



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



2018

THIRD QUARTERLY REPORT

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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 GEM 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.*



CONTENTS

Definitions	3
Company Profile	7
Financial Highlights (Unaudited)	9
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	10
Condensed Consolidated Statement of Changes in Equity	11
Notes to the Unaudited Condensed Consolidated Financial Statements	12
Management Discussion and Analysis	17
Corporate Governance and Other Information	30



DEFINITIONS

“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 responds 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 Association”	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”	GEM 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 Special Administrative Region of the PRC, Macao Special Administrative Region of the PRC and Taiwan
“remuneration committee”	the remuneration committee under the Board
“Reporting Period”	the nine months ended 30 September 2018
“RMB”	Renminbi, the lawful currency of the PRC
“RPG”	role-playing game, in which players adopt the roles of one or more in-game characters and are able to interact within the game’s virtual world in accordance with in-game rules and guidelines
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)



“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
“THB”	Thai Baht, the lawful currency of Thailand
“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. WU Zhe
Mr. RAO Zhenwu

Non-executive Directors

Mr. ZHANG Yan *(Chairman)*
Mr. ZHANG Xiongfeng (resigned with
effect from 5 October 2018)
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
Mr. CHU Hon Leung (appointed with
effect from 29 June 2018)
Mr. CHAN Chin Wang Keith (resigned
with effect from 29 June 2018)

Authorised Representatives

Mr. HUANG Yong
Mr. CHU Hon Leung (appointed with
effect from 29 June 2018)
Mr. CHAN Chin Wang Keith (resigned
with effect from 29 June 2018)

Compliance Officer

Mr. WU Zhe

Registered Office

Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

Headquarters 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 PRC

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

Tricolor 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

FINANCIAL HIGHLIGHTS (UNAUDITED)

	For the nine months ended 30 September	
	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Revenue	112,314	54,069
Gross Profit	99,103	45,297
Profit	61,443	28,654

- For the nine months ended 30 September 2018, the Group's revenue increased from approximately RMB54.1 million for the nine months ended 30 September 2017 to approximately RMB112.3 million, represented an increase of approximately 107.6%.
- For the nine months ended 30 September 2018, the Group's gross profit increased from approximately RMB45.3 million for the nine months ended 30 September 2017 to approximately RMB99.1 million, represented an increase of approximately 118.8%.
- For the nine months ended 30 September 2018, the Group's profit increased from approximately RMB28.7 million for the nine months ended 30 September 2017 to approximately RMB61.4 million, represented an increase of approximately 113.9%.
- The Board does not recommend the payment of any interim dividend for the nine months ended 30 September 2018.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

	Notes	Nine months ended 30 September 2018 RMB (Unaudited)	Nine months ended 30 September 2017 RMB (Unaudited)
Revenue	4	112,314,319	54,068,970
Direct costs		(13,210,893)	(8,772,050)
Gross profit		99,103,426	45,296,920
Other income	4	1,767,510	1,210,444
Game research costs		(616,584)	(446,422)
Distribution costs		(566,999)	(513,147)
Administrative expenses		(16,540,363)	(7,139,902)
Operating profit		83,146,990	38,407,893
Share of loss from investments accounted for using equity accounting		(1,447,390)	—
Profit before income tax	5	81,699,600	38,407,893
Income tax expense	6	(20,256,319)	(9,753,436)
Profit for the period		61,443,281	28,654,457
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
— Exchange differences on translation of foreign operations		2,241,261	(1,847,360)
Other comprehensive income for the period		2,241,261	(1,847,360)
Total comprehensive income for the period		63,684,542	26,807,097
Profit attributable to:			
Owners of the Company		61,472,027	28,654,457
Non-controlling interests		(28,746)	—
		61,443,281	28,654,457
Total comprehensive income attributable to:			
Owners of the Company		63,713,542	26,807,097
Non-controlling interests		(29,000)	—
		63,684,542	26,807,097
Earnings per share			
Basic and diluted	8	RMB cents 19.21	RMB cents 8.95

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

	Attributable to owners of the Company							
	Share capital RMB	Share premium RMB	Capital reserve RMB	Merger reserve RMB	Statutory reserve RMB	Foreign exchange reserve RMB	Retained profits RMB	Total equity RMB
For the nine months ended 30 September 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	—	—	—	—	—	—	28,654,457	28,654,457
Other comprehensive income for the period:								
— Exchange differences on translation of foreign operations	—	—	—	—	—	(1,847,360)	—	(1,847,360)
Total comprehensive income for the period	—	—	—	—	—	(1,847,360)	28,654,457	26,807,097
Dividends (Note 7)	—	—	—	—	—	—	(20,391,840)	(20,391,840)
As at 30 September 2017 (Unaudited)	1,347,236	35,021,914	11,201,260	10,000,000	7,198,564	817,230	37,037,704	102,623,908

	Attributable to owners of the Company										
	Share capital RMB	Share premium* RMB	Capital reserve* RMB	Merger reserve* RMB	Statutory reserve* RMB	Share-based payment reserve* RMB	Foreign exchange reserve* RMB	Retained profits* RMB	Total RMB	Non-controlling interests RMB	Total equity RMB
For the nine months ended 30 September 2018 (Unaudited)											
As at 1 January 2018 (Audited)	1,347,236	35,021,914	11,201,260	10,000,000	12,179,207	—	126,870	46,584,801	116,461,288	—	116,461,288
Profit/(Loss) for the period	—	—	—	—	—	—	—	61,472,027	61,472,027	(28,746)	61,443,281
Other comprehensive income for the period:											
— Exchange differences on translation of foreign operations	—	—	—	—	—	—	2,241,515	—	2,241,515	(254)	2,241,261
Total comprehensive income for the period	—	—	—	—	—	—	2,241,515	61,472,027	63,713,542	(29,000)	63,684,542
Non-controlling interests arising on establishment of a non wholly-owned subsidiary	—	—	—	—	—	—	—	—	—	20,114	20,114
Issuance of bonus shares	1,321,824	—	—	—	—	—	—	(1,321,824)	—	—	—
Equity-settled share-based transactions	—	—	—	—	—	58,627	—	—	58,627	—	58,627
Dividends (Note 7)	—	—	—	—	—	—	—	(16,522,800)	(16,522,800)	—	(16,522,800)
	2,669,060	35,021,914	11,201,260	10,000,000	12,179,207	58,627	2,368,385	90,212,204	163,710,657	(8,886)	163,701,771

* The aggregate balances of these reserve amounts of RMB161,041,597 and RMB115,114,052 are included as reserves as at 30 September 2018 and 31 December 2017 respectively in the condensed consolidated statement of financial position.



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

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, 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 Environmental Building, No.9 Langshan Road, North Zone, Hi-Tech Industries Park, Nanshan District, Shenzhen, Guangdong, PRC.

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

The condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity of the Group for the nine months ended 30 September 2018, as well as a summary of significant accounting policies and other explanatory information (collectively, the “**Third Quarterly 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 13 November 2018.

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 first time for the Group's financial year beginning 1 January 2018, the accounting policies applied in preparing the Third Quarterly Condensed Financial Statements for the nine months ended 30 September 2018 are consistent with those of the annual financial statements for the year ended 31 December 2017 issued by the Company on 26 March 2018. This Third Quarterly Condensed Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 December 2017.

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

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

3. SEGMENT INFORMATION

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 the licensed operators. The executive directors of the Company allocate resources and assess performance on an aggregated basis.

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

	Nine months ended 30 September 2018 RMB (Unaudited)	Nine months ended 30 September 2017 RMB (Unaudited)
<i>Revenue from licensed operators*</i>		
Primary geographical markets		
The PRC (place of domicile)	110,363,217	50,623,504
North America	941,009	1,629,911
Japan	389,938	1,050,421
Taiwan	93,895	172,501
Germany	526,260	592,633
	112,314,319	54,068,970
* Based on location of licensed operators		
Timing of revenue recognition		
Transferred over time	1,647,437	3,457,172
At a point in time	110,666,882	50,611,798
	112,314,319	54,068,970

4. REVENUE AND OTHER INCOME

	Nine months ended 30 September 2018 RMB (Unaudited)	Nine months ended 30 September 2017 RMB (Unaudited)
Revenue		
License fees and Royalties	112,314,319	54,068,970
Other income		
Government grants	817,900	823,700
Interest income	918,439	369,656
Others	31,171	17,088
	1,767,510	1,210,444

5. PROFIT BEFORE INCOME TAX

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

	Nine months ended 30 September 2018 RMB (Unaudited)	Nine months ended 30 September 2017 RMB (Unaudited)
Depreciation of property, plant and equipment*	790,802	560,498
Amortisation of intangible assets**	5,036,954	4,750,472
Operating lease rentals in respect of land and buildings	2,002,060	1,603,175
Operating lease rentals in respect of servers	217,141	212,704
Exchange loss/(gain), net	1,925,936	(401,619)
Employee costs (including directors' remuneration)		
— Wages and salaries	12,245,340	6,682,972
— Defined contribution plan	789,119	530,261
— Share-based payment expenses	58,627	—
	13,093,086	7,213,233

* 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

	Nine months ended 30 September 2018 RMB (Unaudited)	Nine months ended 30 September 2017 RMB (Unaudited)
PRC Enterprise Income Tax ("EIT")	14,096,319	9,753,436
Deferred tax	6,160,000	—
	20,256,319	9,753,436

No Hong Kong Profits Tax was provided in the condensed consolidated financial statements as the Group has no estimated assessable profit derived from or arising in Hong Kong during the nine months ended 30 September 2018 and 2017.

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

On 29 September 2013, Shenzhen Fire Element Network Technology Company Limited ("**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 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 the nine months ended 30 September 2017, 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.

Shenzhen Fire Element was qualified as a "Hi-Tech Enterprise" ("**Hi-Tech Enterprise**") in 2018. Pursuant to the PRC EIT Law, it is subject to a preferential rate of 15%. Therefore, the effective income tax rate of Shenzhen Fire Element for the nine months ended 30 September 2018 was 15%.

During the nine months ended 30 September 2018, Shenzhen Fire Element Network Science and Technology Company Limited, a new subsidiary, is subject to the statutory tax rate of 25%.



6. INCOME TAX EXPENSE — CONTINUED

In 2018, Firerock Co., Ltd., (“**Firerock**”) is a subsidiary newly incorporated in Thailand. During the nine months ended 30 September 2018, it generally paid tax at 20% of net profit. However, small business, paid-up capital less than 5 million Baht, is entitled to a rate reduction. If it has net profit more than 3 million Baht, the corporate income tax rate is 20%. If it has a net profit of 300 thousand Baht to 3 million Baht, the corporate income tax rate is reduced to 15%. It is exempted for the corporate income tax if net profit is less than 300 thousand Baht.

Pursuant to the PRC EIT Law, a 10% withholding tax (unless reduced by tax treaties or arrangements) is levied on dividends declared to foreign investors from the foreign investment enterprise established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings accumulated after 31 December 2007.

7. DIVIDENDS

On 26 September 2017, the Company paid an interim dividend of Hong Kong Dollars (“**HK\$**”) 0.15 (approximately RMB0.127) per share amounting to HK\$24.0 million (equivalent to approximately RMB20.4 million) in aggregate for the 160,000,000 shares in issue to the shareholders listed on the register of members of the Company as at 5 September 2017.

On 22 June 2018, the Company paid a final dividend for 2017, in form of HK\$20.0 million (equivalent to approximately RMB16.5 million) in cash (or HK\$0.125 (approximately RMB0.103) per share) and 160,000,000 bonus shares of approximately RMB1.3 million on the basis of 1 share for every share held to the shareholders.

Save as disclosed above, the board of directors does not recommend the payment of any interim dividend for the nine months ended 30 September 2018.

8. EARNINGS PER SHARE

For the nine months ended 30 September 2018 and 2017, the calculation of earnings per share is based on the profit attributable to owners of the Company for the period of approximately RMB61.5 million and RMB28.7 million respectively and the weighted average number of 320,000,000 ordinary shares outstanding during the respective period.

The weighted average number of ordinary shares used in the calculation of earnings per share for the nine months ended 30 September 2018 and 2017 has been adjusted to reflect the bonus issue which was completed on 22 June 2018.

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the nine months ended 30 September 2018 and 2017.



MANAGEMENT DISCUSSION AND ANALYSIS

The board of Directors of Fire Rock Holdings Limited is pleased to announce the unaudited consolidated third quarterly results of the Company and its subsidiaries for the nine months ended 30 September 2018. The third quarterly results have been reviewed by the audit committee ("**Audit Committee**") of the Company.

Business Review and Prospects

Review

We are a game developer focused on the development of browser and mobile games. As of 30 September 2018, we have commercially launched 17 self-developed game series in aggregate, including the mobile and browser versions of the Kings & Legends (王者召喚) series, the mobile and browser versions of the Hero's Crown (英雄皇冠) series, the browser version of the Heroines of Three Kingdoms (姬戰三國) series, the mobile version of the Endless Battles (無盡爭霸) series, the mobile version of the Legend of Fairies (萌仙記) series, the mobile version of the Road of Vengeance (復仇之路) series, the mobile version of the Number Drop series, the mobile version of the G-game series, the mobile version of the Sweeties Fighting (零食大亂鬥) series, the mobile version of War of the Sulfulons (薩弗隆戰記) series, the mobile version of the Super Tycoon (超級大亨) series, the mobile version of the Forest Gala (森林大聯歡) series, the mobile version of the Fish Catching Contest (捕魚大亂鬥) series, the mobile version of the Super Cute Monster (超級逗萌獸) series, the mobile version of the Super Rich (超級大富翁) series, the mobile version of the Age of Star Wars (星戰紀) series and the mobile version of the Shaky Battle (晃晃大作戰) series.

Among the aforesaid game series with successful commercial launch, the Kings & Legends (王者召喚) series, magical and fantasy-based tactics card games in Japanese style representing our first independently developed game series, has been in the market for over 6 years since its commercial launch in March 2012. Its longer-than-average life cycle has been primarily attributable to our incessant effort in upgrading and optimising the game contents to appeal to players, increase their participation and enhance their game experience, which have also resulted in stable income for us. For the nine months ended 30 September 2018, revenue generated from the Kings & Legends (王者召喚) series maintained its important position in our game portfolio, accounting for approximately 2.6% of



our total revenue for the Reporting Period. The Hero's Crown (英雄皇冠) series, turn-based tactics card RPG games in fantasy-style against a medieval European setting representing our second independently developed game series, has continued to contribute substantial income since its commercial launch in January 2015 more than 3 years ago. For the nine months ended 30 September 2018, revenue generated from the Hero's Crown (英雄皇冠) series accounted for approximately 3.1% of our total revenue for the Reporting Period. The mobile version of the Sweeties Fighting (零食大亂鬥) series, a cartoon-style tower defense game commercially launched in May 2017, reported revenue of approximately RMB37.8 million for the nine months ended 30 September 2018, accounting for approximately 33.7% of our total revenue for the Reporting Period. The mobile version of the Fish Catching Contest (捕魚大亂鬥) series, a magical and fantasy-based hunting game commercially launched in December 2017, reported revenue of approximately RMB44.2 million for the nine months ended 30 September 2018, accounting for approximately 39.3% of our total revenue for the Reporting Period. The success of the aforementioned game series has highlighted our emphasis on meticulous attention to details in product development and our research and development capabilities in delivering exquisite games, and has also bolstered our confidence in sustaining our operations through ongoing optimisation and upgrades of our premium games. Such success has also reflected the breakthrough we have achieved in the increasingly competitive market for mobile games and a greater market share we garnered thanks to our astute perception of and swift response to market developments, proactive approach to understand current trends and formulate lucid development strategies, and effort to seize opportunities in market developments on the back of our inherent strengths by committing significant resources to the research and development of mobile games.

In terms of financial performance, the Group's revenue for the nine months ended 30 September 2018 amounted to approximately RMB112.3 million, increasing by RMB58.2 million compared to approximately RMB54.1 million for the nine months ended 30 September 2017. Revenue generated from browser games and mobile games amounted to approximately RMB4.5 million and approximately RMB107.8 million, respectively, decreasing by 55.9% and increasing by 145.6%, respectively, as compared to approximately RMB10.2 million and approximately RMB43.9 million, respectively, for the same period of 2017. Revenue generated from mobile games accounted for 96.0% of the Group's revenue. Profit attributable to owners of the Company amounted to approximately RMB61.5 million for the nine months ended 30 September 2018, increasing by RMB32.8 million from approximately RMB28.7 million for the nine months ended 30 September 2017.



In terms of game products, three mobile games, the Super Rich (超級大富翁), the Age of Star Wars (星戰紀) and the Shaky Battle (晃晃大作戰), were commercially launched in February 2018, June 2018 and July 2018 in a further enrichment of our portfolio of games. In addition, due to the expiration of the game licensing agreements and business realignment of game operators, we underwent negotiation with licensed operators and discontinued the operation of three game series on the platform of licensed operators, namely the Endless Battles (無盡爭霸) series, the Legend of Fairies (萌仙記) series and War of the Sulfulons (薩弗隆戰記) series in April and July 2018, terminating the operation of such three games.

As at 30 September 2018, there were 14 game series under licenses to game operators for operation, launch and distribution (namely, in operation) within an agreed period in designated territories.

For the nine months ended 30 September 2018, revenue generated by our 5 leading game series in monetary amounts and as a percentage of total revenue are set out as follows: the mobile version of the Fish Catching Contest (捕魚大亂鬥) series commercially launched in December 2017 reported revenue of approximately RMB44.2 million for the nine months ended 30 September 2018, accounting for approximately 39.3% of our total revenue; the mobile version of the Sweeties Fighting (零食大亂鬥) series commercially launched in May 2017 reported revenue of approximately RMB37.8 million for the nine months ended 30 September 2018, accounting for approximately 33.7% of our total revenue; the mobile version of the Shaky Battle (晃晃大作戰) series commercially launched in July 2018 reported revenue of approximately RMB8.3 million for the nine months ended 30 September 2018, accounting for approximately 7.4% of our total revenue; the Hero's Crown (英雄皇冠) series commercially launched in its browser version in January 2015 and in its mobile version in February 2016, the mobile and browser versions of Hero's Crown (英雄皇冠) series reported revenue of approximately RMB3.5 million for the nine months ended 30 September 2018, accounting for approximately 3.1% of our total revenue; the browser version of Kings & Legends (王者召喚) series commercially launched in March 2012 reported revenue of approximately RMB2.9 million for the nine months ended 30 September 2018, accounting for approximately 2.6% of our total revenue.



The table below sets forth the fourteen main series of games which are operating and commercially launched by our licensed operators as of 30 September 2018:

Language version	Game title	Platform	Initial commercial launch date
<i>Kings & Legends (王者召喚) series of games</i>			
English	Ancient Summoner/Rise of Mythos (Name changed in June 2014)	Browser	May 2013
Japanese	Kings and Legends	Browser	December 2012
	デイヴァイン・グリモワール / Divine Grimoire	Browser	September 2012
German	Kings and Legends	Browser	July 2013
French	Kings and Legends	Browser	December 2013
Traditional Chinese	卡卡們的大亂鬥	Browser	June 2012
Simplified Chinese	王者召喚	Browser	March 2012
<i>Hero's Crown (英雄皇冠) series of games</i>			
Simplified Chinese	英雄皇冠	Browser	March 2015
Traditional Chinese	卡卡們的大亂鬥II：英雄皇冠	Browser	June 2015
Simplified Chinese	魔界外传	Mobile	April 2016
<i>Heroines of Three Kingdoms (姬戰三國) series of games</i>			
Simplified Chinese	姬战三国	Browser	January 2015
<i>Road of Vengeance (復仇之路) series of games</i>			
Simplified Chinese	复仇之路	Mobile	August 2016
<i>Number Drop series of games</i>			
Simplified Chinese	Number Drop	Mobile	March 2017
<i>G-game series of games</i>			
Simplified Chinese	一起切水果	Mobile	March 2017
<i>Sweeties Fighting (零食大亂鬥) series of games</i>			
Simplified Chinese	零食大乱斗	Mobile	May 2017
<i>Super Tycoon (超級大亨) series of games</i>			
Simplified Chinese	超級大亨	Mobile	July 2017
<i>Forest Gala (森林大聯歡) series of games</i>			
Simplified Chinese	森林大联欢	Mobile	July 2017



Language version	Game title	Platform	Initial commercial launch date
<i>Fish Catching Contest (捕魚大亂鬥) series of games</i> Simplified Chinese	捕魚大乱斗	Mobile	December 2017
<i>Super Cute Monster (超級逗萌獸) series of games</i> Simplified Chinese	超级逗萌兽	Mobile	December 2017
<i>Super Rich (超級大富翁) series of games</i> Simplified Chinese	超级大富翁	Mobile	February 2018
<i>Age of Star Wars (星戰紀) series of games</i> Simplified Chinese	星战纪	Mobile	June 2018
<i>Shaky Battle (晃晃大作戰) series of games</i> Simplified Chinese	晃晃大作战	Mobile	July 2018

As at 30 September 2018, we also had two game series under research and development, including the Royal Tycoon (皇家大亨) series and the Royal Fish Catching (皇家捕魚) series. Subject to their development progress and market response, the Royal Tycoon (皇家大亨) series and the Royal Fish Catching (皇家捕魚) series are expected to be launched in the fourth quarter of 2018 and the first quarter of 2019, respectively.

Game Title	Genre	Expected launch date	Start of game inception and evaluation
Royal Tycoon (皇家大亨) series (originally named as Royal Casino)	2D Leisure	Fourth quarter 2018	First quarter 2018
Royal Fish Catching (皇家捕魚) series (Name to be confirmed)	Single-player leisure games	First quarter 2019	Third quarter 2018



Prospects

To address escalating competition in the market, we will continue to operate with diligent and meticulous efforts.

We will continue to grow our strengths in research and development and leverage our solid capabilities in research and development and innovation to develop exquisite games with higher quality and longer life-cycle, upgrade and optimise existing games, and invest comprehensive resources in our core products. We will also make vigorous endeavours in the development of innovative game types and launch more innovative products with premium quality to further enhance the Group's profile as a top-class global game content provider.

We will continue to enhance our cooperation with licensed operators through the introduction of new modes of play, the launch of different language versions for different players, investigate the operation mode for licensed games with licensed operators, and implement precise management and innovative promotion of our games, with a view to giving full play to our strengths in the research and development of games and enhancing our reputation in the research and development of games.

In addition, we will make vigorous efforts to expand overseas markets and promote our games to new potential areas and regions, enhancing our ability to compete internationally in order to evolve and grow in this intensely competitive industry.

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 nine months ended 30 September 2018, 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 107.6% from approximately RMB54.1 million for the nine months ended 30 September 2017 to approximately RMB112.3 million for the nine months ended 30 September 2018. The increase in revenue was mainly due to the increase in revenue brought by the launch of more than ten mobile game series successively since 2017, being Number Drop series, G-game series, Sweeties Fighting (零食大亂鬥) series, War of the Sulfulons (薩弗隆戰紀) series, Super Tycoon (超級大亨) series, Forest Gala (森林大聯歡) series, Fish Catching Contest (捕魚大亂鬥) series, Super Cute Monster (超級逗萌獸) series, Super Rich (超級大富翁) series, Age of Star Wars (星戰紀) series and Shaky Battle (晃晃大作戰) series.

Revenue by game platforms and revenue types

The table below sets forth the breakdown of revenue by game platforms and revenue types for each of the nine months ended 30 September 2018 and 2017:

	2018		2017	
	RMB'000 (unaudited)	%	RMB'000 (unaudited)	%
Browser version	4,539	4.0	10,204	18.9
License fees	—	—	1,993	3.7
Royalties	4,539	4.0	8,211	15.2
Mobile version	107,775	96.0	43,865	81.1
License fees	1,647	1.5	1,465	2.7
Royalties	106,128	94.5	42,400	78.4
	112,314	100.0	54,069	100.0

Revenue by game series

The table below sets forth the breakdown of revenue by game series for each of the nine months ended 30 September 2018 and 2017:

	For the nine months ended 30 September			
	2018 RMB'000 (unaudited)	%	2017 RMB'000 (unaudited)	%
Kings & Legends (王者召喚)	2,879	2.6	5,752	10.6
Hero's Crown (英雄皇冠)	3,476	3.1	14,886	27.5
Heroines of the Three Kingdoms (姬戰三國)	100	0.1	208	0.4
Endless Battles (無盡爭霸)	357	0.3	3,328	6.2
Legend of Fairies (萌仙記)	828	0.7	4,668	8.6
Road of Vengeance (復仇之路)	2,473	2.2	3,555	6.6
Number Drop	2,795	2.5	3,050	5.7
G-game	2,639	2.3	3,140	5.8
Sweeties Fighting (零食大亂鬥)	37,814	33.7	14,783	27.3
War of the Sulfurons (薩弗隆戰記)	452	0.4	100	0.2
Super Tycoon (超級大亨)	214	0.2	58	0.1
Forest Gala (森林大聯歡)	1,215	1.1	541	1.0
Fish Catching Contest (捕魚大亂鬥)	44,198	39.3	—	—
Super Cute Monster (超級逗萌獸)	1,526	1.3	—	—
Super Rich (超級大富翁)	532	0.5	—	—
Age of Star Wars (星戰紀)	2,556	2.3	—	—
Shaky Battle (晃晃大作戰)	8,260	7.4	—	—
	112,314	100.0	54,069	100.0

Revenue by geographical markets

The following table sets forth our revenue from our games based on territories, as determined by type of settlement currency with licensed operators, in absolute amounts and as a percentage of our revenue for each of the nine months ended 30 September 2018 and 2017:

	2018		2017	
	RMB'000 (unaudited)	%	RMB'000 (unaudited)	%
The PRC ¹	111,304	99.1	50,968	94.3
The PRC ^{2,4}	—	—	512	0.9
The PRC ^{3,4}	—	—	611	1.1
North America ²	—	—	163	0.3
Asia Pacific (including Japan and Taiwan) ²	484	0.4	1,223	2.3
Europe ³	526	0.5	592	1.1
Total	112,314	100.0	54,069	100.0

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.



Direct costs

Our direct costs for the nine months ended 30 September 2018 amounted to approximately RMB13.2 million, representing an increase of approximately 50.0% as compared to approximately RMB8.8 million for the same period in 2017. The increase in our direct costs was mainly due to the commercial launch of three new mobile games during the Reporting Period, being the Super Rich (超級大富翁) series, Age of Star Wars (星戰紀) series and Shaky Battle (晃晃大作戰) 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 nine months ended 30 September 2018 amounted to approximately RMB99.1 million, representing an increase of approximately RMB53.8 million as compared to approximately RMB45.3 million for the nine months ended 30 September 2017. Our gross profit margin for the nine months ended 30 September 2018 was approximately 88.2% and approximately 83.7% for the nine months ended 30 September 2017. The increase in our gross profit and gross profit margin was mainly due to the increase in revenue brought by the commercial launch of various mobile game series since 2017.

Other income

Our other income mainly consisted of interest income from short-term bank deposits and government grants. For the nine months ended 30 September 2018, our other income was approximately RMB1.8 million, compared with approximately RMB1.2 million for the same period of 2017.

Game research costs

Our game research costs for the nine months ended 30 September 2018 amounted to approximately RMB0.6 million, representing an increase of approximately RMB0.2 million as compared to RMB0.4 million for the nine months ended 30 September 2017.



Distribution costs

Our distribution costs for the nine months ended 30 September 2018 amounted to approximately RMB0.6 million, representing an increase of approximately RMB0.1 million as compared to RMB0.5 million for the same period in 2017, mainly due to the increase in salaries and benefits of promotional staff.

Administrative expenses

Our administrative expenses for the nine months ended 30 September 2018 amounted to approximately RMB16.5 million, representing an increase of approximately 132.4% as compared to approximately RMB7.1 million for the nine months ended 30 September 2017. Without taking into the relevant professional costs incurred in relation to the application for a transfer of listing from GEM to the Main Board of the Company during the Reporting Period, our administrative expenses for the nine months ended 30 September 2018 amounted to approximately RMB14.4 million, representing an increase of approximately 102.8% as compared to approximately RMB7.1 million for the nine months ended 30 September 2017. The increase in our administrative expenses was mainly due to the increase in salaries, benefits, consultation fees of our administrative staff, depreciation of fixed assets as well as the increase in rentals for our operating premises.

Income tax expense

Our income tax expense for the nine months ended 30 September 2018 amounted to approximately RMB20.3 million while we recorded RMB9.8 million for the nine months ended 30 September 2017. The increase in our income tax expense was mainly due to the significant increase in the profits of the PRC subsidiary of the Group during the Reporting Period as compared to the same period in 2017 as well as the increase in income tax expense withheld under the provisions of the PRC tax law with respect to the distribution of dividends to foreign investors by the PRC subsidiary of the Group.



Profit for the period

Given the aforesaid reasons, profit attributable to owners of the Company increased by approximately 114.3% from approximately RMB28.7 million for the nine months ended 30 September 2017 to approximately RMB61.5 million for the nine months ended 30 September 2018.

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

During the Reporting Period, the Group invested in two companies in Thailand so as to expand in overseas markets, through which the Group can keep abreast of the information and trends of the Thai market. Meanwhile, the Group is looking for qualified agents to develop and promote our game products. In addition, the Group established a wholly-owned subsidiary in Shenzhen, the PRC, during the Reporting Period to engage in research and development of game products for the better management of our game development project team. Save for the investments mentioned above, there was no other significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company.

Earnings Per Share

For the nine months ended 30 September 2018 and 2017, the earnings per share of the Group was approximately RMB19.21 cents and RMB8.95 cents respectively. The calculation is based on profit attributable to owners of the Company for the period of approximately RMB61.5 million and RMB28.7 million respectively and the weighted average number of 320,000,000 ordinary shares outstanding during the respective period.

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the nine months ended 30 September 2018 and 2017.



Interim Dividends

On 22 June 2018, the Company paid a final dividend for 2017 amounting to HK\$20.0 million (approximately RMB16.5 million) in aggregate, in form of a cash dividend of HK\$0.125 (equivalent to approximately RMB0.103) per share and bonus shares of approximately RMB1.3 million on the basis of 1 share for every share held to the shareholders whose names appear on the register of members of the Company as at 8 June 2018.

On 26 September 2017, the Company paid an interim dividend of HK\$0.15 (approximately RMB0.127) per share amounting to HK\$24.0 million (approximately RMB20.4 million) in aggregate for the 160,000,000 shares in issue to the shareholders listed on the register of members of the Company as at 5 September 2017 in accordance with the dividend payment notice as set out in the announcement of interim results for the six months ended 30 June 2017 dated 14 August 2017.

Save as disclosed above, the Board does not recommend the payment of any interim dividend for the nine months ended 30 September 2018 (Nine months ended 30 September 2017: Nil).



CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Practices

The Group 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 set out in the Code 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 nine months ended 30 September 2018.

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 September 2018, 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:

Name	Capacity	Number of Shares¹	Percentage of shareholdings
Mr. Zhang Yan ²	Interest in controlled corporation	117,600,000	36.75%
Mr. Huang Yong ³	Interest in controlled corporation	38,400,000	12.00%
Mr. Zhang Xiongfeng	Beneficial owner	19,616,000	6.13%

1. All interests stated are long positions.

On 22 June 2018, the Company paid a final dividend for 2017 on the basis of 1 bonus share for every share held to the shareholders whose names appear on the register of members of the Company as at 8 June 2018, thereby increasing the number of shares of the Company from 160,000,000 to 320,000,000.

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 September 2018, 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 September 2018, 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:

Name	Capacity	Number of Shares¹	Percentage of shareholding
Sulfulon International Limited	Beneficial owner	117,600,000	36.75%
Mr. Zhang Yan ²	Interest of controlled corporation	117,600,000	36.75%
Ms. Zheng Xin ³	Interest of spouse	117,600,000	36.75%
Raglon International Limited	Beneficial owner	38,400,000	12.00%
Mr. Huang Yong ⁴	Interest of controlled corporation	38,400,000	12.00%
Ms. Pan Li ⁵	Interest of spouse	38,400,000	12.00%
Mr. Zhang Xiongfeng	Beneficial owner	19,616,000	6.13%
Ms. Wu Mingqin ⁶	Interest of spouse	19,616,000	6.13%

^{1.} All interests stated are long positions

On 22 June 2018, the Company paid a final dividend for 2017 on the basis of 1 bonus share for every share held to the shareholders whose names appear on the register of members of the Company as at 8 June 2018, thereby increasing the number of shares of the Company from 160,000,000 to 320,000,000.

^{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.

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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.
 6. Ms. Wu Mingqin is the spouse of Mr. Zhang Xiongfeng and she is deemed to be interested in the Shares held by Mr. Zhang Xiongfeng 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 September 2018, the total number of Shares available for issue under the scheme is 32,000,000 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 September 2018 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 September 2018 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 nine months ended 30 September 2018.



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 nine months ended 30 September 2018 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 nine months ended 30 September 2018 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.

Change of Company Secretary

Mr. Chan Chin Wang Keith has resigned as the company secretary of the Company (the "**Company Secretary**") and authorised representative of the Company for acceptance of service of process and notices under the Companies Ordinance (Cap. 622) of the Laws of Hong Kong (the "**Authorised Representative**") with effect from 29 June 2018. Mr. Chu Hon Leung was appointed as the Company Secretary and Authorised Representative of the Company with effect from 29 June 2018. Details of the change of Company Secretary is set out in the announcement of the Company dated 29 June 2018.



Resignation of Non-executive Director

Mr. Zhang Xiongfeng has resigned as the non-executive director of the Company (the “**Non-executive Director**”) with effect from 5 October 2018. Details of the resignation is set out in the announcement of the Company dated 5 October 2018.

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

Hong Kong, Tuesday, 13 November 2018

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 director is Ms. Yang Kan and the independent non-executive Directors are Mr. Chan King Fai, Mr. He Yunpeng and Mr. Chen Di.