounted to approximately RMB1.7 million for the six months ended 30 June 2017.

The mobile version of our G-game series was commercially launched in March 2017. Our revenue from the game series amounted to approximately RMB1.7 million for the six months ended 30 June 2017.

The mobile version of our Sweeties Fighting (零食大亂鬥) series was commercially launched in May 2017. Our revenue from the game series amounted to approximately RMB5.1 million for the six months ended 30 June 2017.

The table below sets forth the nine main series of games which are operating and commercially launched by our licensed operators as of 30 June 2017:

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
	Kings and Legends	Browser	December 2012
Japanese	ティウアイン・グリモワール / Divine Grimoire	Browser	September 2012
German	Kings and Legends	Browser	July 2013
French	Kings and Legends	Browser	December 2013
Traditional Chinese	卡卡們的大亂鬥	Browser	June 2012
Simplified Chinese	王者召喚	Browser	March 2012
<i>Hero's Crown (英雄皇冠) series of games</i>			
Simplified Chinese	英雄皇冠	Browser	March 2015
Traditional Chinese	卡卡們的大亂鬥II : 英雄皇冠	Browser	June 2015
New Malay	Death of Shadow (Formerly known as: Wgame)	Mobile	February 2016
Simplified Chinese	魔戒外傳	Mobile	April 2016
<i>Heroines of Three Kingdoms (姬戰三國) series of games</i>			
Simplified Chinese	姬戰三國	Browser	January 2015



Language version	Game title	Platform	Initial commercial launch date
<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
<i>Road of Vengeance (復仇之路) series of games</i>			
Simplified Chinese	复仇之路	Mobile	August 2016
<i>Number Drop series of games</i>			
Simplified Chinese	Number Drop	Mobile	March 2017
<i>G-game series of games</i>			
Simplified Chinese	G-game	Mobile	March 2017
<i>Sweeties Fighting (零食大亂鬥) series of games</i>			
Simplified Chinese	零食大乱斗	Mobile	May 2017

As of 30 June 2017, we also had four game series under research and development, including the War of the Sulfulons (薩弗隆戰記) series, the Super Tycoon (超級大亨) series, the Forest Gala (森林大聯歡) series and the Super Cute Monster (超級逗萌獸) series. It is intended that these four 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 four new games will be launched in the third quarter of 2017.

Game Title	Genre	Expected Launch Date	Start of Game Inception and Evaluation
War of the Sulfulons (薩弗隆戰記) series	ARPG	Third quarter 2017	Second quarter 2016
Super Tycoon (超級大亨) series	2D action leisure	Third quarter 2017	First quarter 2017
Forest Gala (森林大聯歡) series	3D horizontal catching	Third quarter 2017	First quarter 2017
Super Cute Monster (超級逗萌獸) series	2D vertical action MMORPG	Third quarter 2017	Second quarter 2017



## Prospects

The Group will further optimize the quality of self-developed game products based on the satisfactory results obtained during the first half of 2017. We will devote much effort to our core products and maintain our strategies of using 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. Based on that, we will be launching innovative products and game features with an accelerated pace as to maintain a multiple product portfolio. We believe the second half of 2017 will be a fruitful period for us.

The Group will carry out ongoing update and optimization of our existing games so as to generate stable revenue for us. Meanwhile, we will actively explore the potential brought from mobile games launched during the Reporting Period at third-party internet platforms as to raise the revenue generated from such games 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, the games should see continuing revenue growth from newly-acquired users.

## 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 2017, 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 100.6% from approximately RMB17.0 million for the six months ended 30 June 2016 to approximately RMB34.1 million for the six months ended 30 June 2017. The increase in revenue was mainly due to the increase in revenue brought by the launch of seven mobile games series successively since 2016, being Hero's Crown (英雄皇冠) game series, Endless Battles (無盡爭霸) game series, Legend of Fairies (萌仙記) game series, Road of Vengeance (復仇之路) game series, Number Drop game series, G-game game series and Sweeties Fighting (零食大亂鬥) 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 2017 and 30 June 2016:

	For the six months ended 30 June			
	2017		2016	
	RMB'000	%	RMB'000	%
	(unaudited)		(unaudited)	
<b>Browser version</b>	<b>8,602</b>	<b>25.2</b>	14,578	85.5
License fees	1,999	5.8	1,244	7.3
Royalties	6,603	19.4	13,334	78.2
<b>Mobile version</b>	<b>25,503</b>	<b>74.8</b>	2,464	14.5
License fees	807	2.4	539	3.2
Royalties	24,696	72.4	1,925	11.3
	<b>34,105</b>	<b>100.0</b>	17,042	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 2017 and 30 June 2016:

	For the six months ended 30 June			
	2017 RMB'000 (unaudited)	%	2016 RMB'000 (unaudited)	%
Kings & Legends (王者召喚)	4,452	13.1	5,675	33.3
Hero's Crown (英雄皇冠)	12,233	35.9	10,182	59.8
Heroines of the Three Kingdoms (姬戰三國)	164	0.5	332	1.9
Endless Battles (無盡爭霸)	2,452	7.2	463	2.7
Legend of Fairies (萌仙記)	3,598	10.5	390	2.3
Road of Vengeance (復仇之路)	2,691	7.9	—	—
Number Drop	1,691	4.9	—	—
G-game	1,681	4.9	—	—
Sweeties Fighting (零食大亂鬥)	5,143	15.1	—	—
	<b>34,105</b>	<b>100.0</b>	17,042	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 six months ended 30 June			
	2017 RMB'000 (unaudited)	%	2016 RMB'000 (unaudited)	%
The PRC <sup>1</sup>	31,461	92.3	11,889	69.8
The PRC <sup>2,4</sup>	522	1.5	898	5.3
The PRC <sup>3,4</sup>	624	1.8	2	0.0
North America <sup>2</sup>	144	0.4	1,515	8.9
Asia Pacific (including Japan and Taiwan) <sup>2</sup>	981	2.9	1,834	10.7
Europe <sup>3</sup>	373	1.1	904	5.3
<b>Total</b>	<b>34,105</b>	<b>100.00</b>	<b>17,042</b>	<b>100.0</b>

### Notes:

1. Settled in RMB
2. Settled in USD
3. Settled in EUR
4. 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 in 2016. Both companies had commercially launched our games in Europe and North America.

Revenue derived from Changyou.com (US) LLC. and ChangYou.com Limited, in which Changyou.com (US) LLC. and ChangYou.com Limited are group companies based in the PRC. The license we gave to Changyou.com (US) LLC. for the operation of our games had been transferred to ChangYou.com Limited in 2016. Both companies had commercially launched our games in Europe and North America.



### **Direct costs**

Our direct costs for the six months ended 30 June 2017 amounted to approximately RMB4.8 million, representing an increase of approximately 37.1% as compared to approximately RMB3.5 million for the same period in 2016. The increase in our direct costs was mainly because we commercially launched three new mobile games during the Reporting Period, being the Number Drop series, the G-game series and the Sweeties Fighting (零食大亂鬥) series, which resulted in the increase in amortisation of our intangible assets, the increase in salaries and welfare expenses and the increase in business tax and surcharges resulted from the significant increase in revenue.

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

Our gross profit for the six months ended 30 June 2017 amounted to approximately RMB29.3 million, representing an increase of approximately RMB15.8 million as compared to approximately RMB13.5 million for the six months ended 30 June 2016. Our gross profit margin for the six months ended 30 June 2017 amounted to approximately 85.9% and approximately 79.4% for the six months ended 30 June 2016. The increase in our gross profit and gross profit margin was mainly due to the increase in revenue brought by the launch of seven mobile game series since 2016, being the Hero's Crown (英雄皇冠) series, Endless Battles (無盡爭霸) series, Legend of Fairies (萌仙記) series, Road of Vengeance (復仇之路) series, Number Drop series, G-game series and Sweeties Fighting (零食大亂鬥) series.

### **Other income**

Our other income mainly consisted of interest income of short term bank deposits. For the six months ended 30 June 2017, our other income was approximately RMB0.3 million, compared with approximately RMB0.1 million for the same period of 2016.



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

Our game research costs for the six months ended 30 June 2017 amounted to approximately RMB0.3 million, representing an increase of approximately RMB0.1 million as compared to approximately RMB0.2 million for the six months ended 30 June 2016. 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***

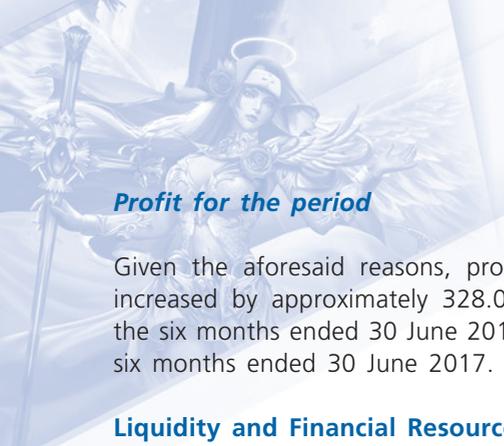
Our distribution costs for the six months ended 30 June 2017 amounted to approximately RMB0.3 million, remaining relatively stable as compared to RMB0.3 million for the same period in 2016 mainly because the number of promotional staff was relatively stable.

### ***Administrative expenses***

Our administrative expenses for the six months ended 30 June 2017 amounted to approximately RMB4.5 million, representing a decrease of approximately 33.8% as compared to approximately RMB6.8 million for six months ended 30 June 2016. Without taking into account the listing related expenses in 2016, our administrative expenses for the six months ended 30 June 2017 amounted to approximately RMB4.5 million, representing an increase of approximately 28.6% as compared to approximately RMB3.5 million for the six months ended 30 June 2016. The increase in our administrative expenses was mainly due to the increase in legal and professional fees upon the successful listing of our Group of the GEM of Stock Exchange as well as the increase in rentals for our operating premises.

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

Our income tax expenses for the six months ended 30 June 2017 amounted to approximately RMB3.0 million while we recorded RMB1.4 million for the six months ended 30 June 2016. 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 2016.



### ***Profit for the period***

Given the aforesaid reasons, profit attributable to owner of the Company increased by approximately 328.0% from approximately RMB5.0 million for the six months ended 30 June 2016 to approximately RMB21.4 million for the six months ended 30 June 2017.

### **Liquidity and Financial Resources**

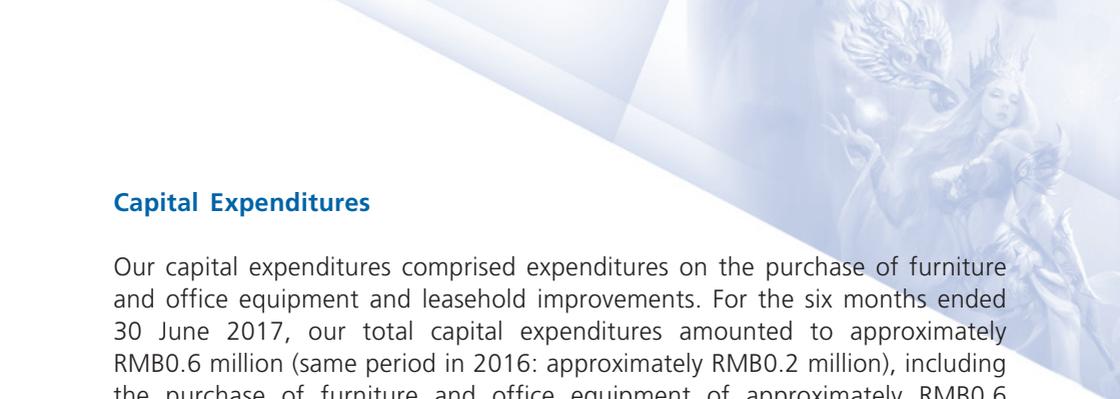
For the six months ended 30 June 2017, we mainly financed our business with cash generated from our operating activities. We intend to fund our expansion and business operations through our internal resources and on-going internal growth.

### **Treasury Policy**

During the six months ended 30 June 2017, 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 2017, our cash and cash equivalents amounted to approximately RMB91.9 million, compared with approximately RMB70.1 million as of 31 December 2016, which primarily consisted of cash at bank and cash in hand and which are mainly denominated in RMB (as to approximately 58.2%), HKD (as to approximately 36.6%), USD (as to approximately 5.2%) and other currencies (as to approximately 0%).



## 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 2017, our total capital expenditures amounted to approximately RMB0.6 million (same period in 2016: approximately RMB0.2 million), including the purchase of furniture and office equipment of approximately RMB0.6 million (same period in 2016: approximately 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 of issued share capital and reserves.

## Borrowings and Gearing Ratio

During the six months ended 30 June 2017, we did not have any short-term or long-term bank borrowings.

As of 30 June 2017, the gearing ratio of the Group, calculated as total liabilities divided by total assets, was approximately 5.2% (31 December 2016: approximately 6.8%).

## Charge on Group Assets

As of 30 June 2017, no assets of the Group was pledged as a security for bank borrowings or any other financing facilities (31 December 2016: Nil).

## Information on Employees

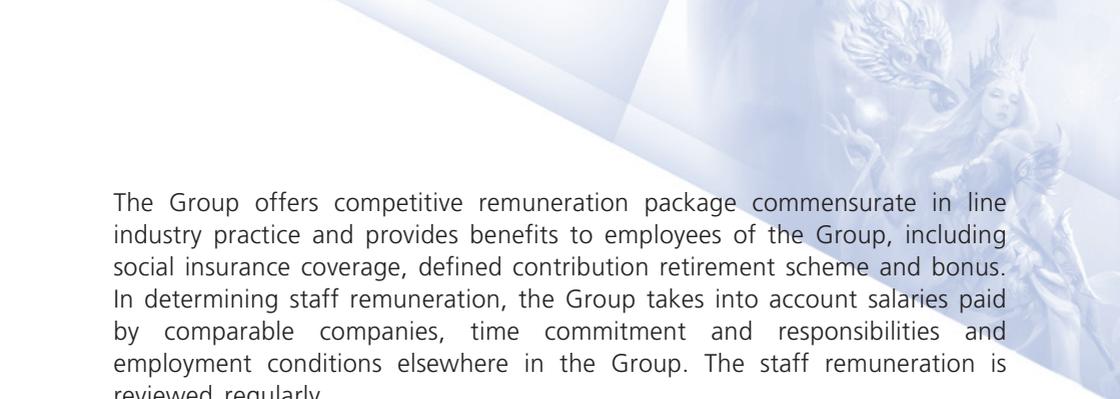
As of 30 June 2017, the Group had 95 employees (30 June 2016: 81), mainly worked and located in the PRC. The table below sets forth the number of employees by function as at 30 June 2017 and 2016:

Department	As of 30 June			
	2017 <i>Number</i>	<i>% of total employees</i>	2016 <i>Number</i>	<i>% of total employees</i>
<b>Management</b>	<b>8</b>	<b>8%</b>	8	10%
<b>Project Development</b>	<b>61</b>	<b>64%</b>	46	57%
Game design	<b>15</b>	<b>16%</b>	11	14%
Programming	<b>26</b>	<b>27%</b>	18	22%
Art	<b>20</b>	<b>21%</b>	17	21%
<b>Project Support</b>	<b>16</b>	<b>17%</b>	20	24%
Marketing	<b>2</b>	<b>2%</b>	1	1%
Licensing and operator support	<b>8</b>	<b>9%</b>	13	16%
Information technology	<b>6</b>	<b>6%</b>	6	7%
<b>Finance and Administration</b>	<b>10</b>	<b>11%</b>	7	9%
<b>Total</b>	<b>95</b>	<b>100%</b>	81	100%

The total remuneration of the employees of the Company was approximately RMB6.5 million for the six months ended 30 June 2017 (same period in 2016: approximately RMB4.8 million).

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

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

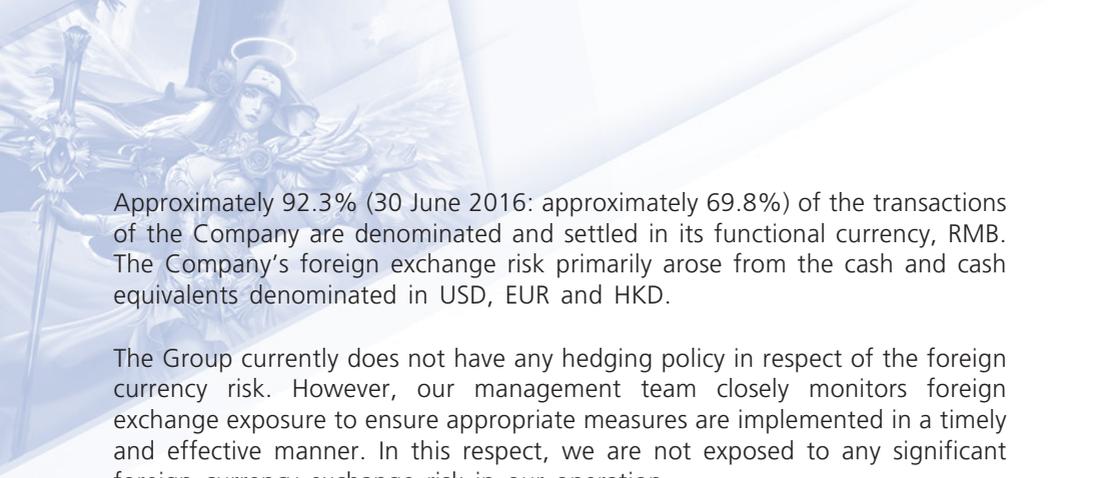
There was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company during the Reporting Period.

### **Contingent Liabilities**

As of 30 June 2017, the Group did not have any significant contingent liabilities (31 December 2016: 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 7.7% of the revenue are denominated in currencies other than the functional currency of the operating units making the sales for the six months ended 30 June 2017 (30 June 2016: approximately 30.2%). Therefore, foreign exchange risk primarily arose from recognised assets in the Group when receiving or to receive foreign currencies from overseas cooperated counter parties.



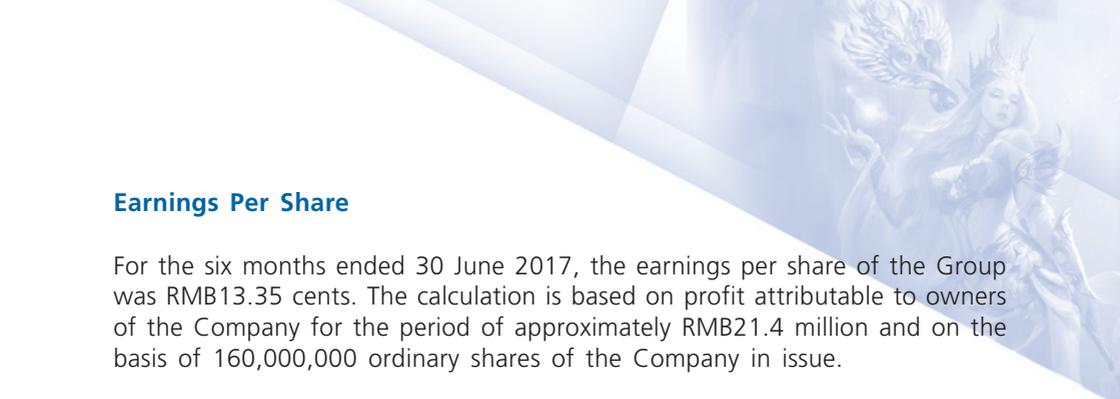
Approximately 92.3% (30 June 2016: approximately 69.8%) of the transactions of the Company are denominated and settled in its functional currency, RMB. The Company's foreign exchange risk primarily arose from the cash and cash equivalents denominated in USD, EUR and HKD.

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\$3.4 million on the development of new games on mobile devices platform, approximately HK\$0.8 million on the continual optimisation of our existing games on various platforms, and approximately HK\$0.3 million on enhancing our game development capabilities. The Company is currently actively seeking opportunities to obtain/acquire the adaptation rights of appropriate source materials, opportunities to acquire/invest in game developers.

As at 30 June 2017, the Group has spent approximately HK\$11.8 million, in aggregate, of the proceeds from the Placing (approximately HK\$7.1 million on development of new games on mobile devices platform, approximately HK\$2.9 million on the continual optimisation of our existing games on various platforms, approximately HK\$0.3 million on enhancing our game development capabilities and approximately HK\$1.5 million for working capital and other general corporate uses).



## Earnings Per Share

For the six months ended 30 June 2017, the earnings per share of the Group was RMB13.35 cents. The calculation is based on profit attributable to owners of the Company for the period of approximately RMB21.4 million and on the basis of 160,000,000 ordinary shares of the Company in issue.

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 profit attributable to owners of the Company for the period of approximately RMB5.0 million and on the basis of 160,000,000 ordinary shares of the Company in issue.

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the six months ended 30 June 2017 and 2016.

## Interim Dividends

The Directors recommend the payment of an interim dividend of HK\$0.15 (30 June 2016: Nil) per share for the six months ended 30 June 2017 to the shareholders listed in the register of members of the Company as at 5 September 2017. The interim dividends will be distributed on or before 26 September 2017 to the shareholders.



## **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 2017.

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

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

As at 30 June 2017, 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):

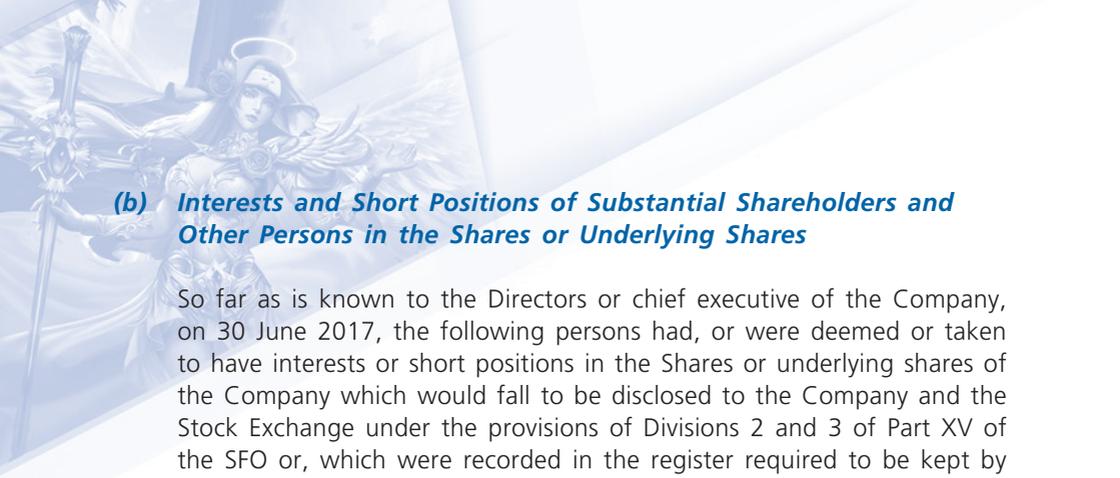
- (1) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); or

- (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. Huang Yong <sup>3</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. 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.

Save as disclosed above, as at 30 June 2017, 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.



**(b) 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 2017, 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%
Raglon International Limited	Beneficial owner	19,200,000	12.00%
Mr. Huang Yong <sup>4</sup>	Interest of controlled corporation	19,200,000	12.00%
Ms. Pan Li <sup>5</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. 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. 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.

## Share Option Scheme

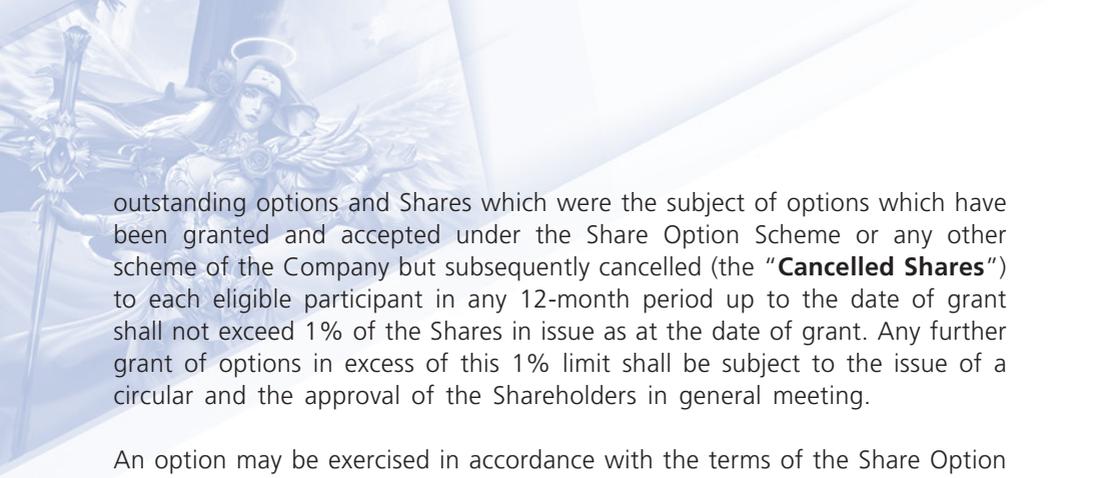
The following is a summary of the principal terms of the share option scheme ("**Share Option Scheme**") conditionally adopted by our Company on 24 January 2016. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 23 of the GEM Listing Rules.

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 2017, 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. The period during which a share option may be exercised will be determined by the Board at its absolute discretion, save that no share option may be exercised more than 10 years after it has been granted.

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, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (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**

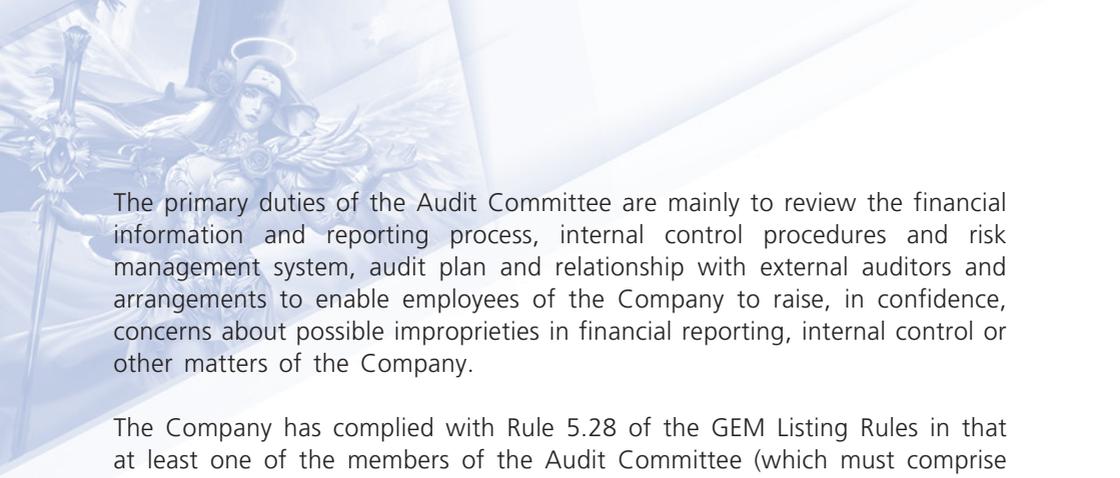
No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party to and in which a Director had a material interest in, whether directly or indirectly, and subsisted as of 30 June 2017 or at any time during the Reporting Period.

## **Repurchase, Sale or Redemption of the Company's Listed Securities**

Neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

## **Audit Committee**

We established the Audit Committee on 24 January 2016. The chairman of the Audit Committee is Mr. Chan King Fai, our independent non-executive Director, and other members include Mr. He Yunpeng and Mr. Chen Di, our independent non-executive Directors. The written terms of reference of the Audit Committee are published on the 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 2017 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 2017 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

FOR THE SIX MONTHS ENDED 30 JUNE

	Notes	2017 RMB (unaudited)	2016 RMB (unaudited)
<b>Revenue</b>	4	<b>34,105,396</b>	17,042,541
Direct costs		<b>(4,837,123)</b>	(3,506,462)
Gross profit		<b>29,268,273</b>	13,536,079
Other income	4	<b>262,575</b>	98,132
Game research costs		<b>(266,662)</b>	(159,438)
Distribution costs		<b>(323,562)</b>	(297,566)
Administrative expenses		<b>(4,538,263)</b>	(6,778,320)
Profit before income tax	5	<b>24,402,361</b>	6,398,887
Income tax expenses	6	<b>(3,048,068)</b>	(1,399,125)
<b>Profit for the period</b>		<b>21,354,293</b>	4,999,762
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
— Exchange differences on translating foreign operations		<b>(724,706)</b>	333,539
<b>Other comprehensive income for the period</b>		<b>(724,706)</b>	333,539
<b>Total comprehensive income for the period</b>		<b>20,629,587</b>	5,333,301
<b>Profit for the period attributable to:</b>			
Owners of the Company		<b>21,354,293</b>	4,999,762
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>20,629,587</b>	5,333,301
		<b>RMB cents</b>	RMB cents
<b>Earnings per share</b>			
Basic and diluted	8	<b>13.35</b>	3.12

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2017 RMB (unaudited)	As at 31 December 2016 RMB (audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	1,765,749	1,556,933
Intangible assets	10	8,298,863	7,622,667
		<b>10,064,612</b>	9,179,600
<b>Current assets</b>			
Trade receivables	11	20,300,761	13,217,121
Prepayments, deposits and other receivables		981,600	687,993
Short-term bank deposits	12	—	10,000,000
Cash and cash equivalents	12	91,903,281	70,105,578
		<b>113,185,642</b>	94,010,692
<b>Current liabilities</b>			
Trade and other payables	13	1,951,716	1,901,447
Deferred revenue	14	1,669,979	3,313,956
Tax payables		2,201,844	1,430,067
		<b>5,823,539</b>	6,645,470
<b>Net current assets</b>		<b>107,362,103</b>	87,365,222
<b>Total assets less current liabilities</b>		<b>117,426,715</b>	96,544,822
<b>Non-current liability</b>			
Deferred revenue	14	588,477	336,171
<b>Net assets</b>		<b>116,838,238</b>	96,208,651
<b>Equity</b>			
Issued share capital	15	1,347,236	1,347,236
Reserves	16	115,491,002	94,861,415
<b>Total equity</b>		<b>116,838,238</b>	96,208,651

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Capital reserve	Merger reserve	Statutory 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 (audited)	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
Other comprehensive income for the period								
Exchange differences on translation of foreign operation	—	—	—	—	—	333,539	—	333,539
	—	—	—	—	—	333,539	4,999,762	5,333,301
Transactions with owners:								
Capitalisation issue	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 (unaudited)	1,347,236	35,307,956	11,201,200	10,000,000	4,333,239	939,163	14,618,204	77,747,058
For the six months ended 30 June 2017 (unaudited)								
As at 1 January 2017 (audited)	1,347,236	35,021,914	11,201,260	10,000,000	7,198,564	2,664,590	28,775,087	96,208,651
Profit for the period	—	—	—	—	—	—	21,354,293	21,354,293
Other comprehensive income for the period	—	—	—	—	—	—	—	—
Exchange differences on translation of foreign operation	—	—	—	—	—	(724,706)	—	(724,706)
	—	—	—	—	—	(724,706)	21,354,293	20,629,587
As at 30 June 2017 (unaudited)	1,347,236	35,021,914	11,201,260	10,000,000	7,198,564	1,939,884	50,129,380	116,838,238



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE

	2017 RMB (unaudited)	2016 RMB (unaudited)
Net cash generated from operating activities	16,278,468	6,598,679
Net cash generated from/(used in) investing activities	6,243,941	(2,636,960)
Net cash generated from financing activities	—	36,564,022
<b>Net increase in cash and cash equivalents</b>	<b>22,522,409</b>	40,525,741
<b>Cash and cash equivalents at beginning of period</b>	<b>70,105,578</b>	19,364,920
<b>Effect of foreign exchange rate changes</b>	<b>(724,706)</b>	333,539
<b>Cash and cash equivalents at end of period</b>	<b>91,903,281</b>	60,224,200
<b>Analysis of cash and cash equivalents</b>		
Cash at banks and in hand	91,903,281	60,224,200

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

## 1. GENERAL INFORMATION

Fire Rock Holdings Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability on 3 November 2014. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business in the People's Republic of China (the "**PRC**") is located at 4/F, Dongjiang Environment Building, No.9 Langshan Road, North Zone, Hi-Tech Industries Park, Nanshan District, Shenzhen, Guangdong Province, the PRC. The 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 2017, 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 2017, 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 14 August 2017.

## 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 2017, the accounting policies applied in preparing this unaudited Interim Condensed Financial Statements for the six months ended 30 June 2017 are consistent with those of the annual financial statements for the year ended 31 December 2016 issued by the Company on 27 March 2017, 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 2016.

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 the Cayman Islands and the principal place of the Group’s operation is the PRC. Accordingly, the management determines that the Group is domiciled in the PRC.

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

	<b>Revenue from licensed operators</b>	
	<b>For the six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>RMB</b>	RMB
	<b>(unaudited)</b>	(unaudited)
The PRC (place of domicile)	<b>32,607,003</b>	12,789,895
North America	<b>143,722</b>	1,514,722
Japan	<b>840,039</b>	1,379,500
Taiwan	<b>141,742</b>	454,587
Germany	<b>372,890</b>	903,837
	<b>34,105,396</b>	17,042,541

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

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

	For the six months ended 30 June	
	2017 RMB (unaudited)	2016 RMB (unaudited)
Licensed operator A	15,896,113	6,380,459
Licensed operator B	N/A*	2,591,518
Licensed operator C	N/A*	1,857,758
Licensed operator D	5,143,187	N/A*
	<b>21,039,300</b>	10,829,735

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

**4. REVENUE AND OTHER INCOME**

	For the six months ended 30 June	
	2017 RMB (unaudited)	2016 RMB (unaudited)
<b>Revenue</b>		
License fees and royalties	34,105,396	17,042,541
<b>Other income</b>		
Interest income	262,575	98,132

## 5. PROFIT BEFORE INCOME TAX

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

	For the six months ended 30 June	
	2017	2016
	RMB	RMB
	(unaudited)	(unaudited)
Depreciation of plant and equipment*	359,271	314,655
Amortisation of intangible assets**	2,808,925	1,755,142
Operating lease rentals in respect of land and buildings	918,565	857,335
Operating lease rentals in respect of servers	139,329	147,244
Exchange (gain)/loss, net	722,410	(333,539)
Listing expenses	—	3,330,254

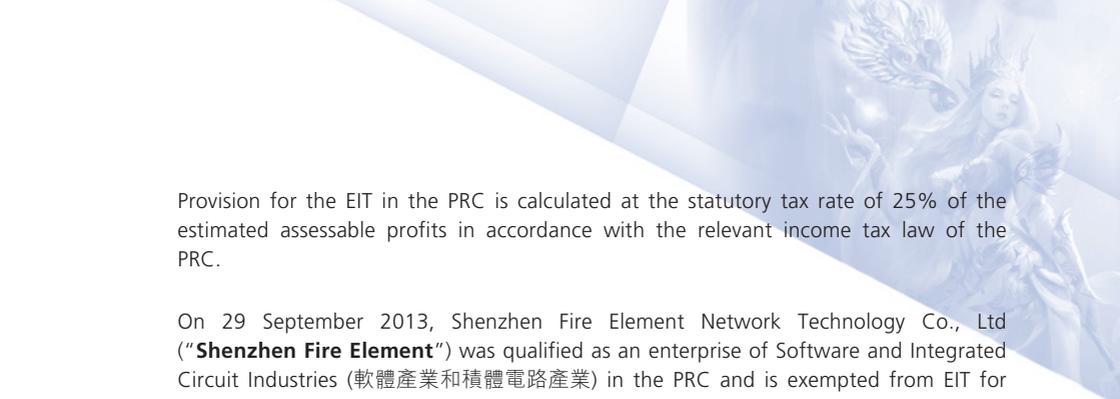
\* Included in distribution costs and administrative expenses in the condensed consolidated statement of profit or loss and other comprehensive income.

\*\* 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	
	2017	2016
	RMB	RMB
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("EIT")	3,048,068	1,399,125

No Hong Kong Profits Tax was provided as the Group has no estimated assessable profit derived from or arising in Hong Kong during the six months ended 30 June 2017 and 30 June 2016.



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

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 (軟體產業和積體電路產業) in the PRC and is exempted from EIT for two years starting from the first year of generating assessable profits, followed by a 50% reduction for the next three years on 5 August 2014. Shenzhen Fire Element started generating taxable profit during the year ended 31 December 2013 and therefore is exempted from EIT for the years ended 31 December 2013 and 2014. For the years ended 31 December 2015 and 2016 and for six months ended 30 June 2017 and 2016, 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.

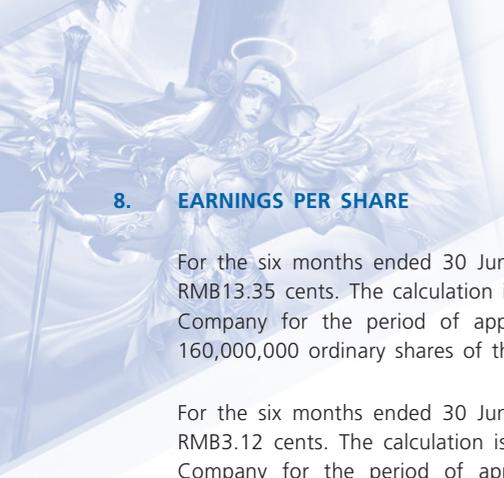
The Group has no material unrecognised deferred tax as at 30 June 2017 and 30 June 2016.

## **7. DIVIDEND**

The Board declares the interim dividend of HK\$0.15 per share (2016: Nil) which will be payable on or before 26 September 2017 to shareholders whose names appear in the register of members of the Company as at 5 September 2017. The dividend of HK\$0.15 per share is payable on the existing 160,000,000 shares in issue.

### ***Closure of Register of Members***

The register of members of the Company will be closed from Monday, 4 September 2017 to Tuesday, 5 September 2017 (both days inclusive) for the purpose of determining the entitlement to the interim dividend. To qualify for the interim dividend, all share transfer documents should be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 1 September 2017.



## **8. EARNINGS PER SHARE**

For the six months ended 30 June 2017, the earnings per share of the Group was RMB13.35 cents. The calculation is based on the profit attributable to owners of the Company for the period of approximately RMB21.4 million and on the basis of 160,000,000 ordinary shares of the Company in issue.

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 profit attributable to owners of the Company for the period of approximately RMB5.0 million and on the basis of 160,000,000 ordinary shares of the Company in issue.

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the six months ended 30 June 2017 and 30 June 2016.

## **9. PROPERTY, PLANT AND EQUIPMENT**

For the six months ended 30 June 2017, purchases of related equipment by the Group was RMB0.6 million (for the six months ended 30 June 2016: approximately RMB0.2 million).

## **10. INTANGIBLE ASSETS**

For the six months ended 30 June 2017, additional development cost of the Group was approximately RMB3.4 million (for the six months ended 30 June 2016: RMB2.5 million).

## 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 2017 RMB (unaudited)</b>	As at 31 December 2016 RMB (audited)
0–30 days	<b>6,991,726</b>	5,162,885
31–60 days	<b>7,551,602</b>	4,689,544
61–90 days	<b>4,779,493</b>	2,607,341
91–120 days	<b>499,746</b>	145,776
More than 120 days	<b>478,194</b>	611,575
	<b>20,300,761</b>	13,217,121

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

	<b>As at 30 June 2017 RMB (unaudited)</b>	As at 31 December 2016 RMB (audited)
Neither past due nor impaired	<b>19,822,567</b>	12,605,546
Past due for less than 30 days	<b>398,086</b>	153,689
Past due for more than 30 days but less than 60 days	<b>3,358</b>	33,949
Past due for more than 60 days but less than 120 days	<b>18,440</b>	6,129
Past due for more than 120 days but less than 1 year	<b>—</b>	417,808
Past due for more than 1 year	<b>58,310</b>	—
	<b>20,300,761</b>	13,217,121

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

The Group does not hold any collateral over these balances.

## 12. SHORT TERM BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	<b>As at 30 June 2017 RMB (unaudited)</b>	As at 31 December 2016 RMB (audited)
Cash at banks and in hand	<b>81,903,281</b>	49,705,578
Short-term bank deposits with original maturity of less than three months	<b>10,000,000</b>	20,400,000
Cash and cash equivalents	<b>91,903,281</b>	70,105,578
Short-term bank deposits with original maturity of less than three months	<b>—</b>	10,000,000
	<b>91,903,281</b>	80,105,578

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 2017 RMB (unaudited)</b>	As at 31 December 2016 RMB (audited)
Euro ("EUR")	<b>40,380</b>	38,073
Hong Kong Dollars ("HK\$")	<b>33,587,200</b>	35,929,153
United States dollars ("USD")	<b>4,801,562</b>	4,907,874
RMB	<b>53,474,139</b>	39,230,478
	<b>91,903,281</b>	80,105,578

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 2017 RMB (unaudited)</b>	As at 31 December 2016 RMB (audited)
Trade payables	<b>129,484</b>	99,000
Accruals	<b>1,588,602</b>	1,295,044
Other payables	<b>233,630</b>	507,403
	<b>1,951,716</b>	1,901,447

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 2017 RMB (unaudited)</b>	As at 31 December 2016 RMB (audited)
Less than 30 days	<b>1,208</b>	—
Less than 1 year	<b>92,276</b>	—
More than 1 year	<b>36,000</b>	99,000
	<b>129,484</b>	99,000

## 14. DEFERRED REVENUE

	<b>As at 30 June 2017 RMB (unaudited)</b>	As at 31 December 2016 RMB (audited)
Deferred license fees		
— Current	<b>1,669,979</b>	3,313,956
— Non-current	<b>588,477</b>	336,171
	<b>2,258,456</b>	3,650,127

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 2017 and 31 December 2016, 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

	2017		2016	
	Number	Amount RMB	Number	Amount RMB
<b>Authorised:</b>				
Ordinary shares of HK\$0.01 each				
At 1 January (audited)	<b>500,000,000</b>	<b>4,199,383</b>	39,000,000	312,000
Increase in authorised shares (note (a))	—	—	461,000,000	3,887,383
At 30 June (unaudited)	<b>500,000,000</b>	<b>4,199,383</b>	500,000,000	4,199,383
<b>Issued and fully paid:</b>				
Ordinary shares of HK\$0.01 each				
At 1 January (audited)	<b>160,000,000</b>	<b>1,347,236</b>	100	1
Capitalisation issue (note (b))	—	—	119,999,900	1,011,899
Placing (note (c))	—	—	40,000,000	335,336
At 30 June (unaudited)	<b>160,000,000</b>	<b>1,347,236</b>	160,000,000	1,347,236

Notes:

- (a) 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.
- (b) Pursuant to the resolutions passed by the shareholders of the Company on 24 January 2016, conditional on the share premium account of the Company being credited as a result of the issue of the shares by the Company pursuant to the placing as mentioned below, the issue of a total 119,999,900 shares by the Company to the shareholders on a pro-rata basis by way of capitalising an amount of HK\$1,199,999 (equivalent to approximately of RMB1,011,899) from the share premium account of the Company has been approved.
- (c) On 18 February, 2016, the Company's shares were listed on the GEM of the Stock Exchange and 40,000,000 ordinary shares were issued to the public by way of placing at HK\$1.28 per share.

Of the gross proceeds from the placing of HK\$51,200,000 (equivalents to approximately RMB42,923,008), HK\$400,000 (equivalents to approximately RMB335,336) representing the aggregate par value of shares issued was credited to the Company's share capital whereas the remaining amount of HK\$50,800,000 (equivalents to approximately RMB42,587,672) was credited to share premium account.

The share issuance expenses, which amounted to HK\$7,817,662 (equivalents to approximately RMB6,553,859), was deducted from share premium account.



## 16. RESERVES

Details of the movements on the Group's reserves for the six months ended 30 June 2017 and 30 June 2016 is presented in the condensed 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, 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 year ended 31 December 2015.

### (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 subsidiaries in the PRC, it is required to appropriate 10% of the annual net profits of the subsidiary in the PRC, 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 subsidiary in the PRC, 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) **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, for their service are set out below:

	<b>For the six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>RMB</b>	RMB
	<b>(unaudited)</b>	(unaudited)
Salaries, allowances and benefits in kind	<b>963,536</b>	787,404
Contributions to defined contribution retirement plan	<b>36,132</b>	33,422
	<b>999,668</b>	820,826



## 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 2017 RMB (unaudited)</b>	As at 31 December 2016 RMB (audited)
Within one year	<b>1,847,770</b>	1,871,304
In the second to fifth year	<b>323,734</b>	474,177
	<b>2,171,504</b>	2,345,481

The Group leases an office under operating lease. The lease runs for an initial period of three years (2016: three years). The above lease commitments only include commitments for basic rental and none of the lease includes any contingent rental.

By order of the Board  
**Fire Rock Holdings Limited**  
**Zhang Yan**  
*Chairman*

Hong Kong, Monday, 14 August 2017

*As at 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; the non-executive directors are Mr. Zhang Xiongfeng and Ms. Yang Kan and the independent non-executive Directors are Mr. Chan King Fai, Mr. He Yunpeng and Mr. Chen Di.*