



火岩控股

FIRE ROCK HOLDINGS

火岩控股有限公司
FIRE ROCK HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
Stock code : 8345



2019 FIRST QUARTERLY REPORT

CHARACTERISTICS OF THE 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.

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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 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.*

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DEFINITION

“Android”	an operating system developed and maintained by Google Inc. designed primarily for touchscreen technology used in smartphones and tablets
“ARPPU”	average revenue per paying user, calculated by dividing the average monthly royalties from the net sale of credits of licensed operators for the in-game tokens during a certain period by the average MPU during the same period
“Articles of 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 Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“Group” or “we”	the Company and where the context otherwise requires, all of its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“iOS”	a mobile operating system developed and maintained by Apple Inc. and used exclusively in Apple touchscreen technology including, iPhones, iPods, and iPads
“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, the Macau Special Administrative Region of the PRC and Taiwan
“Remuneration Committee”	the remuneration committee under the Board
“Reporting Period”	the three months ended 31 March 2019
“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
“USA”	the United States of America
“USD”	United States dollars, the lawful currency of the United States
“THB”	Thai Baht, the lawful currency of Thailand
“%”	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)*
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

AUTHORISED REPRESENTATIVES

Mr. HUANG Yong
Mr. CHU Hon Leung

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

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Shenzhen, Guangdong
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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

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 three months ended 31 March	
	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Revenue	52,937	32,851
Gross Profit	49,135	27,959
Profit	31,225	18,196

- For the three months ended 31 March 2019, the Group's revenue increased from approximately RMB32.9 million for the three months ended 31 March 2018 to approximately RMB52.9 million, represented an increase of approximately 60.8%.
- For the three months ended 31 March 2019, the Group's gross profit increased from approximately RMB28.0 million for the three months ended 31 March 2018 to approximately RMB49.1 million, represented an increase of approximately 75.4%.
- For the three months ended 31 March 2019, the Group's profit increased from approximately RMB18.2 million for the three months ended 31 March 2018 to approximately RMB31.2 million, represented an increase of 71.4%.
- The Board does not recommend the payment of any interim dividends for the three months ended 31 March 2019.

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

		For the three months ended 31 March	
	Notes	2019 RMB (unaudited)	2018 RMB (unaudited)
Revenue	4	52,937,241	32,850,686
Direct costs		(3,802,540)	(4,891,827)
Gross profit		49,134,701	27,958,859
Other income	4	756,135	353,596
Game research costs		(86,070)	(300,085)
Distribution costs		(389,151)	(205,423)
Administrative expenses		(8,327,947)	(4,020,547)
Finance costs	5	(33,719)	—
Operating profit		41,053,949	23,786,400
Share of profit/(loss) of an investment using equity accounting		120,685	(28,905)
Profit before income tax	6	41,174,634	23,757,495
Income tax expense	7	(9,949,793)	(5,561,391)
Profit for the period		31,224,841	18,196,104
Other comprehensive income <i>Item that may be reclassified subsequently to profit or loss:</i>			
— Exchange differences on translating foreign operations		(737,177)	(1,836,463)
Other comprehensive income for the period		(737,177)	(1,836,463)
Total comprehensive income for the period		30,487,664	16,359,641
Profit for the period attributable to:			
Owners of the Company		31,256,838	18,199,571
Non-controlling interests		(31,997)	(3,467)
		31,224,841	18,196,104
Total comprehensive income attributable to:			
Owners of the Company		30,519,523	16,363,112
Non-controlling interests		(31,859)	(3,471)
		30,487,664	16,359,641
Earnings per share		RMB cents	RMB cents (restated)
Basic and diluted	9	9.77	5.69

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to owners of the Company										Non-controlling interests	Total Equity
	Share capital	Share premium	Capital reserve	Merger reserve	Statutory reserve	Share-based payment reserve	Foreign exchange reserve	Retained profits	Total			
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Three months ended 31 March 2018 (unaudited)												
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	—	—	—	—	—	—	—	18,199,571	18,199,571	(3,467)	18,196,104	
Other comprehensive income for the period:												
— Exchange differences on translation of foreign operations	—	—	—	—	—	—	(1,836,459)	—	(1,836,459)	(4)	(1,836,463)	
Total comprehensive income for the period	—	—	—	—	—	—	(1,836,459)	18,199,571	16,363,112	(3,471)	16,359,641	
Non-controlling interests arising on establishment of a non wholly-owned subsidiary	—	—	—	—	—	—	—	—	—	20,090	20,090	
At 31 March 2018 (unaudited)	1,347,236	35,021,914	11,201,260	10,000,000	12,179,207	—	(1,709,589)	64,784,372	132,824,400	16,619	132,841,019	
Three months ended 31 March 2019 (unaudited)												
At 1 January 2019 (audited)	2,669,060	35,021,914	11,201,260	10,000,000	12,500,000	342,503	2,177,480	118,282,116	192,194,333	(35,389)	192,158,944	
Profit/(Loss) for the period	—	—	—	—	—	—	—	31,256,838	31,256,838	(31,997)	31,224,841	
Other comprehensive income for the period:												
— Exchange differences on translation of foreign operations	—	—	—	—	—	—	(737,315)	—	(737,315)	138	(737,177)	
Total comprehensive income for the period	—	—	—	—	—	—	(737,315)	31,256,838	30,519,523	(31,859)	30,487,664	
Equity-settled share-based transaction	—	—	—	—	—	277,706	—	—	277,706	—	277,706	
At 31 March 2019 (unaudited)	2,669,060	35,021,914	11,201,260	10,000,000	12,500,000	620,209	1,440,165	149,538,954	222,991,562	(67,248)	222,924,314	

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 31 MARCH 2019

1. GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (collectively the “**Group**”) are principally engaged in 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 three months ended 31 March 2019, as well as a summary of significant accounting policies and other explanatory information (collectively, the “**First Quarterly Condensed Financial Statements**”) are unaudited, but have been reviewed by the Audit Committee of the Company and were approved and authorised for issue by the Board on 14 May 2019.

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 2019, the accounting policies applied in preparing this unaudited First Quarterly Condensed Financial Statements for the three months ended 31 March 2019 are consistent with those of the annual financial statements for the year ended 31 December 2018 issued by the Company on 19 March 2019, as described in those annual financial statements. The First Quarterly Condensed Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 December 2018.

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 First Quarterly Condensed Financial Statements have been prepared under the historical cost basis. They are presented in Renminbi (“**RMB**”) except when otherwise indicated.

HKFRS 16 Leases (“HKFRS 16”)

The Group has adopted HKFRS 16 “Leases” from 1 January 2019, which resulted in changes in accounting policies and adjustments to the amounts recognised in the First Quarterly Condensed Financial Statements. In accordance with the transition provisions in HKFRS 16, the Group has recognised the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2019). As a result, the financial information presented for 2018 has not been restated.

Before the adoption of HKFRS 16, commitments under operating leases for future periods were not recognised by the Group as liabilities. Operating lease rental expenses were recognised in the condensed consolidated statement of profit or loss and other comprehensive income over the lease period on a straight-line basis.

On adoption of HKFRS 16, the Group recognised the full lease liabilities in relation to leases which had previously been classified as operating leases if they meet certain criteria set out in HKFRS 16. These liabilities were subsequently measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of respective entities. The difference between the present value and the total remaining lease payments represents the cost of financing. Such finance costs will be charged to the condensed consolidated statement of profit or loss and other comprehensive income in the period in which it is incurred using effective interest method.

At the inception of a contract that contains a lease component, as a lessee, the Group should allocate the consideration in the contract to each lease component on the basis of their relative stand-alone price. The Group, as a lessee, assessed its leases for non-lease components and separated non-lease components from lease components for certain classes of assets if the non-lease components were material.

The associated right-of-use assets were measured at the amount equal to the initial measurement of lease liabilities, adjusted by certain items as set out in below. The right-of-use assets were recognised in the condensed consolidated statement of financial position.

Depreciation was charged on a straight-line basis over the shorter of the asset’s useful life and the lease term.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Impacts on the transition

As at 1 January 2019, lease liabilities were measured at the present value of the remaining lease payments, discounted using its incremental borrowing rate. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.75%.

	<i>RMB</i>
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	3,027,689
Discounted using the incremental borrowing rate at 1 January 2019	2,667,161
Lease liabilities recognised at 1 January 2019	2,667,161

Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018.

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating lease, the Group recognised RMB2,667,161 of right-of-use assets and RMB2,667,161 of lease liabilities as at 1 January 2019.

Impacts for the period

In relation to those leases under HKFRS 16, the Group has recognised depreciation and interest expense, instead of operating lease expense. During the three months ended 31 March 2019, the Group recognised RMB637,954 and RMB33,719 of depreciation expense on right-of-use assets and interest expense on lease liabilities respectively.

Significant accounting policies

From 1 January 2019 onwards, the Group has adopted the following accounting policies on leases:

The Group as lessee

Leases are initially recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the condensed consolidated statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

Assets leased to the Group and the corresponding liabilities are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate; and
- payments of penalties for terminating the lease, if the lease term reflects the Group, as a lessee, exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the incremental borrowing rate of respective entities. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentive received;
- any initial direct costs; and
- restoration costs.

3. SEGMENT INFORMATION

During the 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 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.

	For the three months ended 31 March	
	2019 RMB (unaudited)	2018 RMB (unaudited)
Revenue from licensed operators*		
Primary geographical markets		
The PRC	52,659,460	32,582,047
Japan	89,144	159,963
Taiwan	33,723	35,991
Germany	154,914	72,685
Total	52,937,241	32,850,686
* Based on location of licensed operators		
Timing of revenue recognition		
Over time	360,080	573,673
At a point in time	52,577,161	32,277,013
	52,937,241	32,850,686

4. REVENUE AND OTHER INCOME

	For the three months ended 31 March	
	2019 <i>RMB</i> (unaudited)	2018 <i>RMB</i> (unaudited)
Revenue		
License fees and royalties	52,937,241	32,850,686
Other income		
Interest income	399,386	322,486
Government grants	342,200	—
Exchange gain, net	14,549	—
Others	—	31,110
	756,135	353,596

5. FINANCE COSTS

	For the three months ended 31 March	
	2019 <i>RMB</i> (Unaudited)	2018 <i>RMB</i> (Unaudited)
Interest expense on lease liabilities	33,719	—

6. PROFIT BEFORE INCOME TAX

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

	For the three months ended 31 March	
	2019 RMB (unaudited)	2018 RMB (unaudited)
Depreciation of property, plant and equipment*	197,317	262,777
Depreciation of right-of-use assets (Note)*	637,954	—
Amortisation of intangible assets**	1,116,214	1,716,365
Operating lease rentals in respect of land and buildings (Note)	—	543,451
Operating lease rentals in respect of servers	20,489	78,460
Legal and professional fees	2,696,482	131,858
Exchange (gain)/loss, net	(14,549)	167,958
Employee costs (including directors' remuneration)	5,443,891	5,364,462

* 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.

Note: The Group has initially applied HKFRS 16 at 1 January 2019. In applying HKFRS 16, in relation to those leases that were classified as operating leases, the Group has recognised depreciation and interest expense on lease liabilities, instead of operating lease expense (see Note 2). During the three months ended 31 March 2019, in relation to those lease, the Group recognised RMB637,954 and RMB33,719 of depreciation expense on right-of-use assets and interest expense on lease liabilities respectively.

7. INCOME TAX EXPENSE

	For the three months ended 31 March	
	2019 RMB (unaudited)	2018 RMB (unaudited)
PRC Enterprise Income Tax ("EIT")	6,849,793	3,861,391
Deferred tax	3,100,000	1,700,000
	9,949,793	5,561,391

No Hong Kong Profits Tax was provided in the First Quarterly Condensed Financial Statements as the Group has no estimated assessable profit derived from or arising in Hong Kong during the three months ended 31 March 2019 and 2018.

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.

Shenzhen Fire Element Network Technology Company Limited ("**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 three months ended 31 March 2019 and 2018 was 15%.

During the three months ended 31 March 2019, Shenzhen Fire Element Network Science and Technology Company Limited was qualified as Small Low-Profit Enterprise (小型微利企業) in the PRC and hence entitled to 75% reduction on the net assessable profits followed by a preferential corporate tax rate of 20%.

Firerock Co., Ltd., ("**Firerock**") is a subsidiary incorporated in Thailand and it is generally subject to corporate income tax at 20% of net profit. However, small business, paid-up capital less than Thai Baht ("**THB**") 5 million, is entitled to a rate reduction. If it has net profit more than THB 3 million, the corporate income tax is 20%. If it has net profit more than THB 300 thousand but less than THB 3 million, the corporate income tax is 15%. It is exempted from the corporate income tax if net profit is less than THB 300 thousand.

Pursuant to the PRC EIT Law, a 10% withholding tax (unless reduced by tax treaties/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 after 31 December 2007.

8. DIVIDENDS

On 26 March 2018, a final dividend, in the form of a cash dividend of HK\$0.125 per share (equivalent to approximately RMB0.103 per share) and bonus shares on the basis of 1 share for every share, in respect of the year ended 31 December 2017 has been proposed by the Board and was approved by the shareholders in the annual general meeting held on 22 June 2018 for implementation.

On 19 March 2019, a final dividend, in the form of a cash dividend of HK\$0.075 per share (equivalent to approximately RMB0.066 per share) in respect of the year ended 31 December 2018 has been proposed by the Board and is subject to approval by the shareholders in the forthcoming annual general meeting.

Other than those as set out above, no dividends were paid or proposed by the Company during the three months ended 31 March 2019 and 2018.

9. EARNINGS PER SHARE

For the three months ended 31 March 2019, the calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately RMB31.3 million (Three months ended 31 March 2018: RMB18.2 million) and the weighted average number of 320,000,000 ordinary shares (Three months ended 31 March 2018: 320,000,000 ordinary shares after adjusting for the bonus issue in 2018) in issue during the period.

The weighted average number of ordinary shares used in the calculation of earnings per share for the three months ended 31 March 2018 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 three months ended 31 March 2019 and 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

The board of Directors of Fire Rock Holdings Limited is pleased to announce the unaudited consolidated first quarterly results of the Company and its subsidiaries for the three months ended 31 March 2019. The first quarterly results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

BUSINESS REVIEW AND PROSPECTS

Review

The Group is a game developer focusing on the development of browser and mobile games. For the first quarter of 2019, our Group achieved substantial growth in our results. This was mainly attributable to the game development ideas which we adhered to as well as the refinement and cultivation of game products. During the Reporting Period, the Group emphasised on continually increasing inputs for mobile games, continued to optimise and upgrade existing games, developed and commercially launched numerous mobile game series, which better captured the development opportunity from the constantly fast-growing mobile game industry and attained satisfying results.

In terms of financial performance, during the three months ended 31 March 2019, our revenue increased by 60.8% from approximately RMB32.9 million for the three months ended 31 March 2018 to approximately RMB52.9 million. Of which, the revenue of mobile games reached approximately RMB51.9 million, representing an increase of 63.2% as compared to the same period in 2018. Revenue of mobile games amounted to 98.0% of the Group’s revenue. Profit attributable to owners of the Company increased by 72.0% from approximately RMB18.2 million for the three months ended 31 March 2018 to approximately RMB31.3 million for the three months ended 31 March 2019.

As at 31 March 2019, we have licensed seventeen 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, the mobile version of 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 Super Tycoon (超級大亨) series, the mobile version of Forest Gala (森林大聯歡) series, the mobile version of Fish Catching Contest (捕魚大亂鬥) series, the mobile version of Super Cute Monster (超級逗萌獸) series, the mobile version of 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 to various game operators for the operation, publication and distribution of such games within an agreed period and within designated territories.

For the three months ended 31 March 2019, the revenue and the proportion of their revenue to our total revenue for five of our major games are listed as follows: the mobile version of our Fish Catching Contest (捕魚大亂鬥) series was commercially launched in December 2017 and our revenue from the game series amounted to approximately RMB27.5 million for the three months ended 31 March 2019, amounted to 51.9% of our total revenue; the mobile version of our Sweeties Fighting (零食大亂鬥) series was commercially launched in May 2017 and our revenue from the game series amounted to approximately RMB13.4 million for the three months ended 31 March 2019, amounted to 25.3% of our total revenue; the mobile version of our Shaky Battle (晃晃大作戰) series was commercially launched in July 2018 and our revenue from the game series amounted to approximately RMB7.1 million for the three months ended 31 March 2019, amounted to 13.4% of our total revenue; the mobile version of our Age of Star Wars (星戰紀) series was commercially launched in June 2018 and our revenue from the game series amounted to approximately RMB1.8 million for the three months ended 31 March 2019, amounted to 3.4% of our total revenue; the browser version of our Kings & Legends (王者召喚) game series was commercially launched in March 2012 and our revenue from the game series amounted to approximately RMB0.8 million for the three months ended 31 March 2019, amounted to 1.5% of our total revenue.

The Group has submitted two formal applications to the Stock Exchange on 9 October 2018 and 15 April 2019, respectively pursuant to Chapter 9A of the Listing Rules for the proposed transfer of listing of the shares of the Group from GEM to the Main Board of the Stock Exchange. The Board would like to emphasise that the definitive timetable for the transfer of listing has yet to be finalised. Further announcement(s) will be made by the Group to keep the shareholders and potential investors of the Group informed of the progress of the transfer of listing as and when appropriate.

The table below sets forth the fourteen main series of games which are under operation and commercially launched by our licensed operators as of 31 March 2019:

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
<i>Road of Vengeance (復仇之路) series of games</i>			
Simplified Chinese	復仇之路	Mobile	August 2016

Language version	Game title	Platform	Initial commercial launch date
<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	超级大亨	Mobile	July 2017
<i>Forest Gala (森林大聯歡) series of games</i>			
Simplified Chinese	森林大联欢	Mobile	July 2017
<i>Fish Catching Contest (捕魚大亂鬥) series of games</i>			
Simplified Chinese	捕鱼大乱斗	Mobile	December 2017
<i>Super Cute Monster (超級逗萌獸) series of games</i>			
Simplified Chinese	超级逗萌兽	Mobile	December 2017
<i>Super 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 31 March 2019, we also had six game series under research and development, including the Royal Tycoon (皇家大亨) series, the Royal Fish Catching (皇家捕魚) series, Sweeties Fighting 2 (零食大亂鬥 2) series, Super Diglett Fighting (超級地鼠大亂鬥) series, Super Bouncy (超級彈彈彈) series and Jungle Treasure (叢林秘寶) series. Subject to their development progress and market response, the Royal Tycoon (皇家大亨) series, the Royal Fish Catching (皇家捕魚) series and the Sweeties Fighting 2 (零食大亂鬥 2) series are expected to be launched in the second quarter of 2019; the Super Diglett Fighting (超級地鼠大亂鬥) series is expected to be launched in the third quarter of 2019; the Super Bouncy (超級彈彈彈) series and the Jungle Treasure (叢林秘寶) series are expected to be launched in the fourth quarter of 2019.

Game Title	Genre	Expected Launch Date	Start of Game Inception and Evaluation
Royal Tycoon(皇家大亨) series (tentative title)	2D leisure	Second quarter 2019	First quarter 2018
Royal Fish Catching (皇家捕魚) series (tentative title)	Single-player leisure	Second quarter 2019	Third quarter 2018
Sweeties Fighting 2 (零食大亂鬥 2) series (tentative title)	AFK leisure	Second quarter 2019	Fourth quarter 2018
Super Diglett Fighting (超級地鼠大亂鬥) series (tentative title)	Single-player leisure	Third quarter 2019	Fourth quarter 2018
Super Bouncy (超級彈彈彈) series (tentative title)	Turn-based card RPG	Fourth quarter 2019	First quarter 2019
Jungle Treasure (叢林秘寶) series (tentative title)	Leisure strategy game	Fourth quarter 2019	First quarter 2019

Prospects

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 develop a wide variety of exquisite games with quality and vitality, so as 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.

Moreover, with the presence in Chinese game market, we will actively expand overseas markets and promote our games to new potential areas and regions. By further strengthening our international competitiveness, we strive to evolve and grow in such highly competitive environment.

FINANCIAL REVIEW

Revenue

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

During the three months ended 31 March 2019, 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 RMB20.0 million from approximately RMB32.9 million for the three months ended 31 March 2018 to approximately RMB52.9 million for the three months ended 31 March 2019.

The increase in revenue was mainly due to the increase in revenue brought by the launch of over ten mobile game series successively in the previous period, being Number Drop game series, G-game game series, Sweeties Fighting (零食大亂鬥) game series, Super Tycoon (超級大亨) game series, Forest Gala (森林大聯歡) game series, Fish Catching Contest (捕魚大亂鬥) game series, Super Cute Monster (超級逗萌獸) game series, Super Rich (超級大富翁) game series, Age of Star Wars (星戰紀) game series and Shaky Battle (晃晃大作戰) game series.

Revenue by game platforms and revenue types

The table below sets forth the breakdown of revenue by game platforms and revenue types for each of the three months ended 31 March 2019 and 2018:

	2019		2018	
	<i>RMB'000</i> (unaudited)	%	<i>RMB'000</i> (unaudited)	%
Browser version	1,036	2.0	1,053	3.2
License fees	—	—	—	—
Royalties	1,036	2.0	1,053	3.2
Mobile version	51,901	98.0	31,798	96.8
License fees	360	0.7	574	1.7
Royalties	51,541	97.3	31,224	95.1
	52,937	100.0	32,851	100.0

Revenue by game series

The table below sets forth the breakdown of revenue by game series for each of the three months ended 31 March 2019 and 2018:

	For the three months ended 31 March			
	2019		2018	
	RMB'000 (unaudited)	%	RMB'000 (unaudited)	%
Kings & Legends (王者召喚)	795	1.5	866	2.6
Hero's Crown (英雄皇冠)	246	0.5	1,318	4.0
Heroines of the Three Kingdoms (姬戰三國)	4	—	34	0.1
Endless Battles (無盡爭霸)	—	—	327	1.0
Legend of Fairies (萌仙記)	—	—	436	1.3
Road of Vengeance (復仇之路)	526	1.0	674	2.1
Number Drop	161	0.3	835	2.5
G-game	463	0.9	798	2.4
Sweeties Fighting (零食大亂鬥)	13,384	25.3	15,490	47.2
War of the Sulfurons (薩弗隆戰記)	—	—	102	0.3
Super Tycoon (超級大亨)	69	0.1	66	0.2
Forest Gala (森林大聯歡)	246	0.5	597	1.8
Fish Catching Contest (捕魚大亂鬥)	27,494	51.9	10,800	32.9
Super Cute Monster (超級逗萌獸)	451	0.9	359	1.1
Super Rich (超級大富翁)	203	0.3	149	0.5

	For the three months ended 31 March			
	2019		2018	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(unaudited)		(unaudited)	
Age of Star Wars (星戰紀)	1,820	3.4	—	—
Shaky Battle (晃晃大作戰)	7,075	13.4	—	—
	52,937	100.0	32,851	100.0

Revenue by geographical markets

The following table sets forth the 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 reporting periods indicated:

	For the three months ended 31 March			
	2019		2018	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(unaudited)		(unaudited)	
The PRC ¹	52,659	99.5	32,582	99.2
Asia Pacific (including Japan and Taiwan) ²	123	0.2	196	0.6
Europe ³	155	0.3	73	0.2
Total	52,937	100.0	32,851	100.0

Notes:

1. Settled in RMB
2. Settled in USD
3. Settled in EUR

Direct costs

The Group's direct costs mainly consisted of staff costs and benefits, amortisation of intangible assets and others. The following table sets forth a breakdown of the Group's direct costs for the reporting periods indicated:

	For three months ended 31 March			
	2019 RMB'000 (unaudited)	%	2018 RMB'000 (unaudited)	%
Staff costs and benefits	2,322	61.1	2,947	60.2
Amortisation of intangible assets	1,116	29.3	1,717	35.1
Others	365	9.6	228	4.7
Total	3,803	100.0	4,892	100.0

Staff costs and benefits represented salary and wages of staff who are responsible for making continuous enhancements and maintenance for our commercially launched games. Staff costs and benefits for the three months ended 31 March 2019 amounted to approximately RMB2.3 million, representing a decrease of approximately 20.7% as compared to approximately RMB2.9 million for the three months ended 31 March 2018. The decrease was mainly due to no game series was launched during the period while there was only one game series commercially launched during and at the beginning of the same period of last year, which additional manpower was required for the updates and maintenance of the game and provision of assistance to the licensed operators for commercial operation of the games, resulting in a decrease in salary and benefits in the current period as compared to the corresponding period of last year.

Amortisation of intangible assets represented the amortisation of game intellectual properties for the commercially launched games. Amortisation of intangible assets for the three months ended 31 March 2019 amounted to approximately RMB1.1 million, representing a decrease as compared to approximately RMB1.7 million for the three months ended 31 March 2018. The decrease was mainly due to the commercial launch of only ten game series subject to amortisation during the three months ended 31 March 2019 as compared to the commercial launch of fourteen game series subject to amortisation during the three months ended 31 March 2018.

Others mainly comprised (i) other tax and surcharges; and (ii) outsourcing services fee for art/graphic design and audio production of sound effects and background music provided by third party service providers. In general, the increase in other tax and surcharges for the three months ended 31 March 2019 was in line with the significant increase in revenue.

Gross profit and gross profit margin

Our gross profit for the three months ended 31 March 2019 amounted to approximately RMB49.1 million, representing an increase of approximately RMB21.1 million as compared to approximately RMB28.0 million for the three months ended 31 March 2018. Our gross profit margin for the three months ended 31 March 2019 and 2018 was approximately 92.8% and 85.1%, respectively. The increase in our gross profit and gross profit margin was mainly due to the increase in revenue continuously brought by the commercial launch of game series in 2018.

Other income

Our other income mainly consisted of interest income of short term bank deposits, government grants and other gains. For the three months ended 31 March 2019, our other income was approximately RMB0.8 million, compared with approximately RMB0.4 million for the same period in 2018.

Game research costs

Game research and development costs primarily comprised (i) salaries for staff engaged in game development and upgrades; and (ii) fees associated with outsourcing production of non-technical elements of game design and development to third party service providers, such as art/graphic design and audio production of sound effects and background music. The Group's games development process typically involves several critical stages from game inception and evaluation, game development and programming to commercialisation. In the game inception and evaluation stage, as programming has not yet been commenced and such planning stage could be classified as the research stage in accordance with the applicable accounting standards, costs incurred in game inception and evaluation stage are expensed and recognised as game research costs in the condensed consolidated statement of profit or loss and other comprehensive income. In the game development and programming stage, development and programming work

are commenced, including developing the program source code for our games, graphic design, audio production and character setting. Costs incurred in this stage would be classified as those incurred in the development stage in accordance with the applicable accounting standards and hence recognised as development costs as part of the intangible assets in the consolidated statement of financial position.

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

	For three months ended 31 March	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Game research costs as recognised in condensed consolidated statement of profit or loss and other comprehensive income:		
Age of Star Wars (星戰紀)	—	112
Shaky Battle (晃晃大作戰)	—	45
Royal Tycoon (皇家大亨) (tentative name)	—	143
Super Bouncy (超級彈彈彈) (tentative name)	17	—
Jungle Treasure (叢林秘寶) (tentative name)	69	—
Total	86	300

Distribution costs

Our distribution costs for the three months ended 31 March 2019 amounted to approximately RMB0.4 million, represented an increase of about RMB0.2 million as compared to RMB0.2 million for the same period in 2018. The increase was mainly attributable to the increase in the salaries and welfare of promotional staff.

Administrative expenses

The Group's administrative expenses primarily comprised salaries and employee benefits expenses, operating lease rental expenses, legal and professional fees, professional fees for transfer of listing to Main Board, depreciation of property, plant and equipment and others. The following table sets forth a breakdown of the Group's administrative expenses for the reporting periods indicated:

	For three months ended 31 March			
	2019 RMB'000 (unaudited)	%	2018 RMB'000 (unaudited)	%
Salaries and employee benefits	2,648	31.8	1,912	47.5
Operating lease rentals in respect of land and buildings	—	—	543	13.5
Operating lease rentals in respect of servers	20	0.2	78	2.0
Legal and professional fees	311	3.7	132	3.3
Professional fees for transfer of listing to Main Board	2,385	28.6	—	—
Depreciation of property, plant and equipment	197	2.4	263	6.5
Depreciation of right-of-use assets	638	7.7	—	—
Exchange difference	—	—	168	4.2
Others	2,129	25.6	925	23.0
Total	8,328	100.0	4,021	100.0

The Group's administrative expenses for the three months ended 31 March 2019 amounted to approximately RMB8.3 million, representing an increase of approximately 107.5% as compared to approximately RMB4.0 million for the three months ended 31 March 2018. If the professional fees incurred in relation to the Company's application for a transfer of listing from GEM to the Main Board for the Reporting Period were excluded, the Group's administrative expenses for the three months ended 31 March 2019 amounted to approximately RMB5.9 million, representing an increase of approximately 47.5% as compared to approximately RMB4.0 million for the three months ended 31 March 2018. The increase in the Group's administrative expenses was mainly attributable to the increase in salaries, employee benefits of the Group's administrative staff and an increase in others.

Income tax expense

Our income tax expense for the three months ended 31 March 2019 amounted to approximately RMB9.9 million while we recorded RMB5.6 million for the three months ended 31 March 2018. The increase in our income tax expense was mainly because the profits of the PRC subsidiaries of the Group increased significantly during the Reporting Period as compared to the same period in 2018 as well as the increase in income tax expense withheld under the provisions of the PRC tax law with respect to the distribution of dividends to foreign investors by the PRC subsidiaries of the Group.

Profit for the period

Given the aforesaid reasons, profit attributable to owners of the Company increased by approximately 72.0% from approximately RMB18.2 million for the three months ended 31 March 2018 to approximately RMB31.3 million for the three months ended 31 March 2019.

Earnings per share

The calculation of earnings per share is based on the profit attributable to owners of the Company of approximately RMB31.3 million or earnings per share of approximately RMB9.77 cents for the three months ended 31 March 2019 (three months ended 31 March 2018: approximately RMB18.2 million or earnings per share of approximately RMB5.69 cents) and the weighted average number of 320,000,000 ordinary shares (three months ended 31 March 2018: 320,000,000 ordinary shares after the bonus issue in 2018) in issue.

The weighted average number of ordinary shares used in the calculation of earnings per share for the three months ended 31 March 2018 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 three months ended 31 March 2019 and 2018.

Dividends

On 26 March 2018, a final dividend, in the form of a cash dividend of HK\$0.125 per share (equivalent to approximately RMB0.103 per share) and bonus shares on the basis of 1 share for every share, in respect of the year ended 31 December 2017 has been proposed by the Board and was approved by the shareholders in the annual general meeting held on 22 June 2018 for implementation.

On 19 March 2019, a final dividend, in the form of a cash dividend of HK\$0.075 per share (equivalent to approximately RMB0.066 per share) in respect of the year ended 31 December 2018 has been proposed by the Board and is subject to approval by the shareholders in the forthcoming annual general meeting.

Other than as set out above, no dividends were paid or proposed by the Company during the three months ended 31 March 2019 and 2018, nor has any other dividends been proposed since the end of the Reporting Period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Practices

The Group is committed to achieving a high standard of corporate governance, to protect interests of our Shareholders and other stakeholders, 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 considered that 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 of 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 three months ended 31 March 2019.

Disclosure of Interest as Per Registers Kept Pursuant to the SFO

As at 31 March 2019, the Directors and the chief executive of our Company had the interests in the Shares, underlying shares and debentures of our Company and its associated corporations (within the meaning of part XV of the SFO):

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

- (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 Shares ¹	Percentage of shareholdings
Mr. Zhang Yan ²	Interest in controlled corporation	58,800,000	36.75%
Mr. Huang Yong ³	Interest in controlled corporation	32,692,000	11.78%
Mr. Wu Zhe ⁴	Interest in controlled corporation	1,600,000	1.00%
Mr. Rao Zhenwu ⁵	Interest in controlled corporation	1,600,000	1.00%

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.
4. Mr. Wu is interested in the entire issued share capital of R&P Global Limited and he is therefore deemed to be interested in the Shares held by R&P Global Limited by virtue of the SFO.
5. Mr. Rao is interested in the entire issued share capital of Meteor Technology International Limited and he is therefore deemed to be interested in the Shares held by Meteor Technology International Limited by virtue of the SFO.

Save as disclosed above, as at 31 March 2019, 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 31 March 2019, 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	58,800,000	36.75%
Mr. Zhang Yan ²	Interest of controlled corporation	58,800,000	36.75%
Ms. Zheng Xin ³	Interest of spouse	58,800,000	36.75%
Raglon International Limited	Beneficial owner	37,692,000	11.78%
Mr. Huang Yong ⁴	Interest of controlled corporation	37,692,000	11.78%
Ms. Pan Li ⁵	Interest of spouse	37,692,000	11.78%
R&P Global Limited	Beneficial owner	1,600,000	1.00%
Mr. Wu Zhe ⁶	Interest of controlled corporation	1,600,000	1.00%
Ms. Xu Yao ⁷	Interest of spouse	1,600,000	1.00%
Meteor Technology International Limited	Beneficial owner	1,600,000	1.00%
Mr. Rao Zhenwu ⁸	Interest of controlled Corporation	1,600,000	1.00%
Ms. Chen Xuanqi ⁹	Interest of spouse	1,600,000	1.00%

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 therefore deemed to be interested in the Shares held by Mr. Huang Yong by virtue of the SFO.
6. Mr. Wu Zhe is interested in the entire issued share capital of R&P Global Limited and he is therefore deemed to be interested in the Shares held by R&P Global Limited by virtue of the SFO.
7. Ms. Xu Yao is the spouse of Mr. Wu Zhe and she is therefore deemed to be interested in the Shares held by Mr. Wu Zhe by virtue of the SFO.
8. Mr. Rao Zhenwu is interested in the entire issued share capital of Meteor Technology International Limited and he is therefore deemed to be interested in the Shares held by Meteor Technology International Limited by virtue of the SFO.
9. Ms. Chen Xuanqi is the spouse of Mr. Rao Zhenwu and she is therefore deemed to be interested in the Shares held by Mr. Rao Zhenwu 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 31 March 2019, the total number of Shares available for issue under the scheme is 16,000,000 Shares, representing 5% 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 an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than ten 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 31 March 2019 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 at 31 March 2019 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 three months ended 31 March 2019.

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

During the three months ended 31 March 2019, there was no significant investment, material acquisition and disposal by the Company and its subsidiaries.

Review by Audit Committee

Members of the Audit Committee have reviewed the unaudited first quarterly results of the Company for the three months ended 31 March 2019 and made recommendations and advice.

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

Hong Kong, Tuesday, 14 May 2019

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.