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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)

## **KEY FINDINGS OF INDEPENDENT INVESTIGATION IN RELATION TO THE RESUMPTION GUIDANCE**

Reference is made to (i) the announcement of the Company dated 20 May 2022 in relation to, among other things, the resumption guidance (the “**Resumption Guidance**”) issued by the Stock Exchange; and (ii) the announcement of the Company dated 17 April 2023 in relation to, among other things, the establishment of the Independent Investigation Committee in relation to the Incident and engaging an independent professional adviser in response to the Resumption Guidance to conduct an investigation into certain employees and/or former employees of the Group in the PRC who were convicted by the People’s Court of Yuanjiang, Hunan Province for the alleged establishment of a gambling house through a game of the Group and were sentenced to imprisonment and fines, and, as a result, a sum of approximately RMB470 million (the “**Involved Reserve**”) in the Group’s domestic bank accounts were confiscated and withheld and the relevant computers and equipment were required to be turned to state treasury. Unless the context otherwise requires, capitalised terms used herein shall have the same meaning as those defined in the above announcements.

Following the establishment of the Independent Investigation Committee, the Company has engaged Beijing Dentons Law Offices, LLP as PRC legal advisers (the “**PRC Legal Advisers**”) to conduct an independent investigation into the Incident (the “**Report**”).

The preliminary key findings of the independent investigation and other relevant details surrounding the Incident are set out below.

## **GAME CONCERNED**

The game concerned, namely “親朋捕魚大亂鬥”, was an Internet-based mobile game that had obtained the game publication number from the National General Administration of Press and Publication, and other small games embedded had also obtained the corresponding game publication numbers. The operating unit of “親朋捕魚大亂鬥” was Shenzhen Viking Network Technology Company Limited (“**Shenzhen Viking**”) and the date of approval was 30 June 2017. Prior to the acquisition of Shenzhen Viking through a structured contract in 2021, Shenzhen Fire Element Network Technology Company Limited (“**Fire Element Network Technology Company**”) was responsible for the research and development of “親朋捕魚大亂鬥”.

## **JUDGEMENT OF 13 MARCH 2023**

According to the Criminal Judgment (the “**Judgment**”) issued by the People’s Court of Yuanjiang on 13 March 2023, after investigation by the local court, it was found that players were gambling on the virtual settings built in the game “親朋捕魚大亂鬥”, and Zhang Zhenhua (“**Mr. Zhang**”), Su Yi (“**Mr. Su**”), Huang Yong (“**Mr. Huang**”) and other defendants (the “**Defendants**”) failed to adopt permanent suspension of all accounts as an effective measure to stop such acts. Therefore, the Defendants were convicted of the offence of establishing a gambling house, a sum of approximately RMB470 million in the Group’s domestic bank accounts, which were believed to be the Involved Reserve, were confiscated and withheld in accordance with the law, and the relevant computers and equipment were also required to be turned to the state treasury.

Based on the Judgment and the confirmation of the PRC Legal Advisers:

- (1) The Defendants, including Mr. Zhang, Mr. Su and Mr. Huang, were convicted of the offence of establishing a gambling house and were sentenced to non-life imprisonment and fines, respectively.

The above defendants were the then employees and/or former employees in the PRC of the Group’s domestic subsidiaries, namely Shenzhen Viking, Shenzhen Tak Shing Technology Limited (“**Shenzhen Tak Shing**”), Fire Element Network Technology Company and/or Shenzhen Fire Element Network Science and Technology Company Limited (“**Shenzhen Fire Element Network Science and Technology Company**”). Their duties included customer service, technical support, research and development, operation, finance and risk control;

- (2) The fines paid and the amount returned individually by the Defendants, including Mr. Zhang, Mr. Su and Mr. Huang, were confiscated and turned to the state treasury in accordance with the law. Details are as follows:

<b>Name</b>	<b>Fines (approximately in RMB ten thousands)</b>	<b>Amount returned individually (approximately in RMB ten thousands)</b>
Zhang Zhenhua	30	72
Su Yi	20	20
Huang Yong	20	200
Other employees	<u>48</u>	<u>334</u>
Total (in ten thousands)	<u><u>118</u></u>	<u><u>626</u></u>

- (3) The total amount of the Group's funds withheld as a result of the Incident, being the Involved Reserve, was approximately RMB470 million. Details are as follows:

<b>Name of subsidiary</b>	<b>Amount withheld (approximately in RMB ten thousands)</b>
Shenzhen Viking	2,787
Shenzhen Tak Shing	3,130
Fire Element Network Technology Company	<u>40,574</u>
Total (in ten thousands)	<u><u>46,491</u></u>

- (4) The Company and its subsidiaries, including Shenzhen Viking, Shenzhen Tak Shing, Fire Element Network Technology Company and Shenzhen Fire Element Network Science and Technology Company, were not regarded as entities committing the crime;
- (5) The offence of establishing a gambling house mentioned in the Judgment was the personal acts of the Defendants, including Mr. Zhang, Mr. Su and Mr. Huang, who were sentenced to imprisonment ranging from 6 months to 18 months and fines;
- (6) The Defendants, including Mr. Zhang, Mr. Su and Mr. Huang, pleaded guilty and would not appeal their respective sentences;
- (7) According to the applicable PRC laws and regulations, the assets seized in the Judgment (including the Involved Reserve) were confiscated and turned to the state treasury in accordance with the law.

To the best knowledge and belief of the Board, the PRC Legal Advisers agreed that the Incident has been concluded after the Defendants' confession to the offence and the conclusion of the first instance trial in March 2023.

The PRC Legal Advisers are of the view that the aforesaid illegal activities only involved the personal acts of the Defendants and did not involve any illegal acts of the Company and its domestic and overseas subsidiaries, other Directors and current employees of the Company. In addition, the likelihood of the aforesaid Involved Reserve and other seized assets being recovered by the Company is extremely low.

The Board, the Independent Investigation Committee and the PRC Legal Advisers have also confirmed that none of the current Directors and senior management of the Group is involved in the case.

## **SUMMARY OF THE KEY FINDINGS OF THE REPORT**

### **Findings in relation to Current Directors of the Company**

The PRC Legal Advisers confirmed that, as of the date of the Report, there was no record of criminal proceedings against the Group and the current Directors in the PRC.

Each of the current Directors confirmed that he/she was not involved in any illegal activity conducted by the Defendants (including but not limited to the offence of establishing a gambling house and/or the activity of assisting in dealing in the relevant proceeds). The PRC Legal Advisers confirmed that, as of the date of the Report, no record of criminal liability of the current Directors arising from the Incident was found.

According to the applicable PRC laws and regulations, the Defendants (including Mr. Zhang, Mr. Su and Mr. Huang) shall not serve as a director, supervisor or senior management of an enterprise after the judgment. As of the date of this announcement, none of the current Directors, supervisors and senior management of the Group is involved in the case.

### **Findings in relation to the Company and Its Subsidiaries**

The PRC Legal Advisers confirmed that, as of the date of the Report, there was no record of criminal proceedings against the Company and its subsidiaries in the PRC.

According to the Judgment, it was ruled that the Defendants committed the offence of establishing a gambling house; however, the subjects involved in the case do not include the Company and its subsidiaries. The PRC Legal Advisers confirmed that, as of the date of the Report, the case has been concluded, the Judgment has come into effect, and there is no judicial document showing that it is dealt with in separate cases. Therefore, the Company and its subsidiaries shall not be directly subject to criminal and civil liabilities as a result of the Incident, and shall not be involved in criminal investigations of the same case in the future.

According to the Report, prior to the acquisition of Shenzhen Viking becoming effective in 2021, the domestic subsidiary of the Company, Fire Element Network Technology Company, only acted as the service provider of Shenzhen Viking and was responsible for providing services such as game design and update in exchange for service fees in the form of game commissions, and was not entitled to participate in the game operations and the daily operation of Shenzhen Viking. Shenzhen Viking was held accountable for players' behavior in the game, which was not related to the Group before the acquisition becoming effective.

At the time of the Incident, the business operation and management of Fire Element Network Technology Company and Shenzhen Fire Element Network Science and Technology Company were carried out by Mr. Huang and Mr. Su, while the business operation and management of Shenzhen Viking and Shenzhen Tak Shing were carried out by Mr. Zhang, and the other current and then Directors were not involved in the business operation and management of the aforesaid companies.

### **Findings in relation to Internal Control**

Mr. Zhang told the PRC Legal Advisers that due to his focus on exploring other games and development, he did not pay much attention to legal and operational risks, nor did he invest much resources in monitoring the players, hence, he failed to detect the players' misconduct in time and take effective measures to stop them. As for Mr. Huang and Mr. Su, due to the trust between the Group and Shenzhen Viking over years of cooperation and the fact that the Group was focusing on the research and development of blockchain games at that time, they did not participate in the management and operation of Shenzhen Viking, which was then handed to Mr. Zhang Zhenhua. Therefore, they were not aware of any failure of Shenzhen Viking in properly managing legal risks and in monitoring player behavior.

The Report stated that the internal control and risk management system of the Board was not functioning as expected. Key employees did not fully comprehend the legal and operational risks, whereas base-level employees failed to report the risks and issues to the Board directly. The Board also relied heavily on the chief executive officer to report to the Board on the operations of the Company.

### **Findings in relation to the Involved Reserve**

With reference to the Judgment and the applicable PRC laws and regulations, the PRC Legal Advisers confirmed that the likelihood and feasibility for the Group to recover such seized assets (in whole or in part) is extremely low.

Save for the Involved Reserve and properties under seizure, there is no other evidence showing that the offence committed by the Defendants, including Mr. Zhang, Mr. Su, and Mr. Huang, would have a material adverse impact on the operation and financial position of the Company's other overseas businesses.

## VIEWS OF THE INDEPENDENT INVESTIGATION COMMITTEE

After considering the Report and making necessary enquiries with the PRC Legal Advisers, the Independent Investigation Committee is satisfied and agreed with the views expressed in the Report. The Independent Investigation Committee is of the view that:

- (1) with reference to the Report and the Judgment, the offence of establishing a gambling house was individually committed by the Defendants (including Mr. Zhang, Mr. Su and Mr. Huang);
- (2) the current directors of the Company and its subsidiaries should not be held criminally and civilly liable for the Incident;
- (3) as at the date of this announcement, Mr. Su and Mr. Huang ceased to be directors of, or hold other positions in, the Company, while Mr. Zhang and each of the other Defendants also ceased to hold any position within the Group (including Shenzhen Viking), and therefore they have no influence over the existing management and operation of the Group;
- (4) based on the confirmation from the current members of the Board, they were not aware of and had never been involved in any illegal activity of the Defendants prior to the Incident;
- (5) in respect of the seized funds, the Company should obtain legal advice and consider taking legal action against the Defendants;
- (6) for the purpose of strengthening the internal control system, the Company should:
  - (i) conduct training for executive Directors, recruit new Board members and/or restructure the Board (where appropriate), appoint an external compliance adviser and increase internal resources for the Group's governance and compliance;
  - (ii) optimize and improve the corporate governance mechanism under the guidance of the Board, in which the management authority of major issues and the scope of issues reported to the Board for consideration should be strengthened through quantitative and qualitative methods, and the structure of management should also be improved and expanded to regularly report the business, financial and internal control statuses and other governance improvements to the Board;
  - (iii) establish a compliance committee comprising executive Directors and at least one non-executive Director to develop, monitor and maintain the Group's compliance requirements under the relevant Listing Rules and the applicable laws, and formulate a whistleblowing policy to encourage employees to report any irregularities and improprieties;

- (iv) appoint an internal control consultant annually to review and enhance the Company's internal control mechanism;
- (v) set up an independent department to monitor players' suspected activities and report directly to the Board;
- (vi) establish a staff reporting system so that base-level employees can report the risks and issues to the Board directly.

## **OVERALL RESPONSE OF THE BOARD**

The Board has considered the Report and concurred with the views of the PRC Legal Advisers and the Independent Investigation Committee, and has resolved to implement the recommendations of the Independent Investigation Committee as soon as practicable, and obtain legal advice to consider claiming against the Defendants for losses suffered by the Company as a result of the Incident.

In addition, the Board has resolved to expand the existing Board by appointing more Directors with risk management experience. The Board will identify suitable candidates for consideration by the nomination committee as soon as possible.

Given that the Defendants, including Mr. Zhang, Mr. Su and Mr. Huang, ceased to be a Director and management of the Company, with reference to the Judgment and the Report, the Board is of the view that there is no evidence showing that there is a reasonable regulatory concern about management integrity and/or the integrity of any persons with substantial influence over the existing management and operation of the Company, which may pose a risk to investors and damage market confidence.

The Board has engaged an independent internal control consultant to assist the Company in strengthening the internal control system and improving the corporate governance mechanism under the guidance of the Board, so that the employees can report potential risks to the Board directly. The Board has also engaged law firms in each of the PRC, Hong Kong and Singapore to provide training on the applicable laws and regulations (including anti-gambling information) to the key employees and board members of each subsidiary of the Company respectively.

The Board believes that the Incident and the offence committed by the Defendants, including Mr. Zhang, Mr. Su and Mr. Huang, have no material adverse impact on the operation and financial position of the Company's other overseas businesses, and in this regard:

- (1) to the best knowledge and belief of the Board, the PRC Legal Advisers also agreed that the Incident has been concluded after the Defendants' confession to the offence and the conclusion of the first instance trial in March 2023.

- (2) the PRC Legal Advisers are of the view that the aforesaid illegal activities only involved the personal acts of the Defendants and did not involve any illegal acts of the Company and its domestic and overseas subsidiaries, other current Directors and current employees of the Company. In addition, the likelihood of the aforesaid Involved Reserve and other seized assets being recovered by the Company is extremely low.
- (3) the Board, the Independent Investigation Committee and the PRC Legal Advisers have also confirmed that none of the current Directors and senior management of the Group is involved in the case.

### **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 of the Company on the Stock Exchange was suspended from 9:00 a.m. on 1 April 2022 and will remain suspended until further notice.

**Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

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

Hong Kong, 16 June 2023

*As at the date of this announcement, the executive Directors are Mr. Zhou Zhiwei, Mr. Gao Bo and Mr. Chen Di; and the independent non-executive Directors are Ms. Chow Woon San Shirley, Mr. Lok Tze Bong and Mr. Tam Chik Ngai Ambrose.*