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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: 1909)

DISCLOSEABLE TRANSACTION

THE ACQUISITION

Reference is made to the announcements of the Company dated 7 September 2022 and 30 March 2023 in relation to the Company's entering into of the MOU and the Supplemental MOU respectively. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the aforesaid announcements.

The Board is pleased to announce that, on 5 May 2023 (after trading hours), the Company entered into the Sale and Purchase Agreement with the Vendors, pursuant to which, among other things, Vendor 1 and Vendor 2 agreed to sell and the Company agreed to acquire Sale Shares 1 and Sale Shares 2 respectively for the Total Consideration of RMB80 million, out of which RMB16 million will be satisfied by cash and RMB64 million will be satisfied by issuance of the Promissory Notes.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Group will be consolidated into the consolidated financial statements of the Company.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that, on 5 May 2023 (after trading hours), the Company entered into the Sale and Purchase Agreement with the Vendors, pursuant to which, among other things, Vendor 1 and Vendor 2 agreed to sell and the Company agreed to acquire Sale Shares 1 and Sale Shares 2 respectively for the Total Consideration of RMB80 million, out of which RMB16 million will be satisfied by cash and RMB64 million will be satisfied by issuance of the Promissory Notes.

MAJOR TERMS OF THE SALE AND PURCHASE AGREEMENT

Date

5 May 2023

Parties

- (i) the Company (as the purchaser)
- (ii) Vendor 1 and Vendor 2 (as vendors)

Vendor 1: Petersburg Group Limited, a limited liability company incorporated under the laws of the British Virgin Islands and wholly-owned by Miss Chan. Vendor 1 is the registered and beneficial owner of Sale Shares 1, representing approximately 53.33% of the entire issued share capital of the Target Company, as at the date of this announcement.

Vendor 2: Mooliy Limited (慕力有限公司), a limited liability company incorporated under the laws of the British Virgin Islands and wholly-owned by Mr. Song. Vendor 2 is the registered and beneficial owner of Sale Shares 2, representing approximately 46.67% of the entire issued share capital of the Target Company, as at the date of this announcement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors and their respective ultimate beneficial owners, namely Miss Chan and Mr. Song, are Independent Third Parties.

Assets to be acquired

The asset to be acquired under the Sale and Purchase Agreement is the entire issued share capital of the Target Company.

Valuation

According to the valuation report prepared by Peak Vision using the Guideline Public Company Method under the Market Approach, the assessed market value of the 100% equity interest of the PRC Subsidiary (being the only operating entity of the Target Group) as at 31 March 2023 is approximately RMB94.1 million.

Consideration

Pursuant to the Sale and Purchase Agreement, the Total Consideration is RMB80 million. The Total Consideration shall be settled by internal resources of the Company, which shall be satisfied by cash and the Promissory Notes in the following manner:

- (i) Consideration 1 in the sum of RMB42.664 million shall be paid by issuing Promissory Note 1 to Vendor 1 within 90 Business Days upon Completion.
- (ii) Consideration 2 in the sum of RMB37.336 million shall be paid in the following manner:
 - (a) RMB12,500,000 in cash has been paid to Vendor 2 as deposit upon signing of the MOU;
 - (b) RMB3,500,000 in cash shall be paid to Vendor 2 within 14 Business Days upon the signing of the Sales and Purchase Agreement; and
 - (c) RMB21,336,000 shall be paid by issuing Promissory Note 2 to Vendor 2 within 90 Business Days upon Completion.

Principal terms of the Promissory Notes are set out in the section headed “The Promissory Notes” below.

Basis for the determination of the consideration

The Total Consideration is determined after arm’s length negotiations between the Company and the Vendors on normal commercial terms after taking into account of, among others, (i) the prospects of the business of the Target Group and the provision of the profit guarantee by the Vendors; (ii) the valuation of market value of 100% equity interest in the PRC Subsidiary as at 31 March 2023 by Peak Vision; (iii) the combined net asset value of the business of the Target Group of approximately RMB17.9 million as at 31 December 2022; and (iv) the reasons and benefits of the Acquisition as stated under the section headed “Reasons for and Benefits of the Acquisition” below.

Based on the above, the Board is of the view that the Total Consideration is fair and reasonable and in the interest of the Company and Shareholders as a whole.

Profit Guarantee

The Vendors irrevocably and unconditionally guarantee to the Purchaser that the profits of the Target Group for each of FY2023 and FY2024 shall be no less than RMB9,500,000 (the “**Guaranteed Profit**”).

In the event that the profits for any of FY2023 and/or FY2024 is less than the Guaranteed Profit, the Vendors shall reimburse the Company of such shortfall in cash.

Conditions Precedent

Completion is conditional upon the fulfilment (or, if applicable, the waiver) of, among others, the following conditions:

- (i) the Company being satisfied with the results of the due diligence review of the Target Group, including but not limited to the legal, financial and business aspects of the Target Group;
- (ii) all warranties, representations and undertakings given by the Company and the Vendors in the Sale and Purchase Agreement remaining true, correct and complete in all respects;
- (iii) there being no material adverse effect to the Target Company which may affect the transactions contemplated under the Sale and Purchase Agreement since the date of the Sale and Purchase Agreement;
- (iv) obtaining the certificate of incumbency and certificate of good standing in respect of the Target Company not more than 10 Business Days before Completion; and
- (v) the Company having complied with the Listing Rules and other requirements as imposed by the Stock Exchange (if any) in respect of entering into the Sale and Purchase Agreement and the transactions contemplated thereunder.

Completion

Completion shall take place on a date when all the conditions precedent under the Sale and Purchase Agreement have been fulfilled or waived by the Company (as the case may be), or on such other date the Company and the Vendors may agree in writing.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial statements of the Target Group will be consolidated into the financial statements of the Company.

THE PROMISSORY NOTES

Set out below are the details of the Promissory Notes.

(i.) Issuance of Promissory Note 1

Promissory Note 1 shall be issued by the Company to Vendor 1 within 90 Business Days from the Completion Date. The principal terms of Promissory Note 1 are as follows:

Issuer: The Company

Subscribers: Vendor 1 (or its nominee(s))

Principal amount: RMB42.664 million

Repayment Date: The Company shall repay Promissory Note 1 in full by 31 December 2025 in accordance with the following repayment schedule:

Timeline	Amount of Principal Repayment (RMB)
31 December 2023	10,666,000
31 December 2024	15,999,000
31 December 2025	<u>15,999,000</u>
Total:	<u><u>42,664,000</u></u>

Interest: Interest shall accrue on the outstanding principal at the rate of 3% per annum calculated on a 365-day year and by reference to the numbers of days elapsed from the date of issuance of Promissory Note 1 to the day of repayment in full, payable annually in arrears.

Repayment: The principal balance will be due and payable on the maturity date.

Early Redemption: Promissory Note 1 may be repaid in whole or in part by the Company at its absolute discretion at any time prior to its maturity (i.e. 31 December 2025) without premium or penalty by the Company giving Vendor 1 not less than 3 Business Days' prior written notice specifying the amount to be so prepaid.

Transferability: The holder of Promissory Note 1 may transfer Promissory Note 1 to any other persons with the written consent of the Company. The Company will notify the Stock Exchange if Promissory Note 1 is proposed to be transferred to the Company's connected persons.

(ii.) Issue of the Promissory Note 2

Promissory Note 2 shall be issued by the Company to Vendor 2 within 90 Business Days from the Completion Date. The principal terms of Promissory Note 2 are as follows:

Issuer: The Company

Subscribers: Vendor 2 (or its nominee(s))

Principal amount: RMB21.336 million

Repayment Date: The Company shall repay Promissory Note 2 in full by 31 December 2025 in accordance with the following repayment schedule:

Timeline	Amount of Principal Repayment (RMB)
31 December 2024	10,668,000
31 December 2025	<u>10,668,000</u>
Total:	<u><u>21,336,000</u></u>

Interest: Interest shall accrue on the outstanding principal at the rate of 3% per annum calculated on a 365-day year and by reference to the numbers of days elapsed from the date of issuance of Promissory Note 2 to the day of repayment in full, payable annually in arrears.

Repayment:	The principal balance will be due and payable on the maturity date.
Early Redemption:	Promissory Note 2 may be repaid in whole or in part by the Company at its absolute discretion at any time prior to its maturity (i.e. 31 December 2025) without premium or penalty by the Company giving Vendor 2 not less than 3 Business Days' prior written notice specifying the amount to be so prepaid.
Transferability:	The holder of Promissory Note 2 may transfer Promissory Note 2 to any other persons with the written consent of the Company. The Company will notify the Stock Exchange if Promissory Note 2 is proposed to be transferred to the Company's connected persons.

INFORMATION ABOUT THE TARGET GROUP

The Target Company

The Target Company is an investment holding company incorporated in the British Virgin Islands on 15 October 2021 with limited liability, which is ultimately beneficially owned by Miss. Chan and Mr. Song as to approximately 53.33% and 46.67% respectively as at the date of this announcement.

Summer Mountain (HK)

Summer Mountain (HK) is an investment holding company incorporated in Hong Kong on 27 October 2021 with limited liability, which is directly wholly-owned by the Target Company.

The PRC Subsidiary

The PRC Subsidiary is established in the PRC on 18 May 2020 with limited liability and is wholly-owned by Summer Mountain (HK). The PRC subsidiary is principally engaged in (i) provision of online marketing support, and provision of Internet technology services and technology development to clients; (ii) sales of virtual goods and offline promotion; and (iii) live broadcast and e-commerce operations business.

As at the date of this announcement, the PRC Subsidiary owns the domain name "01yes.com" and 33 computer software rights.

Financial Information of the Target Group

No audited financial statements have been prepared by the Target Company as there is no statutory audit requirement under the relevant rules and regulations in the British Virgin Islands.

Set out below is a summary of the financial information of the PRC Subsidiary, being the only operating entity of the Target Group, as extracted from its audited reports for the years ended 31 December 2021 and 2022:

	For the year ended 31 December	
	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Revenue	59,261	89,522
Net profit before tax	11,570	10,843
Net profit after tax	8,682	9,218

The total assets, total liabilities and net assets of the PRC Subsidiary as at 31 December 2022 according to the audited financial statements for the year ended 31 December 2022 were approximately RMB20.1 million, RMB2.2 million and RMB17.9 million respectively.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the Group's financial statement.

INFORMATION ABOUT THE COMPANY

The Company is a game developer principally engaged in the development of browser and mobile games.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group has been actively seeking to diversify its revenue sources and reduce dependence on the existing gaming business, so as to strengthen the Group's business development, thereby enhancing the overall performance of the Group's business and bringing substantial returns to the Shareholders. The Directors believe that, not only can the Acquisition increase the gaming-related sales revenue, but the resources and talents of the Target Group can also assist the Group in developing offline sales promotion and e-commerce operation businesses in the future, and contribute to the future expansion of other revenue sources.

The Board believes that the Acquisition is in line with the Group's business development strategies of (i) diversifying its revenue sources and business risks; (ii) bringing substantial returns to Shareholders; (iii) expanding into game peripheral business; and (iv) reducing dependence on the existing gaming business, and will deliver the following benefits:

- (i) Through the pooling of a number of resources respectively possessed by the Group and the Target Group, including without limitation, (a) the valuable data and customers of online marketing, internet technology services and e-commerce operation businesses of the Target Group; (b) the network and experience in overseas marketing by the Group; and (c) intellectual properties owned by the Target Group (e.g. domain name, copyrights and trademarks), the Group hopes to utilise the experience of the Target Group in e-commerce operation and game peripheral marketing, combined with the overseas network of the Group, to develop overseas markets in the game peripheral industry.
- (ii) The Target Group is experienced in areas such as e-commerce operation services, short video marketing, event marketing, video planning and production and sales of game peripheral products. Its management team has also provided world-renowned game operators with game public relations and promotion services and digital goods promotion services on numerous occasions, and the Group believes that the Acquisition can help the Company to develop in areas such as online store operation, game public relations and promotion and online game livestreaming.
- (iii) Enhancement of the cash inflow and financial position of the Group by consolidating the entire economic benefits of the Target Group.
- (iv) As the majority of the Total Consideration will be satisfied by the issuance of the Promissory Notes, immediate cashflow burden of the Group will be vastly reduced.
- (v) As stated in the paragraph headed "Profit Guarantee" above, the Vendors had undertaken and guaranteed to the Company that the guaranteed net profit for each of FY2023 and FY2024 will not be less than RMB9,500,000. In view of the guaranteed profits as mentioned above, it is expected that the Target Company will provide the Group with a secured source of profit.

Taking into account of the above, the Directors consider that the terms of the Sale and Purchase Agreement are fair and reasonable and on normal commercial terms and the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

CONTINUED SUSPENSION OF TRADING

As disclosed in the announcement on quarterly update on resumption dated 31 March 2023, the Company and its professional advisers are in the progress of devising a resumption plan with actions that it intends to take to remedy the issues causing its trading suspension and to fulfill the resumption guidance.

Trading in the Shares on the Stock Exchange was suspended from 9:00 a.m. on 1 April 2022 and will remain suspended until further notice.

Completion is subject to the fulfillment of certain conditions precedent set out in the Sale and Purchase Agreement and therefore the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITION

In this announcement, unless the context requires otherwise, the following terms shall have the same following meanings as set out below:

“Acquisition”	the acquisition of the Target Shares as contemplated under the Sale and Purchase Agreement
“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day other than Saturday, Sunday and public holidays in Hong Kong and the PRC
“Company”	Fire Rock Holdings Limited (Stock Code: 1909), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Acquisition pursuant to the terms and conditions of the Sale and Purchase Agreement

“Completion Date”	on a date when all the conditions precedent in the Sale and Purchase Agreement have been fulfilled or waived by the Company (as the case may be) or such other date the Company and the Vendors may agree in writing
“connected person”	has the same meaning ascribed to it under the Listing Rules
“Consideration 1”	the consideration for the Sale Shares 1 in the amount of RMB42,664,000
“Consideration 2”	the consideration for the Sale Shares 2 in the amount of RMB37,336,000
“Director(s)”	the director(s) of the Company
“FY2023”	the financial year ending on 31 December 2023
“FY2024”	the financial year ending on 31 December 2024
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Miss Chan”	Miss Kenix Chan (陳寧諄), the ultimate beneficial owner as to approximately 53.33% of the entire issued share capital of the Target Company as at the date of this announcement
“MOU”	the memorandum of understanding in relation to the Acquisition dated 7 September 2022
“Mr. Song”	Mr. Song Guanghao (宋廣浩), the ultimate beneficial owner as to approximately 46.67% of the entire issued share capital of Target Company as at the date of this announcement
“Peak Vision” or “Independent Valuer”	Peak Vision Appraisals Limited, an independent professional valuer
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)

“PRC Subsidiary”	Shanghai Lingyi Network Technology Company Limited (“上海翎伊網絡科技有限公司”), a company incorporated in the PRC on 18 May 2020 with limited liability and is wholly-owned by Summer Mountain (HK)
“Promissory Note 1”	the promissory note in the principal amount of RMB42,664,000 to be issued by the Company to Vendor 1 to settle part of the Consideration 1
“Promissory Note 2”	the promissory note in the principal amount of RMB21,336,000 to be issued by the Company to Vendor 2 to settle part of the Consideration 2
“Promissory Notes”	Promissory Note 1 and Promissory Note 2
“Sale and Purchase Agreement”	the sale and purchase agreement dated 5 May 2023 entered into among the Company and the Vendors in respect of the Acquisition
“Sale Shares 1”	5,333 ordinary shares in the Target Company, representing approximately 53.33% of the entire issued share capital of the Target Company
“Sale Shares 2”	4,667 ordinary shares in the Target Company, representing approximately 46.67% of the entire issued share capital of the Target Company
“Shareholder(s)”	holder(s) of the Shares
“Shares”	the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Summer Mountain (HK)”	Summer Mountain (HK) Limited (夏山(香港)有限公司), a company incorporated in Hong Kong with limited liability which is wholly owned by the Target Company
“Supplemental MOU”	the supplemental memorandum of understanding in relation to the Acquisition dated 30 March 2023
“Target Company”	Summer Mountain Limited (夏山有限公司), a company incorporated in the British Virgin Islands with limited liability which is owned by Vendor 1 and Vendor 2 as to approximately 53.33% and 46.67% respectively as at the date of this announcement

“Target Group”	the Target Company, Summer Mountain (HK) and the PRC Subsidiary
“Target Shares”	Sale Shares 1 and Sale Shares 2, together representing the issued share capital of the Target Company in its entirety
“Total Consideration”	the total consideration for the Target Shares in the amount of RMB80 million (being the aggregate of Consideration 1 and Consideration 2)
“Vendor 1”	Petersburg Group Limited, a company incorporated in the British Virgin Islands with limited liability which is the registered and beneficial owner of Sale Shares 1
“Vendor 2”	Mooliy Limited (慕力有限公司), a company incorporated in the British Virgin Islands with limited liability which is the registered and beneficial owner of Sale Shares 2
“Vendors”	Vendor 1 and Vendor 2
“%”	per cent

By order of the Board of
Fire Rock Holdings Limited
Chen Di
Executive Director

Hong Kong, 7 May 2023

As at the date of this announcement, the executive Directors are Mr. Zhou Zhiwei, Mr. Gao Bo and Mr. Chen Di; the non-executive Directors are Mr. Zhang Yan and Ms. Yang Kan; and the independent non-executive Directors are Mr. Chan King Fai, Ms. Chow Woon San Shirley, Mr. Lok Tze Bong, Mr. Tam Chik Ngai Ambrose and Ms. Zhuang Renyan.