# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **New Huo Technology Holdings Limited**, you should at once hand this circular and the enclosed form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).



新火科技
New Huo Tech

# NEW HUO TECHNOLOGY HOLDINGS LIMITED
# 新 火 科 技 控 股 有 限 公 司

*(Incorporated in the British Virgin Islands with limited liability)*

**(Stock code: 1611)**

## MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANIES AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Capitalised terms used in this cover page shall have the same meaning as those defined in this circular.

A letter from the Board is set out on pages 4 to 15 of this circular. A notice convening the EGM to be held at Unit 702–3, 7/F, 100 Queen's Road Central, Central, Hong Kong on Friday, 16 June 2023 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you intend to attend the EGM (or any adjournment thereof), you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be).

Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event the form of proxy shall be deemed to be revoked.

25 May 2023

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*In this circular, the following expressions have the meanings set out below unless the context requires otherwise:*

| | |
|---|---|
| "Announcement" | announcement of the Company dated 24 March 2023 in relation to, amongst other things, the Disposal and the entering into of the Sale and Purchase Agreement |
| "associates" | has the meaning ascribed to it under the Listing Rules |
| "Board" | the board of the Directors |
| "Business Days" | a day (other than any Saturday or Sunday) on which banks in Hong Kong are open to general public for business |
| "BVI" | British Virgin Islands |
| "Company"/"Vendor" | New Huo Technology Holdings Limited (新火科技控股有限公司), a company incorporated in the BVI with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 1611) |
| "Completion" | completion of the Disposal in accordance with the terms and conditions of the Sale and Purchase Agreement |
| "connected person" | has the meaning ascribed to it in the Listing Rules |
| "Consideration" | the consideration of the Sale Shares and the Offset Amount in aggregate |
| "Director(s)" | the director(s) of the Company |
| "Disposal" | the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the terms and conditions of the Sale and Purchase Agreement |
| "Disposal Businesses" | such businesses of the Group to be disposed and conducted by the Target Group prior to the Completion |
| "EGM" | the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Disposal, the Sale and Purchase Agreement and the transactions contemplated thereunder |

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| "General Mandate" | the mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 30 March 2023 to allot and issue up to 20% of the then issued share capital of the Company as at 30 March 2023 |
| "Group" | the Company and its subsidiaries |
| "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "Independent Third Party(ies)" | third party(ies) independent of and not connected with the Company and its connected persons |
| "Latest Practicable Date" | 22 May 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "Long Stop Date" | 20 September 2023 or such other date as may be agreed between the Purchaser and the Vendor in writing |
| "Mr. Hsu" | Mr. Simon Nai-cheng Hsu |
| "Offset Amount" | the sum calculated from the offset of receivables and/or payables between the Vendor and certain companies in the Target Group in the net amount of HK$3,527,308.00 |
| "PRC" | the People's Republic of China, and for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region and Taiwan |
| "Purchaser" | New Wave Capital Limited, a company incorporated in the BVI with limited liability, and it is ultimately wholly-owned by Mr. Hsu, both of whom to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are Independent Third Parties |
| "Sale and Purchase Agreement" | the agreement entered into on 24 March 2023 (after trading hours of the Stock Exchange) between the Vendor and the Purchaser in respect of the Disposal |
| "Sale Shares" | the entire issued share capital of all of the Target Companies |

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| "SFO" | Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong |
| "Share(s)" | ordinary share(s) of HK$0.001 each in the share capital of the Company |
| "Shareholder(s)" | holder(s) of the Share(s) |
| "Stock Exchange" | the Stock Exchange of Hong Kong Limited |
| "Target Companies" | collectively, Target Company I, Target Company II, Target Company III, Target Company IV, Target Company V and Target Company VI |
| "Target Company I" | Pantene Industrial Co. Limited, a company incorporated in Hong Kong |
| "Target Company II" | Pantronics International Holdings Limited, a company incorporated in Hong Kong |
| "Target Company III" | Panjet Service Company Limited, a company incorporated in Hong Kong |
| "Target Company IV" | Grace Harvest Corporation Limited, a company incorporated in Hong Kong |
| "Target Company V" | Panjet (Int'l) Limited, a company incorporated in the BVI |
| "Target Company VI" | Pantronics (Int'l) Limited, a company incorporated in the BVI |
| "Target Group" | collectively, the Target Companies and the Target Subsidiaries |
| "Target Subsidiaries" | such direct and indirect wholly-owned subsidiaries of Target Company I and Target Company II respectively |
| "USA" | the United States of America |
| "Warranties" | such representations and warranties contemplated under the Sale and Purchase Agreement |
| "%" | per cent. |

# NEW HUO TECHNOLOGY HOLDINGS LIMITED
# 新火科技控股有限公司

*(Incorporated in the British Virgin Islands with limited liability)*

**(Stock code: 1611)**

*Non-executive Director:*
Mr. Li Lin

*Executive Directors:*
Mr. Du Jun
Ms. Zhang Li

*Independent Non-executive Directors*
Mr. Yu Chun Kit
Mr. Yip Wai Ming
Dr. LAM, Lee G., BBS, JP

*Head Office and Principal Place of Business in Hong Kong:*
6/F & Unit 702–3, 7/F
100 Queen's Road Central
Central, Hong Kong

*Registered Office:*
3rd Floor J&C Building
PO Box 362
Road Town, Tortola
BVI VG 1110

25 May 2023

*To the Shareholders*

Dear Sir/Madam,

## MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANIES AND NOTICE OF EXTRAORDINARY GENERAL MEETING

### INTRODUCTION

Reference is made to the Announcement in relation to, amongst other things, the Disposal and the entering into of the Sale and Purchase Agreement.

The purpose of this circular is to give you detailed information in respect of the resolutions to be proposed at the EGM, in order to enable you to make an informed decision on whether to vote for or against such resolutions to be proposed at the EGM.

Such detailed information includes, amongst other things, (i) details of the Sale and Purchase Agreement; (ii) the valuation report in respect of the 100% equity interest in the companies of the Target Group prepared by an independent valuer; and (iii) other information as required to be disclosed under the Listing Rules. Furthermore, the purpose of this circular is to provide you with a notice convening the EGM and other information as required under the Listing Rules.

The EGM will be held for the purpose of considering and, if thought fit, approving, amongst other things, the Disposal by way of a poll.

**THE DISPOSAL AND THE SALE AND PURCHASE AGREEMENT**

The Board announced that on 24 March 2023 (after trading hours of the Stock Exchange), the Company as the Vendor and New Wave Capital Limited as the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Shares, representing the entire issued share capital of the Target Companies as at the Latest Practicable Date, at the consideration of HK$115,000,308.00.

The principal terms of the Sale and Purchase Agreement are summarised as follows:

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|---|---|
| Date: | 24 March 2023 (after trading hours of the Stock Exchange) |
| Parties: | (1) the Company, as the Vendor; and |
| | (2) New Wave Capital Limited, as the Purchaser. |

As at the Latest Practicable Date, the Purchaser is a company incorporated in the BVI and is ultimately wholly-owned by Mr. Hsu.

The Purchaser and Mr. Hsu had been the controlling shareholder of the Company, where Mr. Hsu was interested in 215,576,000 Shares through the Purchaser, which is wholly-owned by SNH Global Holdings Limited, a company wholly-owned by Mr. Hsu, who was also interested in 366,000 Shares through personal interest. On 21 August 2018, the Purchaser, as vendor to a sale and purchase agreement, sold its interest in its entirety to Huobi Global Limited and Trinity Gate Limited as purchasers to such sale and purchase agreement, which in turn, amongst other things, trigger the obligations to make the mandatory unconditional cash offer for all the issued Shares (other than those already owned or to be acquired by Huobi Global Limited and parties acting in concert with it (including Trinity Gate Limited)) pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers. Until 11 October 2018, Mr. Hsu had also been the chairman of the Board and the non-executive Director. Save and except to the above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner, Mr. Hsu, are Independent Third Parties. As at the Latest Practicable Date, Mr. Hsu has no position or shareholding in the Company.

**Subject matter to be disposed of under the Sale and Purchase Agreement**

Pursuant to the terms and conditions of the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Shares, representing the entire issued share capital of each of the following Target Companies:

(a) Pantene Industrial Co. Limited;

(b) Pantronics International Holdings Limited;

(c) Panjet Service Company Limited;

(d) Grace Harvest Corporation Limited;

(e) Panjet (Int'l) Limited; and

(f) Pantronics (Int'l) Limited.

As at the Latest Practicable Date, the Vendor is the sole legal and beneficial owner of the entire issued share capital of each of the above Target Companies.

**Consideration**

The Consideration, in the amount of HK$115,000,308.00, will be payable upon Completion to the Company and/or its designated party(ies).

Pursuant to the Sale and Purchase Agreement, the Consideration comprises (1) the consideration of the Sale Shares in the amount of HK$111,473,000.00; and (2) the Offset Amount.

The Offset Amount can be detailed as follows:

1. accounts receivable due from Target Company II, in the amount of HK$29,250,042.00;

2. accounts receivable due from Target Company III, in the amount of HK$36,708.00;

3. accounts receivable due from Pantene Electronics North America, Inc., one of the Target Subsidiaries, in the amount of HK$1,662,689.00; and

4. accounts payable due to Target Company I, in the amount of HK$27,422,131.00.

The Consideration was arrived at after arm's length commercial negotiations between the Vendor and the Purchaser and was determined with reference to:

(1) the unaudited net asset value of the Target Group as at 31 January 2023 in the amount of approximately HK$94,462,000.00 in aggregate, details of which are set out in the section headed "**FINANCIAL INFORMATION OF THE TARGET GROUP**";

(2) the fair value in aggregate for the entire equity interests of all companies under the Target Group in the amount of HK$106,615,000.00 as at 31 January 2023, as prepared by an independent valuer;

(3) the financial performance of the Target Group set out in the section headed "**FINANCIAL INFORMATION OF THE TARGET GROUP**";

(4) the business prospects of the Disposal Businesses; and

(5) the benefits to be derived by the Group from the Disposal as set out in the section headed "**REASONS FOR AND BENEFITS OF THE DISPOSAL**".

With respect to the above, the excess of the consideration of the Sale Shares over (i) the unaudited net asset value of the Target Group as at 31 January 2023 is approximately HK$17,011,000.00; and (ii) the fair value in aggregate for the entire equity interests of all companies under the Target Group as at 31 January 2023 is HK$4,858,000.00.

In terms of business prospects, the Target Group is principally engaged in the manufacture and sales of power-related electrical and electronic products, and the Target Group's major product groups include the manufacture of solenoid coils, battery charger solution and power supply and LED lighting, all of which are characterised by rapid technological advancements.

However, owing to the double flank of (i) the rising interests rate in the USA, which affected adversely the businesses of most of the Target Group's biggest customers; and (ii) the pandemic's adverse effect on the global economy for approximately three years, which have jointly caused the customers' slowdown in demand on electronic products and driven many suppliers out of business, leading to hardship for the Group to catch up with the evolving advancements required for the foregoing products and customer demands. Moreover, the growing costs of manpower in the PRC has lowered the profit margin achievable by the Target Group and the trade tension between the PRC and the USA has led to the depreciation of export of the Target Group's products. The fierce competition of the manufacture of electronic products and the shortage of raw material have restricted the Target Group's expansion in the PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, there has been no material loan arrangement between (a) the Purchaser, any of its directors and legal representatives and/or any ultimate beneficial owner(s) of the Purchaser; and (b) the Company, any connected person at the Company's level and/or any connected person at the subsidiary level (to the extent that such subsidiary/subsidiaries is/are involved in the transaction) in the past twelve months, save and except for a loan in the principal amount of HK$30 million, lent by the Purchaser to Target Company I, repayable on 25 May 2023. Such loan is an extension of a loan in the principal amount of HK$60 million repayable on 25 February 2023, as partial principal in the amount of HK$30 million had been repaid on 24 February 2023, with the remaining balance of the loan becoming due and payable on 25 May 2023.

As at the Latest Practicable Date, the amount of the loan and interests accrued thereupon which remains due and owing by Target Company I to the Purchaser is (1) HK$30,000,000, being the outstanding principal amount of the loan contemplated above; and (2) HK$973,151, representing unsettled interest at the interest of 4% per annum accrued from the principal amount of the abovementioned HK$60 million loan, for the period from 1 October 2022 to 25 February 2023. As regards to the remaining balance of the loan in the amount of HK$30 million contemplated above, it is interest free.

Having considered the above, the Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholder as a whole.

**Conditions Precedent**

The Completion is subject to the following conditions precedent being fulfilled and satisfied (or waived, if applicable):

(a) the Warranties given by the Vendor remaining true, accurate and not misleading in all material respects;

(b) the Warranties given by the Purchaser remaining true, accurate and not misleading in all material respects;

(c) the approval of the Board with respect to the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained;

(d) all requisite approvals, consents and waivers required to be obtained by the Vendor, Purchaser and each company of the Target Group in respect of the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained, with the full compliance in respect of all applicable laws and regulations (including but not limited to the Listing Rules); and

(e) the passing of the ordinary resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder by the Shareholders at the EGM to be convened and held in accordance with the Listing Rules and the applicable laws and regulations.

The Purchaser may waive the condition precedent set out in (a) above and the Vendor may waive the condition precedent set out in (b) above.

The Vendor and the Purchaser shall use their respective best endeavours to procure the fulfilment of the above conditions on or before the Long Stop Date.

If any of the conditions precedent referred to above has not been fulfilled (or waived, where applicable) on or before the Long Stop Date, the Sale and Purchase Agreement shall be terminated and none of the parties to the Sale and Purchase Agreement shall have any obligations and liabilities thereunder save for any antecedent breaches.

**Completion**

Completion shall take place on a date falling on the 5th Business Day upon the fulfilment (or the waiver, as the case may be) of the conditions precedent referred to above and shall not be later than the Long Stop Date.

Upon the Completion, the Company will cease to hold any interests in the Target Companies and each of the Target Companies will cease to be a direct wholly-owned subsidiary of the Company. Accordingly, the financial results of (i) each of the Target Companies; and (ii) each of the Target Subsidiaries (being the direct and indirect wholly-owned subsidiaries of Target Company I and Target Company II) will no longer be consolidated into the consolidated financial statements of the Group.

As at the Latest Practicable Date, the condition precedent set out in (c) above has been fulfilled. Other than that, none of other conditions precedent has been fulfilled or waived as at the Latest Practicable Date.

**INFORMATION OF THE VENDOR AND THE GROUP**

The Company, being the Vendor, is an investment holding company incorporated in the BVI, whose Shares are listed on the main board of the Stock Exchange. The Group is principally engaged in the provision of technology solution services, a variety of services in virtual asset ecosystem, such as asset management, trust and custodian businesses and cryptocurrency trading and the contract manufacturing, on electronic manufacturing services basis, of a wide range of power-related electrical and electronic products.

**INFORMATION OF THE PURCHASER**

The Purchaser is a company incorporated in the BVI with limited liability. Mr. Hsu is the Purchaser's sole director and its ultimate beneficial owner. The principal activity of the Purchaser is investment holding.

**INFORMATION OF THE TARGET GROUP**

The Target Group is principally engaged in the Disposal Businesses, and it comprises the Target Companies and the Target Subsidiaries detailed as follows:

(a) Pantene Industrial Co. Limited, being Target Company I, is incorporated in Hong Kong and principally engaged in the sale and distribution of power-related electrical and electronic products, the following Target Subsidiaries are directly wholly-owned by Target Company I:

(i) Pan Electrium Industrial Company Limited is an inactive company incorporated in Hong Kong;

(ii) Pantene Electronics North America, Inc. is a company incorporated in the USA and is principally engaged in after-sales support;

(iii) Shenzhen Pantai Electronic Co., Ltd. is a company incorporated in the PRC as a wholly foreign-owned enterprise, which owns the entire equity interests of Dongguan Pantai Electronic Co., Ltd., a company incorporated in the PRC. Both companies are principally engaged in the manufacture and sale of power-related electrical and electronic products; and

(iv) Pan Guang Limited is an investment holding company incorporated in the BVI and Pan Ming Limited, an inactive company incorporated in the BVI, is directly wholly-owned by Pan Guang Limited;

(b) Pantronics International Holdings Limited, being Target Company II, is an investment holding company incorporated in Hong Kong and Pin Xin International Limited, an inactive company incorporated in Hong Kong, is directly wholly-owned by Target Company II;

(c) Panjet Service Company Limited, being Target Company III, is an investment holding company incorporated in Hong Kong;

(d) Grace Harvest Corporation Limited, being Target Company IV, is an inactive company incorporated in Hong Kong;

(e) Panjet (Int'l) Limited, being Target Company V, is an inactive company incorporated in the BVI; and

(f) Pantronics (Int'l) Limited, being Target Company VI, is an inactive company incorporated in the BVI.

**FINANCIAL INFORMATION OF THE TARGET GROUP**

Set out below is the financial information of the Target Group based on its audited accounts for the financial years ended 30 September 2021 and 30 September 2022 in aggregate and the unaudited accounts for the four months ended 31 January 2023 with respect to the Target Group in aggregate:

| | **For the four months ended 31 January 2023** *(HK$)* (unaudited) | **For the year ended 30 September 2022** *(HK$)* (audited) | **For the year ended 30 September 2021** *(HK$)* (audited) |
|---|---|---|---|
| Revenue | 79,409,000.00 | 396,138,000.00 | 376,329,000.00 |
| Profit/(loss) before tax | (10,652,000.00) | (3,870,000.00) | 66,139,000.00 |
| Profit/(loss) after tax | (10,664,000.00) | (9,798,000.00) | 54,018,000.00 |

The unaudited net asset value of the Target Group as at 31 January 2023 is in the amount of approximately HK$94,462,000.00 in aggregate.

## FINANCIAL EFFECT OF THE DISPOSAL AND THE INTENDED USE OF PROCEEDS

Upon Completion, the Company will cease to hold any interests in the Target Companies and each of the Target Companies will cease to be a direct wholly-owned subsidiary of the Company. Accordingly, the financial results of (i) each of the Target Companies; and (ii) each of the Target Subsidiaries (being the direct and indirect wholly-owned subsidiaries of Target Company I and Target Company II) will no longer be consolidated into the consolidated financial statements of the Group. The Company will cease the operation of the contract manufacturing business segment upon Completion and will focus on the Web3 businesses.

Based on the preliminary assessment on the unaudited financial information of the Target Group as at 31 January 2023 and the Consideration, it is expected that upon Completion, the Group will record an unaudited disposal gain in the amount of approximately HK$16,511,000.00. Such estimated gain is based on the Consideration in the amount of approximately HK$115,000,308.00 less (i) the unaudited net assets value of the Target Group as at 31 January 2023 in the amount of approximately HK$94,462,000.00; (ii) the settlement of Offset Amount of approximately HK$3,527,308.00; and (iii) the related costs and expenses of the Group for the Disposal in the amount of approximately HK$500,000.00. The retained earnings of the Group will be decreased by HK$77,951,000.00, such decrease is based on decreasing the write-off amount of the unaudited net assets value of the Target Group as at 31 January 2023 in the amount of approximately HK$94,462,000.00 and the increase of the unaudited disposal gain of approximately HK$16,511,000.00.

The total assets of the Group will have a net decrease of approximately HK$382,405,000.00. The net decrease is based on decreasing the write-off amount of total assets of the Target Group as at 31 January 2023 in the amount of HK$398,916,000 and the increase of the unaudited disposal gain of approximately HK$16,511,000.00.

The total liabilities of the Group will be decreased by approximately HK$304,454,000, being the total liabilities of the Target Group as at 31 January 2023.

The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to any changes to the aforementioned unaudited financial information on the date of the Completion and the review by the auditors of the Company upon finalisation of the consolidated financial statements of the Group. As at the Latest Practicable Date, the Company has an existing loan arrangement in the amount of HK$80 million with Target Company I. Upon Completion, the Company, the Purchaser and Target Company I will enter into an agreement pursuant to which the repayment obligations be novated from the Company to the Purchaser. Therefore, after Completion, the Company will receive net proceeds of HK$31,473,000.00, equivalent to the Consideration for the Disposal (being HK$115,000,308.00) less (i) the aforesaid loan settlement amount (HK$80,000,000.00); and (ii) the Offset Amount (HK$3,527,308.00) which is regarded by the Company as general settlement of receivables rather than proceeds from the Disposal. The Company intends to use the net proceeds from the Disposal to supplement the Group's general working capital, in contemplation of the Group's need for research and development, expenses regarding fundamental technology systems, and costs for testing of new services which the Company intends to launch.

**REASONS FOR AND BENEFITS OF THE DISPOSAL**

As disclosed in the Announcement and this circular, one of the Group's principally engaged businesses is the contract manufacturing, on electronic manufacturing services basis, of a wide range of power-related electrical and electronic products.

In addition to the diminishing business prospects of the Disposal Businesses mentioned in the paragraph "Consideration" under the section "**THE DISPOSAL AND THE SALE AND PURCHASE AGREEMENT**" of this circular, it is noted that the financial performance of the Target Group and the Disposal Businesses continuously falls short of the Board's expectation. As disclosed under the section "**FINANCIAL INFORMATION OF THE TARGET GROUP**" of this circular, the Target Group in aggregate recorded a loss after taxation of approximately HK$10,664,000.00 for the four months ended 31 January 2023 and approximately HK$9,798,000.00 for the financial year ended 30 September 2022, respectively. The underperformance of the Target Group and the Disposal Businesses is attributed to the significant increase in competition within the electronic products industry and the uncertainty in global economies. Furthermore, during 2022, economies across the globe were operating against various headwinds. In addition to the continuous impact of global inflation and the instability of the supply chain, the pandemic prevention and control measures in the PRC, which were only lifted recently, also put tremendous pressure on the sales of industrial electronics products. As a manufacturer and supplier of industrial electronics products, the Group was inevitably affected by the difficult external operating environment and the weak economy.

On the other hand, the Group's other businesses, being provision of technology solution services and the conducting of businesses in virtual asset ecosystem, presented stable growth and development. In the financial year ended 30 September 2022, the Group has successfully obtained the relevant licenses to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO with the authorisation to manage the investment portfolio of 100% virtual assets. With those licenses, the Group's capability to carry out the other businesses and the growth of such businesses can be expected. However, as disclosed in to the annual report of the Company for the financial year ended 30 September 2022, there was an increase in administrative expenses, which was attributed to an increase in the staff cost of high-calibre personnel and related professional service fees on application for virtual asset and finance related licenses in major markets around the world. This reflects the need for the Group to invest more resources to maintain the rapid development of the Group's other businesses aforementioned in order to keep up with its rapid growth. A further justification for such focus of resources comes from the Hong Kong government's support by means of its funding to expedite development of the Web3 ecosystem and the setting up of a government-led taskforce on the sustainable development of the virtual asset industry. Therefore, it is reasonably foreseeable that the Hong Kong government will continue to promulgate policies to bolster the digital economy, thereby benefiting the Group's businesses.

Taking into account the current rapidly changing operating environment, the management of the Group believes that resources should be more concentrated on such existing businesses with established scale and potential for development, which enables the making of more immediate and precise adjustments to the Group's overall businesses.

Despite it is all along the Company's aim to strengthen, develop and diversify its business portfolio in a sustainable manner, the Board believes that adjustment to the Group's business strategy in a timely manner by actively integrating resources and exercised cost control and efficiency enhancement measures will enhance its capability to create value for the Shareholders.

In terms of financial position, the Disposal presents an opportunity for the Company to enhance the liquidity of the Group in support of the potential business growth derived from the other businesses of the Group and at the same time disposing an under-performing business segment of the Group, which, as elaborated in the sub-paragraph "Consideration" under the paragraph "**THE DISPOSAL AND THE SALE AND PURCHASE AGREEMENT**", has a feeble business prospect. This will have a positive effect on the Group's financial position and allows the Company to allocate more resources to the other existing businesses of the Group.

Apart from the Disposal, the Directors have also considered other financing methods such as equity financing, debt financing, rights issue or open offer to promote the financial position of the Company. However, other financing methods taken into consideration have the following disadvantages:

(a) With respect to debt financing, such as bank borrowings may incur interest burden to the Group, it may require pledge of assets and/or other kind of securities which may possibly reduce the Group's flexibility in managing its portfolio, and debt financing may be subject to lengthy and time-consuming due diligence and negotiations for more favourable terms for such bank borrowings;

(b) In terms of rights issue or open offer, by market practice, either of these equity financing method takes approximately three months to complete. This may cause the Company to lose other potential opportunities, since a rights issue or an open offer may involve (i) identifying underwriter(s) under favourable terms; (ii) substantial time for extra administrative work for preparation and issue of related documents such as prospectus and application forms for acceptance of the rights issue or open offer and appointment of reporting accountants to report on unaudited pro forma financial information to be included in the prospectus; and incurring certain amount of fixed costs such as expenses in relation to engagement of professional advisers, printing charges in connection with documents such as prospectus and application forms, cost associated with registration and despatch of new Shares to a large number of Shareholders. As a result, rights issues or open offers may involve substantial time and costs to complete. Furthermore, although rights issue and open offer would be offered to the Shareholders on a pro rata entitlement basis, those qualifying Shareholders who choose not to take up their assured entitlements in full would have dilution to their shareholding interests in the Company; and

(c) In relation to equity financing, even though equity financing through issuance of new shares under the General Mandate or a specific mandate to be sought would allow the Company to raise capital within specified number of Shares promptly and when necessary, it would lead to immediate dilution in the shareholding interest of existing Shareholders, which is not the intention of the Company.

Having considered that (i) debt financing would incur interest burden to the Group and adversely affect the financial position of the Group; (ii) rights issue and open offer will incur substantial costs in underwriting commission or placing commission and would be more time consuming; (iii) the equity financing by way of placing of Shares would lead to the inevitable dilution of existing Shareholders' shareholding interest; and (iv) it is reasonable for the Company to maintain its flexibility in the selection of the best financing method for its future business development, the Directors are of the view that the Disposal is in the interest of the Company and the Shareholders as a whole. In addition, the Company had reached out to potential purchasers for the Disposal and chose Mr. Hsu as the final purchaser because (1) he has experiences in and was familiar with the Disposal Businesses, which could, to the expectation of the Board, decrease the transaction cost for the Disposal; and (2) he was willing to offer the highest consideration for the Disposal within a reasonable period to improve the Company's liquidity, as compared to those offered by other potential purchasers.

Having considered the above, the Disposal and the transactions contemplated thereunder give rise to an opportunity to allocate resources in support of viable business aspects of the Group. The Disposal, the terms and conditions of the Sale and Purchase Agreement (including the consideration for the Sale Shares) and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## LISTING RULES IMPLICATIONS

As one or more of the relevant percentage ratios calculated by reference to Rule 14.07 of the Listing Rules in respect of the Disposal exceed 25% but are less than 75%, the Disposal constitutes a major transaction for the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Any Shareholder and his associates with a material interest in the Disposal, the Sale and Purchase Agreement and the transactions contemplated thereunder will abstain from voting on resolutions approving the same. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, as at the Latest Practicable Date, none of the Shareholders or any of their respective associates have a material interest in the Disposal, the Sale and Purchase Agreement and the transactions contemplated thereunder, thus no Shareholder is required to abstain from voting. All Shareholders will be entitled to vote on the resolutions approving the Disposal, the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

## THE EGM

Set out on pages EGM-1 to EGM-2 of this circular is a notice convening the EGM. The EGM will be convened and held at Unit 702–3, 7/F, 100 Queen's Road Central, Central, Hong Kong on Friday, 16 June 2023 at 10:00 a.m. for the Shareholders to consider and, if thought fit, to approve the Disposal, Sale and Purchase Agreement and the transactions contemplated thereunder by way of ordinary resolution(s). The resolution(s) approving the Disposal, the Sale and Purchase Agreement and the transactions contemplated thereunder will be conducted by way of a poll at the EGM.

A form of proxy for use by the Shareholders at the EGM is enclosed. Shareholders are advised to read the notice and to complete the accompanying form of proxy for use at the EGM in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event, not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM if they so wish and in such event the form of proxy shall be deemed to be revoked.

In order to qualify for attending and voting at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Monday, 12 June 2023.

## RECOMMENDATION

The Directors are of the opinion that the terms of the Disposal pursuant to the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors would recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Disposal.

## FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully
By order of the Board
**NEW HUO TECHNOLOGY HOLDINGS LIMITED**
**Du Jun**
*Executive Director*

*The following is the text of a letter prepared for the purpose of incorporation in this circular received from Valtech Valuation Advisory Limited, an independent valuer, in connection with its valuation as of 31 January 2023 of the equity interests of the Target Companies.*

Our Ref: BV9526-2302 25 May 2023

New Huo Technology Holdings Ltd
6/F & Unit 702-3, 7/F,
100 Queen's Road Central,
Central, Hong Kong

Dear Sir/Madam,

**Valuation of Fair Value of 100% Equity Interest in Pantene Group**

In accordance with the instructions from New Huo Technology Holdings Ltd (the "**Company**"), we have been engaged by the Company to assist to determine the fair value ("**Fair Value**") of following subject of valuation (the "**Subject of Valuation**") as at 31 January 2023 (the "**Valuation Date**") for transaction reference purpose.

- 100% Equity Interest in Pantene Group (the "**Target Group**") which comprises of 6 target companies (the "**Target Companies**") and 7 target subsidiaries (the "**Target Subsidiaries**").

Our analyses are substantially based on the information provided to us by the existing management of the Company (the "**Management**"). It is our understanding that our analyses, and the subsequent appraised estimation of Fair Value (as defined in the section Standard and Basis of Value), will be used by the Management solely for their purpose of transaction reference. Our analyses were conducted for the above stated purpose. As such, this report should not be used by the Company for any other purpose other than those that are expressly stated herein without our expressed prior written consent.

The approaches and methodologies used in our work did not comprise an examination to ascertain whether the Company or the Target Group's presented financial information were constructed in accordance with generally accepted accounting principles. The objective of the aforesaid examination is of course to determine whether existing current financial statements or other financial information, historical or prospective, which are provided to us by the Management, are being expressed as a fair presentation of the Target Group's financial position. As such, we express no opinion and accept no responsibility on the accuracy and/or completeness of the historical and projected financial information of the Target Group, and of the marketing materials or other data provided to us by the Management.

Our conclusion on Fair Value do not constitute nor shall they be construed to be an investment advice or an offer to invest. Prior to making any decisions on any investments, a prospective investor should independently consult with their own investment, accounting, legal and tax advisers to critically evaluate the risks, consequences, and suitability of such investment.

## SCOPE AND PURPOSE OF ENGAGEMENT

We were engaged by the Management to assist to determine the Fair Value of the Target Group as at the Valuation Date. It is our understanding that our analysis will be used by the Management solely for their transaction reference purpose.

## STANDARD AND BASIS OF VALUE

This valuation was prepared on the basis of Fair Value. In accordance with HKFRS 13/IFRS 13 – Fair Value Measurement, Fair Value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When appropriate, we might also make cross reference to the International Valuation Standards ("**IVS**") published by the International Valuation Standards Council. The IVS details the general guideline on the basis and valuation approaches used in valuation.

## PREMISE OF VALUE

Premise of value relates to the concept of valuing a subject, i.e., a business, in a manner which would generate the greatest return to the owner, taking account what is physically tangible, financially feasible, and legally permissible. Premise of value includes the following scenarios:

| | |
|---|---|
| Highest and Best Use: | is the use that would produce the highest and best use for an asset, and it must be financially feasible, legally allowed and result in the highest value; |
| Current Use/Existing Use: | is the current way an asset, liability, or group of assets and/or liabilities is used, maybe yet not necessarily the highest and best use; |
| Orderly Liquidation: | describes the value of a group of assets that could be realized in a liquidation sale, given a reasonable period of time to find a purchaser/(s), with the seller being compelled to sell on an as-is, where-is basis; and |
| Forced Sale: | is in circumstances where a seller is under compulsion to sell and that, as a consequence, a proper marketing period is not possible and buyers may not be able to undertake adequate due diligence. |

After having reviewed all background and financial information and taken into consideration all relevant facts, valuation of the Subject of Valuation should be prepared on a "Highest and Best Use" basis.

**LEVEL OF VALUE**

Current valuation theories suggest that there are at least four basic "levels" of value applicable to a business or business interest. The four most common levels of value are as follows:

| | |
|---|---|
| Controlling Interest: | Value of the controlling interest, always evaluate an enterprise as a whole; |
| Non-controlling Interest: | Value of the non-controlling interest of a business; |
| As if Freely Tradable Interest: | Value of a business that or business interest enjoys the benefit of market liquidity; and |
| Non-marketable Interest: | Value of a business that or business interest lacking market liquidity. |

After having reviewed all background and financial information and take into consideration all relevant and objective facts, we reasonably believe Subject of Valuation should be valued and reported in this valuation as a Controlling Interest and Non-marketable Interest.

**SOURCE OF INFORMATION**

Our analysis and conclusion of opinion on value were based on continued discussions with, and having obtained pertinent key documents and records provided by the Management, and conducted certain procedures including but not limited to:

- The group chart of the Target Group;
- The consolidated management accounts of the Target Group for the trailing 12 months ended 31 January 2023;
- The accruals breakdown of Target Group as at the Valuation Date;
- The other income breakdown of Target Group for the trailing 12 months ended 31 January 2023;
- The restructuring expense breakdown for the trailing 12 months ended 31 January 2023; and
- Financial projection ("**Financial Projection**") and budget of the Target Group for the period of 2023.

We have also relied upon publicly available information from sources in capital markets, including industry reports, news and various databases of publicly traded companies.

## ECONOMIC OVERVIEW

To substantiate the economic background of the country where the Target Group with principal place of business is located, we have reviewed the economic condition of the People's Republic of China ("**PRC**") and the United States ("**US**") where the Target Group will derive its future income from.

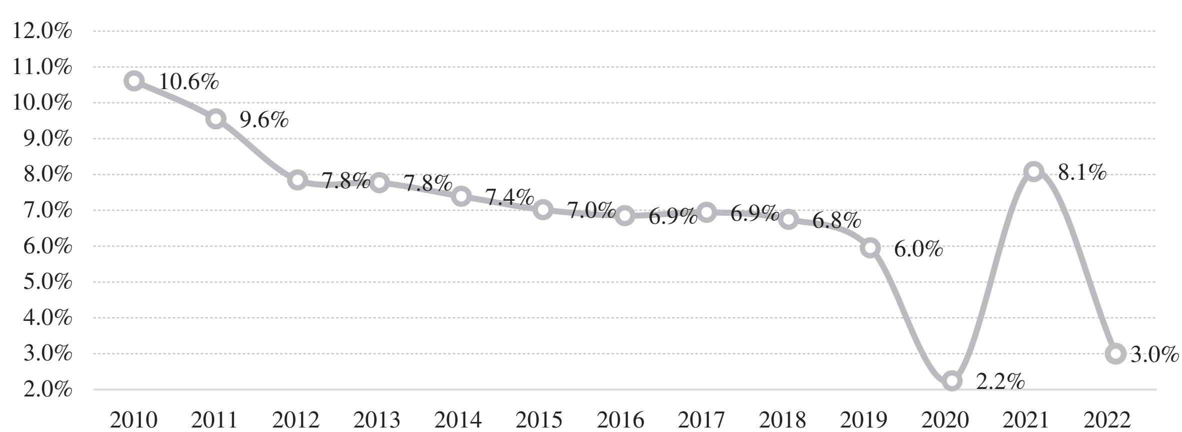
### Economic Overview of the PRC

#### *GDP Growth in the PRC*

According to the draft proposal of the 14th Five-Year Plan (2021-2025) and Vision 2035 (2021-2035), the PRC aims on building a moderately prosperous society in all respects. Therefore, the economy growth is expected to be kept from high-speed growth to high-quality growth and rebalanced with supply-side structural reform.

The coronavirus outbreak is having a severe impact on economic activity in 2020, and the GDP growth was recorded by 2.3%. With the pandemic fading and containment efforts gradually unwound, the economy accelerated sharply to grow by 8.0% in 2021. However, the appearance of more contagious variants in 2022 has led to more frequent and longer lockdowns under the zero-COVID policy, with the restrictions and related uncertainty weighing on domestic demand. After a series of announcements, the zero-COVID strategy was relaxed in November and December 2022. According to World Economic Outlook updates published by International Monetary Fund ("**IMF**") published in January 2023, the GDP recorded a 3.0% growth in 2023.

**Real GDP Annual Growth Rate in the PRC, 2010-2022**




*Source: World Economic Outlook Database (January 2023), International Monetary Fund& National Bureau of Statistics of China*

**Real GDP Annual Growth Rate and Inflation Forecast of the PRC**

| | 2023F | 2024F | 2025F | 2026F | 2027F |
|---|---|---|---|---|---|
| Real GDP Annual Growth Rate (%) | 5.2 | 4.5 | 4.6 | 4.6 | 4.6 |
| Inflation (%) | 2.2 | 1.9 | 2.0 | 2.0 | 2.0 |

*Source: World Economic Outlook Database (October 2022), International Monetary Fund*

Growth in the PRC will remain strong but is projected to decline gradually as the Chinese government's intention to "de-lever" the economy through controlling credit growth in order to maintain a healthy growth of the economy in long run. Nevertheless, supply-side structural reforms as well as regulatory tightening to mitigate environmental and financial remain definite drags on growth. External uncertainty risks including trade frictions with the U.S. persist and real estate activity continues to show significant variations nationwide, although property market prudential measures have so far tamed volatility.

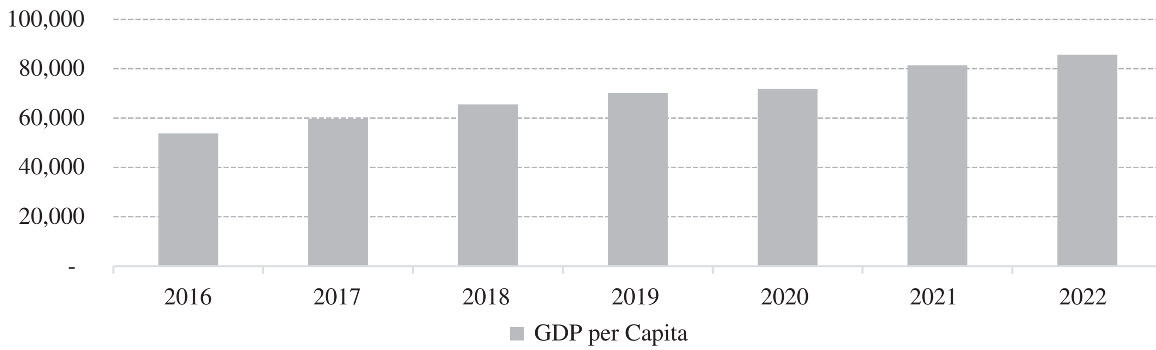
In the near term, the deep contraction in the real estate sector, and weaker global growth are the main drags, while a secular decline in productivity growth and demographic headwinds, amid geoeconomic fragmentation pressures, are weighing on medium-term growth prospects.

***GDP per Capita in the PRC***

The 13th Five-Year Plan adopted in 2016 mandated that the PRC becomes a "moderately prosperous society" and doubles its real GDP between 2010 and 2020. The disposable income level, one of the good measures, has grown significantly over the past few years. According to the latest data from National Bureau of Statistics of China, annual disposable income per capita of urban households in the PRC has increased from RMB36,396 in 2017 to RMB49,283 in 2022, representing a CAGR of approximately 6.3%; annual disposable income per capita of rural households has increased from RMB13,432 in 2017 to RMB20,133 in 2022, representing a CAGR approximate to 7.0%. In comparison to the inflationary figures, the annual inflation rate is between 0.9% and 2.2% during the period from 2017 to 2022. Hence, the living standard of Chinese people saw an overall improvement.

The following diagram shows the GDP per capita of the PRC from 2016 to 2022.

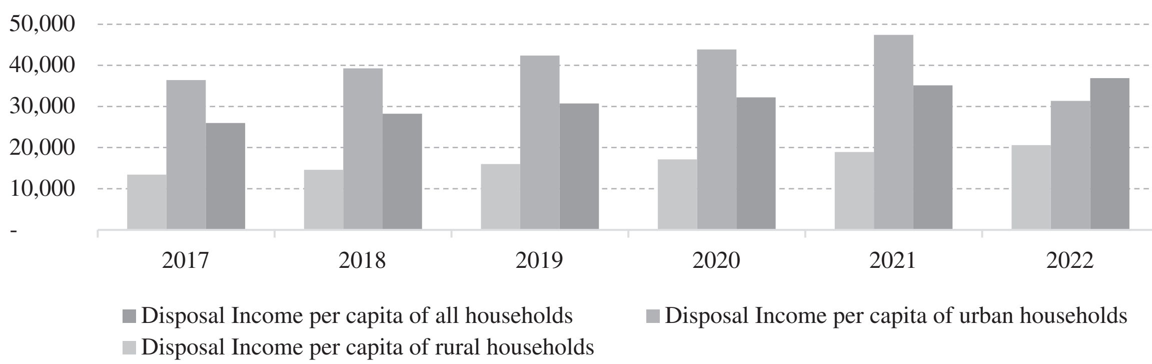
**GDP per capita (RMB) of the PRC from 2016 to 2022**




*Source: National Bureau of Statistics of China*

The following diagram shows the annual resident disposal income per capita from 2017 to 2022.

**Disposal income per capita of the PRC from 2017 to 2022**



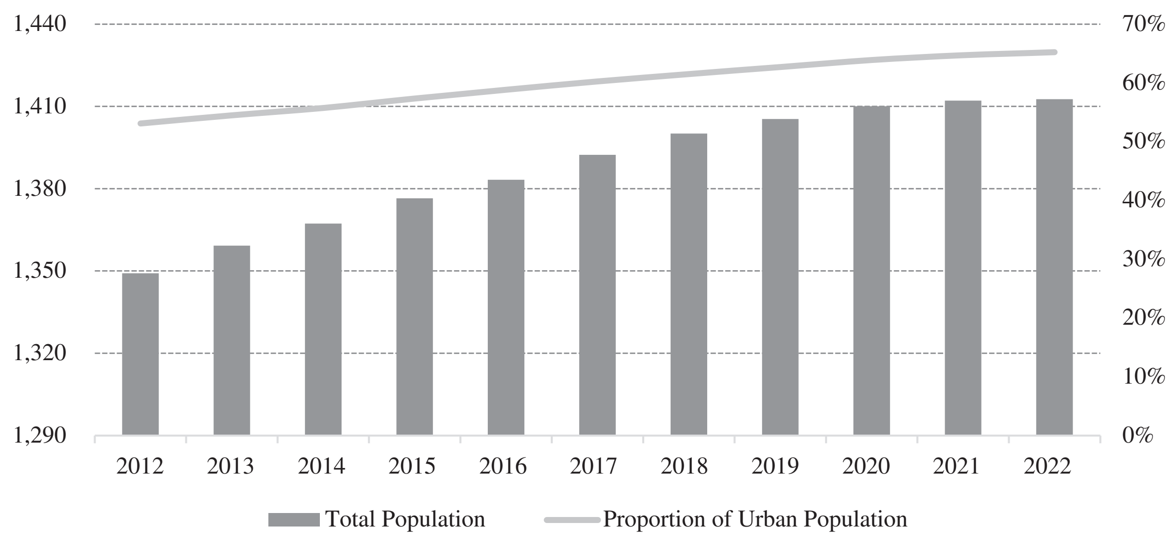

*Source: National Bureau of Statistics of China*

***Population Growth***

The population growth of the PRC tends to become slow these years. According to the National Bureau of Statistics of China, the population has grown from 1.36 billion in 2012 to 1.41 billion in 2022, representing a CAGR of approximately 0.4%. The proportion of urban population in the PRC increased from 53% in 2012 to 65% in 2022.

The following diagram shows the population growth and corresponding urban population growth in the PRC from 2012 to 2022.

**Population and Portion of Urban Population in the PRC**




*Source: National Bureau of Statistics of China*

For the next ten years, the population growth is supposed to be steady. The future growth of the domestic demand should depend on the population growth, as well as the increasing urbanization and expansion of the middle class. Meanwhile, the unemployment rate was recorded at around 4.0% for the past few years, and it is expected the rate will gradually moderate to 3.6% during 2023 to 2027.

The PRC's one-child policy starting from 1979 has slowed down the birth rate, but the side effect of the policy starts to take effect in the current decade. The number of elderly people is rising and this age group is forecasted to grow in the next few decades while the number of children aged from 0 to 14 years old fluctuated around 223 million. The Government has realized this trend and introduced two-child policy since October 2015. As a result, the number of the 0-to-14-years-olds enjoys a slight rise to 263 million in 2021, with the CAGR of 1.8% from 2012 to 2021.

**Age Distribution of the PRC from 2012 to 2021 and CAGR**

| Population Aged | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | CAGR |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 0-14 (million) | 224 | 224 | 227 | 228 | 233 | 235 | 238 | 237 | 253 | 263 | 1.8% |
| 15-64 (million) | 1,007 | 1,010 | 1,010 | 1,010 | 1,009 | 1,005 | 1,001 | 996 | 969 | 882 | -1.5% |
| 65 and Over (million) | 128 | 133 | 139 | 145 | 150 | 160 | 167 | 178 | 191 | 267 | 8.5% |

*Source: National Bureau of Statistics of China*

*Inflation*

The inflation rate in the PRC has slightly decreased since 2011 and picked up in 2017. According to IMF, the inflation rate was recorded at 2.1% in 2022 in the PRC and is estimated to grow modestly to 2.2% in 2023. Regarding 2023, inflation is expected to remain below the authorities' target of 3.0%. Near term price pressures are expected to remain muted. With the modest growth pickup, the output gap will close gradually and still be large through much of 2023. Demand supply imbalances are expected to remain small despite re-opening, as the full lifting of COVID restrictions is expected to be gradual and result in a slow shift in demand toward contact-intensive sectors. However, the outlook of the PRC's inflation is far left behind compared with the inflation of world's average and of emerging and developing economies.

**Annual Inflation Forecasts of the PRC versus World Economies**

| | Inflation rate, average consumer prices (Annual percent change) | | | | |
|---|---|---|---|---|---|
| | **2023F** | **2024F** | **2025F** | **2026F** | **2027F** |
| World | 6.5 | 4.1 | 3.6 | 3.4 | 3.3 |
| Emerging market and developing economies | 3.6 | 2.8 | 2.8 | 2.8 | 2.8 |
| The PRC | 2.2 | 1.9 | 2.0 | 2.0 | 2.0 |

*Source: World Economic Outlook Database (October 2022), International Monetary Fund*

The RMB yuan has depreciated by around 10% against the U.S. dollar since March 2022 in the wake of the strongest U.S. dollar in decades. The authorities have taken steps to stabilize exchange rate expectations, including by lowering the FX reserve requirement ratios in May and September to provide more onshore FX liquidity, tightening the reserve requirement on FX forwards in September, and raising the cross-border financing macro-prudential adjustment parameter for financial institutions and enterprises in October.

**US Dollar Versus RMB Yuan, 2017-2022**


*Source: Bloomberg*

***Government Policy***

In November 2020, the Communist Party of China Central Committee ("**CPCCC**") published the CPCCC's Proposals for the Formulation of the 14th Five-Year Plan (2021-2025) for National Economic and Social Development and the Long-Range Objectives Through the Year 2035 ("**the Proposals**"), which serves as a significant guideline for the PRC's social and economic development in the five to fifteen years to come.

The Proposals is comprised of 1) a review of the major achievements on the way to building a moderately prosperous society in all respects; 2) long-range objectives through the year 2035 raised based on an analysis of the future development trend; and 3) an illustration of the guiding philosophy, principles and major objectives for the 14th Five-Year Plan period, as well as the detailed development scenarios and priorities from 12 aspects.

The Proposals reflects noteworthy new development philosophy, mindset and policies. In specific, greater importance would be attached to the following economy-related highlights:

- Shifting from quantity-focused development to all-round development
- Upholding the central role of innovation in the modernization drive
- Attaching more weight to the build-up of a modern industrial system
- Fostering a "dual circulation" development model relying on the strong domestic market
- Deepening reform continuously in pursuit of a high-level socialist market economy
- Breaking new ground in high-level opening-up and mutually beneficial cooperation

***Economic Overview of the US***

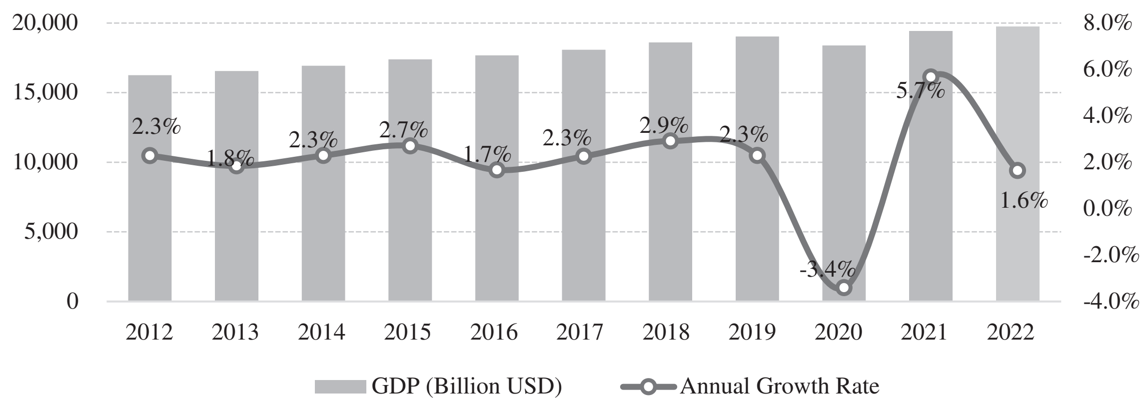
In this section, we will review and analyze the current economic conditions of the US where the profit of the Target Group is mainly derived from, and how the valuation may be impacted.

Despite facing challenges at the domestic level along with a rapidly transforming global landscape, the US economy is still the largest and most important in the world. The US economy represents about 20% of total global output and features a highly developed and technologically advanced services sector, which accounts for about 80% of its output. The US economy is dominated by services-oriented companies in areas such as technology, financial services, healthcare, and retail. Large US corporations also play a major role on the global stage, with more than a fifth of companies on the Fortune Global 500 coming from the US. Even though the services sector is the main engine of the economy, the US also has an important manufacturing base, which represents roughly 15% of output. The US is the second largest manufacturer in the world and a leader in higher-value industries such as automobiles, aerospace, machinery, telecommunications, and chemicals. Economic growth in the US is constantly being driven forward by ongoing innovation, research and development as well as capital investment.

***GDP Growth of the US***

Economic growth in the US maintained momentum in 2022. Real GDP is reported to have fallen in the first half of 2022 but to have then risen at roughly a 3% pace in the second half. Some of the swings in growth reflect fluctuations in volatile expenditure categories such as net exports and inventory investment. Consumer spending has continued to rise at a solid pace, supported by the savings accumulated during the pandemic. However, manufacturing output declined in recent months, and the housing sector has continued to contract in response to elevated mortgage rates. Looking to 2023, the volatility that has dominated the US economy over the pandemic period would be expected to diminish, and IMF forecasts the US economy to grow by 1.0%.

**GDP Growth in the US from 2012 to 2022**




*Source: IMF World Economic Outlook Database, October 2022*

**Forecasts of GDP Growth of the US**

| | 2022A | 2023F | 2024F | 2025F | 2026F |
|---|---|---|---|---|---|
| GDP (Billion USD) | 19,746 | 19,943 | 20,183 | 20,539 | 20,960 |
| Annual Growth of GDP (%) | 1.6 | 1.0 | 1.2 | 1.8 | 2.1 |

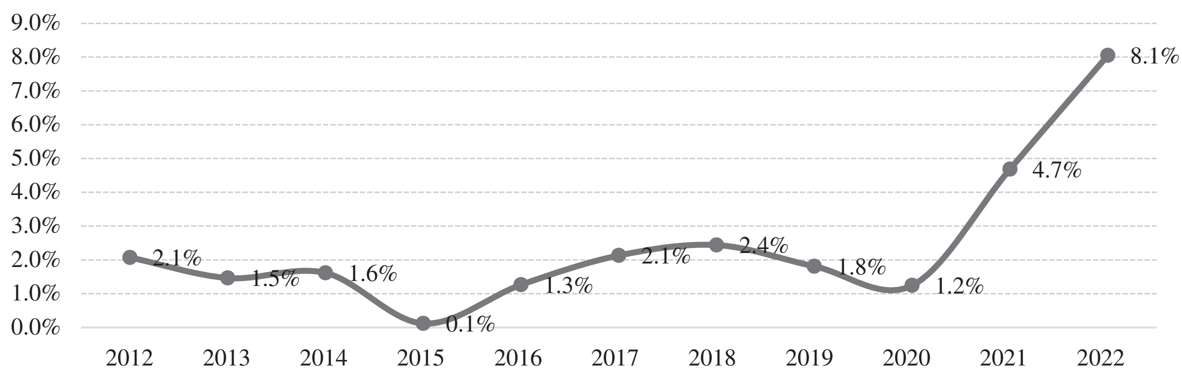
*Source: IMF World Economic Outlook Database, October 2022*

The recent collapse of Silicon Valley Bank and several other smaller banks has triggered alarm about financial stability in the US. While economists do not expect the contagion to spread more broadly throughout the banking system. The direct macro implications should thus be minimal. However, there may be implications for the US monetary policy.

***Inflation & Monetary Policy***

Consumer price inflation, as measured by the 12-month change in the price index for personal consumption expenditures, was 5.4% in January 2023, down from its peak of 7% last June but still well above the Fed's 2% objective. As supply chain bottlenecks have eased, increases in core goods prices slowed considerably in the second half of 2022.

**Inflation Evolution of the US from 2012 to 2022**




*Source: IMF World Economic Outlook Database, October 2022*

**Inflation Forecasts of the US**

| | **2022A** | **2023F** | **2024F** | **2025F** | **2026F** |
|---|---|---|---|---|---|
| Inflation YoY Change % | 8.1 | 3.5 | 2.2 | 2.0 | 2.0 |

*Source: IMF World Economic Outlook Database, October 2022*

The US Congress has established that the monetary policy objectives of the Federal Reserve are to promote maximum employment and price stability in what is known as the "dual mandate". The Federal Open Market Committee ("**FOMC**") is the Fed's monetary policymaking body. The FOMC meets about eight times a year to discuss developments and the outlook for the US economy and to debate different policy options, including the level of interest rates. The federal funds rate, the main interest rate managed by the Fed, is the rate which deposit banks charge each other to trade funds overnight in order to maintain reserve balance requirements. The federal funds rate is one of the most important in the US economy because it influences all other short-term interest rates.

In response to high inflation, the FOMC continued to rapidly increase interest rates and reduce its securities holdings. The Committee has raised the target range for the federal funds rate a further 3% points since June 2022, bringing the range to 4.5% to 4.75%, and indicated that it anticipates that ongoing increases in the target range will be appropriate. The Federal Reserve has also reduced its holdings of Treasury securities and agency mortgage-backed securities by about $500 billion since June, further tightening financial conditions.

***Labor Market and Unemployment***

The labor market has remained extremely tight, with job gains averaging 380,000 per month since the middle of 2022 and the unemployment rate remaining at historical lows. Labor demand in many parts of the economy exceeds the supply of available workers, with the labor force participation rate essentially unchanged from 2021. Nominal wage gains slowed over the second half of 2022, but they remain above the pace consistent with 2% inflation over the longer term, given prevailing trends in productivity growth.

**Forecasts of Unemployment Rate in the US**

| | **2022A** | **2023F** | **2024F** | **2025F** | **2026F** |
|---|---|---|---|---|---|
| Unemployment rate | 3.7 | 4.6 | 5.4 | 5.4 | 4.9 |

*Source: IMF World Economic Outlook Database, October 2022*

***Economy Challenges***

After a rapid recovery from the pandemic, the US economy still faces significant challenges from surging inflation and slowing economic activity.

First, the global economy is already experiencing a sudden, significant downturn. The initial supply chain problems from the PRC will likely be multiplied as other countries experience outbreaks of the disease. The US producers have not yet felt the full impact of the PRC shutdown, but the next few months may see significant interruptions of activity related to breaks in the global supply chain.

Second, inflationary pressures – driven by strong demand, supply constraints and rising commodity prices following Ukraine war have broadened, with services inflation now accelerating. Inflationary pressures may prove persistent, prompting additional monetary tightening.

Third, even under relatively benign assumptions about the future course of the illness, the US GDP growth will likely plunge in the first quarter, and very likely fall further in the second quarter. The somewhat spontaneous adoption of social-distancing measures that picked up in the second week of March may reduce the speed of the spread of the disease and will very likely be reflected in reduced economic activity.

## INDUSTRY OVERVIEW

### Global Printed Circuit Board Assembly Market

The Printed Circuit Board Assembly ("**PCBA**") market has experienced significant growth in recent years due to the increasing demand for electronic devices in both consumer and industrial sectors. This demand has been driven by advancements in technology, such as the rise of the Internet of Things ("**IoT**") and the increasing use of automation and robotics in various industries.

Asia-Pacific is the largest market for PCBA, with the PRC being the leading country in terms of production and exports. The region's dominance can be attributed to the presence of a large number of electronic device manufacturers, low-cost labor and favorable government policies.

According to Prismark, a well-known research firm, the overall market size of the PCBA market was estimated to grow by about 4.2% and reach approximately 84.341 billion US dollars in 2022. Although global economic uncertainty is expected to increase in the coming years, in the medium and long term, the global PCBA industry will still show a trend of growth due to the innovation and development of industries such as AI, 5G network communications, data centers, new energy, and intelligent driving driven by new technologies. Prismark predicts the global PCBA market size will reach approximately 101.559 billion US dollars by 2026, representing a compound annual growth rate("**CAGR**") of 4.6% since 2021.

**Market Size of PCBA Industry and Growth Forecasts (million US$)**

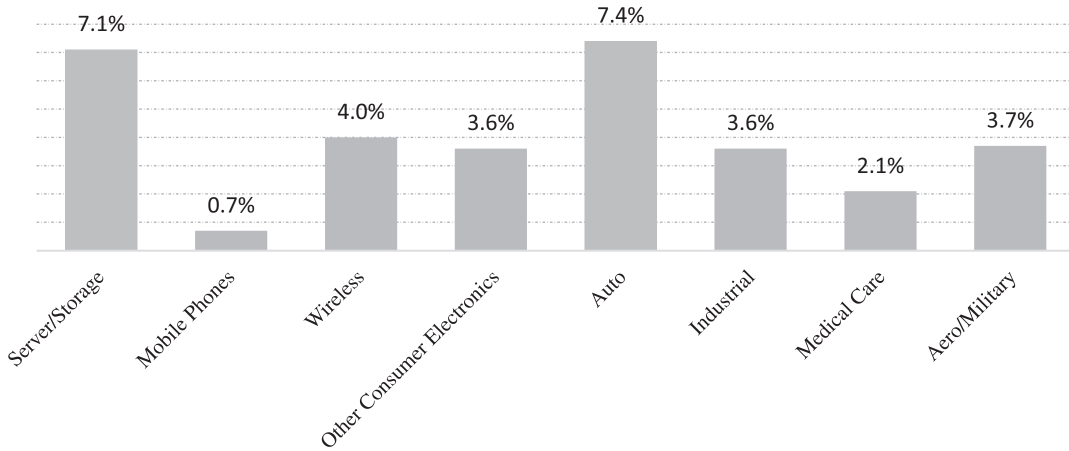
| | 2021 | 2022 | by 2026 | CAGR |
|---|---|---|---|---|
| US | 3,246 | 3,340 | 3,880 | 3.6% |
| Europe | 2,002 | 2,052 | 2,381 | 3.5% |
| Japan | 7,308 | 7,734 | 9,102 | 4.5% |
| The PRC | 44,150 | 45,469 | 54,605 | 4.3% |
| Asia (excluding Japan and the PRC) | 24,215 | 25,746 | 31,591 | 5.5% |
| Subtotal | 80,921 | 84,341 | 101,559 | 4.6% |

*Source: Prismark*

The PRC will continue to maintain its position as the dominant manufacturing center in the industry, but due to the product structure and some production transfers, Prismark predicts that the CAGR of the PRC's PCBA production value from 2021 to 2026 will be approximately 4.3%, slightly lower than the global rate. It is expected that the market size of PCBA in the PRC will reach approximately 54.605 billion US dollars in 2026.

In addition to Asia-Pacific, other regions such as North America and Europe are also expected to witness significant growth in the PCBA market. The demand for electronic devices in these regions, particularly in the automotive and healthcare industries, is expected to drive growth in the coming years.

**CAGR of PCBA Demand per Industry**




*Source: Prismark*

The use of circuit boards in connected automobiles has enhanced the PCB industry growth. These vehicles are entirely connected with wired and wireless devices, facilitating smooth communication with other devices like smartphones. The autonomous technology enables drivers to unlock their cars, ignite climate regulation systems remotely, evaluate the status of their batteries, and monitor their vehicles from anywhere using smartphones.

Besides, the high demand for consumer electronics like smartphones has boosted the industry's growth. In the future, three-dimensional electronic products are projected to transform the way electrical systems are developed. These systems fashion three-dimensional PCBs by creating a substrate material in layer stacks, then incorporating a functional ink on top. Manufacturers then apply surface-mount techniques to form a complete system. Three-dimensional printed electronics can potentially offer significant production and technical advantages for PCB manufacturers and consumers, particularly when compared to two-dimensional circuit boards.

Generally, the global PCBA market is a dynamic and rapidly growing industry that plays a crucial role in the production of electronic devices. With the increasing demand for electronic devices, the market is expected to witness continued growth in the coming years, albeit with challenges that need to be addressed.

**Global Solenoid Coils Products Market**

Solenoid coils are a very versatile tool that can be found in production machines, toys, appliances, and various forms of automated equipment. They are normally used to automatically turn an application on or off. A movable armature in the coil is activated as voltage passes through it; this causes the armature to increase its linkage to activate whatever it is attached to.

With the rapid development of industries such as intelligent manufacturing, automobiles, electronic information, consumer electronics, high-speed railways, and smart grids, it will bring broader application fields and market space to magnet wire manufacturers. In views of future prospect, the demand for solenoid coils will still have a momentum of steady growth. It is estimated that by 2029, the demand for magnet wire will exceed 2.56 million tons, and the industrial market size is expected to grow to 145.59 billion yuan.

## COMPANY OVERVIEW

### New Huo Technology Holdings Ltd

New Huo Technology Holdings Ltd, formerly Huobi Technology Holdings Ltd is an investment holding company incorporated in the British Virgin Islands ("**BVI**"), whose shares are listed on the main board of the Stock Exchange. New Huo Technology Holdings Ltd is principally engaged in the provision of technology solution services, a variety of services in virtual asset ecosystem, such as asset management, trust and custodian businesses and cryptocurrency trading and the contract manufacturing, on electronic manufacturing services basis, of a wide range of power-related electrical and electronic products.

### Pantene Group

The Pantene Group is principally engaged in the Disposal Businesses, and it comprises the Target Companies and the Target Subsidiaries detailed as follows:

- ***Pantene Industrial Co. Limited and its subsidiaries***

Pantene Industrial is incorporated in Hong Kong with limited liability on 30 December 1983. Pantene Industrial is principally engaged in the sale and distribution of power-related electrical and electronic product such as electronic power supplies, battery chargers, solenoid coils, and LED, the following Target Subsidiaries are directly owned by Pantene Industrial.

i) Pan Electrium Industrial Company Limited is an inactive company incorporated in Hong Kong;

ii) Pantene Electronics North America, Inc. is a company incorporated in the United States of America and is principally engaged in after-sales support;

iii) Shenzhen Pantai Electronics Co., Ltd. is a company incorporated in the PRC as a wholly foreign-owned enterprise, which owns the entire equity interests of Dongguan Pantai Electronic Co., Ltd, a company incorporated in the PRC, both of these Target Subsidiaries are principally engaged in the manufacture and sale of power-related electrical and electronic products;

iv) Pan Guang Limited is an investment holding company incorporated in the BVI and Pan Ming Limited, an inactive company incorporated in the BVI, is directly wholly owned by Pan Guang Limited.

- ***Pantronics International Holdings Limited and its subsidiary***

Pantronics International was incorporated in Hong Kong with limited liability on 1 July 1993. Pantronics International is an investment holding company which holds the entire equity interest of Pin Xin International Limited, an inactive company incorporated in Hong Kong.

- ***Panjet Service Company Limited***

Panjet Service, is an investment holding company incorporated in Hong Kong.

- ***Grace Harvest Corporation Limited***

Grace Harvest, is an inactive company incorporated in Hong Kong.

- ***Panjet (lnt'l) Limited***

Panjet (Int'l) Limited, is an inactive company incorporated in the BVI.

- ***Pantronics (lnt'l) Limited***

Pantronics (Int'l) Limited, is an inactive company incorporated in the BVI.

## TRANSACTION OVERVIEW

The Company (the "**Vendor**"), and New Wave Capital Limited (the "**Purchaser**") entered into the sale and purchase agreement dated 24 March 2023, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the sale shares, representing the entire issued share capital of the Target Companies as at 24 March 2023, at the consideration of HK$115,000,308.00.

The Purchaser is a company incorporated in the BVI with limited liability. Mr. Hsu is the Purchaser's sole director and its ultimate beneficial owner. The principal activity of the Purchaser is investment holding.

## VALUATION METHODOLOGY OVERVIEW

The valuation of any asset can be broadly classified into one of the three approaches, namely the cost approach, the market approach and the income approach. In any valuation analysis, all three approaches must be considered, and the approach or approaches deemed most relevant will then be selected for use in the analysis of that asset.

**Cost Approach**

The cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain a business, business ownership interest, security, or intangible asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

**Market Approach**

The market approach provides an indication of value by comparing a business, business ownership interest, security, or intangible asset with identical or comparable (that is similar) subjects for which price information is available.

Value is established based on the principle of comparison. This simply means that if one thing is similar to another and could be used for the other, then they must be similar. Furthermore, the price of two alike and similar items should be approximates to one another.

**Income Approach**

This is a general way of determining the economic value of a business, business ownership interest, security, or intangible asset by using one or more methods that convert anticipated benefits into a present value amount.

In the income approach, an economic benefit stream of the asset under analysis is selected, usually based on historical and/or forecasted cash flow. The focus is to determine a benefit stream that is reasonably reflective of the asset's most likely future benefit stream. This selected benefit stream is then discounted to present value with an appropriate risk-adjusted discount rate.

Discount rate factors often include general market rates of return at the Valuation Date, business risks associated with the industry in which the Target Group operates, and other risks specific to the asset being valued.

| **Methodology Analysis** | **Reasons for Applying or not Applying** |
|---|---|
| Cost Approach Is Rejected | Participants would not be able to recreate an asset with substantially the same utility as the Target Group, without regulatory or legal restrictions. |
| Income Approach Is Rejected | As at the Valuation Date, the majorities of the subsidiaries are either BVI Holdings or under the status as dormant company. Hence, reasonable projections of the amount and timing of future income are not available for the Target Group. |

| | |
|---|---|
| Market Approach Is Accepted | The market approach referred to the public information of the market participants, which involve fewer assumptions on the input in the valuation and reflecting the market expectation and view on the industry.<br><br>There are sufficient numbers of comparable public companies available in markets which facilitate a meaningful comparison and provide inputs for determining the valuation multiple. Guideline Publicly-traded Comparable ("**GPTC**") Method under the market approach is applied and considered as appropriate and reliable. |

**GENERAL ASSUMPTIONS**

- There are no changes, the aggregate of which when viewed together, may be construed to be a material adverse change in the existing political, legal, commercial and banking regulations, fiscal policies, foreign trade and economic conditions in countries/regions where the Target Group currently operates in and in new markets that the Target Group may potentially expand into as proposed by Management;

- There are no deviations, the aggregate of which when viewed together, may be construed to be a material adverse change in industry demand and/or market conditions;

- There are no changes, the aggregate of which when viewed together, may be construed to be a material adverse change in the fluctuation of interest rates or currency exchange rates in any country which would be deemed to have a negative impact or the ability to hinder the existing and/or potentially future operations of the Target Group;

- There are no changes, the aggregate of which when viewed together, may be construed to be a material adverse change in the current laws of taxation in those countries in which the Target Group operates in or the Target Group may potentially operate in;

- All relevant legal approvals, business certificates, trade and import permits, bank credit approval have been procured, in place and in good standing prior to commencement of operations by the Target Group under the normal course of business;

- The Target Group will be able to retain existing and competent management, key personnel, and technical staff to support all facets of the ongoing business and future operations; and

- Trademarks, patents, technology, copyrights and other valuable technical and management knowhow will not be infringed in countries/regions where the Target Group is or will be carrying on business.

## MAJOR ASSUMPTIONS

A number of major assumptions were established to sufficiently support our application of the GPTC Method. The major assumptions adopted are:

- There will be no material different between the management accounts and the audited financial statements;
- The normalized management accounts of the Target Group can better reflect the long term sustainable financial position as at the Valuation Date;
- Performance of the Target Group would not deviate from the performance of its industry peers;
- Median multiple assumed to reflect a fair and objective market expectation on the industry; and
- the Guideline Public Companies with similar business exposure (although not exactly the same) provided a reasonable benchmark of valuation that could be applied to the Target Group.

## APPLICATION OF MARKET APPROACH

### Guideline Publicly-traded Comparable Method

Under the GPTC Method, the value is derived from last trading multiples of a selected set of comparable companies ("**Guideline Public Companies**"). Trading multiples, which are measures of relative value, are computed by dividing the market capitalizations (or sometimes enterprise value) of the Guideline Public Companies by some identified value-driving economic variable(s) observed or calculated from their latest published fundamental data, being typically their financial data (such as revenue, earnings before interests and taxes, net profit, book equity) or other industry-specific value drivers as at the Valuation Date. A typical challenge in applying the GPTC Method is to identify a sufficient pool of relevant and sufficient Guideline Public Companies that are comparable to the target and the subject companies in terms of their business models, underlying business risks and prospects.

### Selection of the Guideline Public Companies

The application of the GPTC Method depends on the selection of the Guideline Public Companies that shared sufficient similarities to underlying business of the Target Group so as to provide meaningful comparisons. We exercised due care in the selection of the Guideline Public Companies by using multiple screening criteria in deciding whether or not the business model of a particular Guideline Public Company is relevant.

The Target Group is principally engaged in the design and sale of electronic and electrical product such as solenoid coils, printed circuit board assembly, electronic power supplies, battery chargers, LED and its main revenue generated from the United States. Per Geographical analysis of sales as at 30 September 2022, the amount of the Target Group's revenue generated from the United States is HKD 192,095,000. It accounted for 48.5% of the Target Group's total revenue. Apart from the United States market, the Target Group with 15.9% sales generated from China, 15.7% sales generated from Japan, 11.2% sales generated from United Kingdom and 8.7% from the rest of the world.

In selecting the Guideline Public Companies, we considered multiple screening criteria including but not limited to lines of business, operating location, major revenue by geographical location, financial result and other criteria. In order to comprise a representative set of Guideline Public Companies to derive the valuation result, we performed our comparable search based on the following processes in the selection of the Guideline Public Companies.

- The first-round selection is mainly based on Bloomberg's industry classification that implies the principal business similar to the Target Group. We considered companies which engaged in the manufacturing of Electrical Components or Electronic Components, especially Solenoid Coils and PCBA, with manufacturing operation in the PRC as our selection criteria.

- After the first-round selection, 16 comparable companies are identified. However, 10 out of 16 companies with majority of their revenue solely generated from the PRC. Given the Target Group with a total of 31.6% revenue generated from Asia countries (15.7% from Japan and 15.9% from the PRC), we considered companies with majority revenue generated from the PRC is not that comparable. 6 comparable companies are selected.

- To compute a quantitative rejection benchmark, we have referred to the largest revenue percentage of the Target Group. Given the Target Group with 48.5% (i.e. over 40% but not more than 50%) revenue generated from the United States, we considered comparable companies with over 40% revenue generated from the PRC shall be rejected.

- Given the comparable pool is not considered sufficient after rejecting the companies with majority of their revenue generated from the PRC, we expanded the pool to consider the companies which engaged in the manufacturing of Electronic Components and Industrial Components & Equipment per HKEX's Industry Subsector Classification. 14 more comparable companies are identified.

- Among these 14 additional comparable companies, a second-round quantitative rejection process has further rejected 4 companies with over 40% revenue generated from the PRC. A further 10 comparable companies are selected.

- After two rounds of quantitative rejection process, the comparable pool forms a boarder base for further valuation analysis. Among 16 identified comparable companies (i.e. 6 comparable companies from first-round selection and 10 comparable companies from second-round selection), Renco Holdings Group Ltd and Datronix Holdings Ltd are rejected as a reasonable Earnings before interest, taxes, depreciation, and amortization ("**EBITDA**") cannot be obtained (i.e., companies record negative EBITDA are rejected).

- After rejecting companies with negative EBITDA and over 40% revenue generated from the PRC, 14 comparable companies are identified as a final list of comparable companies.

After going through the aforesaid procedures, we consider the list of Guideline Public Companies is exhaustive based on our research and selection criteria on a best-effort basis. The comparable pool has represented a complete comparable pool sufficient to form a fair and reasonable valuation opinion. The following list shows the Guideline Public Companies that we have identified in connection with this valuation.

**Selected Guideline Public Companies**

| | Guideline Public Companies | Revenue by Geographical Location |
|---|---|---|
| 1 | **WUS Printed Circuit Kunshan Co Ltd (002463 CH Equity)** | |
| | The company produces and sells electrical equipment and related products. The company's products include double-side circuit board, multi-layers circuit board, and connector for electrical equipment. | Rest of World: 68.9%<br>PRC: 25.6%<br>Others: 5.5% |
| 2 | **Shenzhen Suntak Circuit Technology Co Ltd (002815 CH Equity)** | |
| | The company manufactures printed circuit boards. The company designs, produces, and sells HDI boards, backing plates, thick copper plates, rigid-flex PCB, farad-flex boards, high multilayer boards, three-dimensional boards, and other related products. | US: 61.4%<br>PRC: 33.4%<br>Others: 5.2% |
| 3 | **Aoshikang Technology Co Ltd (002913 CH Equity)** | |
| | The company operates as an electronic component manufacturing company. The company designs, produces, and sells high density printed circuit boards. | Rest of World: 56.6%<br>PRC: 36.6%<br>Others: 6.8% |
| 4 | **Keen Ocean International Holding Ltd (8070 HK Equity)** | |
| | The company manufactures electrical equipment. The company manufactures a variety of equipment including transformers, power supply, coils, inductors, and more. | Europe: 30.3%<br>India: 19.6%<br>PRC: 16.7%<br>US: 13.0%<br>HK: 10.5%<br>Others: 9.9% |
| 5 | **Avary Holding Shenzhen Co Ltd (002938 CH Equity)** | |
| | The company manufactures printed circuit boards. The company produces high density interconnection, flexible printed, and rigid printed circuit boards, and other products. The company supplies its products in communication equipment, electric machines, electronic devices, and other equipment. | US: 78%<br>PRC: 19.3%<br>Others: 2.7% |

| | Guideline Public Companies | Revenue by Geographical Location |
|---|---|---|
| 6 | **Zhen Ding Technology Holding Ltd (4958 TT Equity)** | |
| | The company manufactures printed circuit boards. The company produces and sells high density interconnection, flexible printed circuit, rigid printed circuit board, and other products. | US: 74%<br>PRC: 15.7%<br>Taiwan: 5.3%<br>Others: 5.0% |
| 7 | **Espey Mfg. & Electronics Corp (ESP US Equity)** | |
| | The company designs, develops, produces, and sells specialized military and industrial electronic equipment. The company sells power supplies, transformers, radar transmitters, and antennas. | US: 100% |
| 8 | **Hammond Manufacturing Co Ltd (HMM/A CN Equity)** | |
| | The company manufactures a broad range of electrical and electronic enclosures, electrical and electronic racks, electronic transformers, outlet strips, and surge suppressors. The company offers a range of standard products and modification services and technical support to electrical and electronic manufacturers, utilities, and institutions. | US: 56.4%<br>Canada: 37.2%<br>All other countries: 6.4% |
| 9 | **TTM Technologies Inc (TTMI US Equity)** | |
| | The company is an independent provider of time-critical, one-stop manufacturing services for printed circuit boards. The circuit boards serve as a foundation for electronic products such as routers, switches, servers, memory modules, and cellular base stations. The company's customers include original equipment manufacturers and electronic manufacturing services companies. | US: 46.7%<br>PRC: 12.7%<br>Other: 40.6% |
| 10 | **Wong's International Holdings Ltd (99 HK Equity)** | |
| | The company is principally engaged in the provision of electronic manufacturing services. | Asia (excl Hong Kong): 60.8%<br>Europe (Incl France, UK, Finland): 16.6%<br>North America (Incl US, Mexico): 11.9%<br>Hong Kong: 10.7% |

| | Guideline Public Companies | Revenue by Geographical Location |
|---|---|---|
| 11 | **Wise Ally International Holdings Ltd (9918 HK Equity)** | |
| | The company is mainly engaged in the manufacturing and sales of electronic products. The company mainly designs, manufactures and sells printed circuit board assemblies, multifunctional modules and finished electronic products. | US: 36.7%<br>Philippines: 19.6%<br>Ireland: 11.4%<br>Others: 32.3% |
| 12 | **Perennial International Ltd (725 HK Equity)** | |
| | The company is principally engaged in the manufacture and trading of electric cable and wire products. Its products include power cord, power cord sets, cables and solid wire, wire harnesses and plastic resins, among others. | US: 57.7%<br>PRC: 19.1%<br>HK: 8.8%<br>Others 14.4% |
| 13 | **Yan Tat Group Holdings Ltd (1480 HK Equity)** | |
| | The company is principally engaged in the manufacture and sales of printed circuit boards. Its products are principally used in communication, computer and consumer electronics products, as well as automobiles. | PRC: 38.2%<br>Europe: 26.5%<br>Asia (except PRC and HK): 24.5%<br>North America: 9.1%<br>Others: 1.7% |
| 14 | **Trio Industrial Electronics Group Ltd (1710 HK Equity)** | |
| | The company is a company principally engaged in the manufacture and distribution of customized industrial components and products. The company's products include electro mechanical products, switch mode power supplies and smart chargers. | Europe: 82.4%<br>North America: 11.2%<br>Others: 6.4% |

**Selection of Valuation Multiple**

Selection of the valuation multiple are typically cited on the market capitalizations or enterprise values ("**EV**") of a set of identified Guideline Public Companies. Valuation multiples are computed from dividing the valuations by certain operating or financial results of the Guideline Public Companies. We have naturally selected the valuation multiples cited on ratio of market capitalizations or enterprise value to either key operating or financial indicator of the Guideline Public Companies. Once a valuation multiple is selected later and is computed based on the Guideline Public Companies, the fair value of the Subject Valuation can be subsequently computed by the following formula:

**Fair Value = Valuation multiple X Key operating or financial indicator of the Target Group**

EV to EBITDA multiple is a metric that looks at a company wholistic worth relative to a proxy for cash flow that is available to investors. The Target Group are under normal operation and profitable. Considering that the operations of the selected Guideline Public Companies are located at different countries which under different tax jurisdictions, and the financing structures are not similar as the Target Group, EBITDA excludes the impact of tax and financing cost on profitability can directly reflect the operating performance of a company. As such, EV/EBITDA considers as an appropriate valuation multiple in this valuation. We have considered EV to EBITDA multiple as our preferred valuation multiple, and Price to Earnings multiple was applied for cross-checking purpose.

**Computation of the Valuation Multiple**

After identifying the Guideline Public Companies and determining the valuation multiple, the next step is to compute the EV to EBITDA multiples on a reliable and consistent approach across all Guideline Public Companies. The process of computing the valuation multiple in this valuation consists of the following 2 procedures:

- Determination of the EV of each Guideline Public Companies as at the Valuation Date. EV is multiplying their share prices to the number of shares outstanding as at the Valuation Date in order to obtain the market capitalization of the Guideline Public Companies. Secondly, add back company's interest-bearing debt, minority interest and preferred equity interest. Finally, subtract cash and cash equivalent items to obtain the EV of each of the Guideline Public Companies. The formula for calculating EV is summarised as below:

  EV = market value of common stock + market value of preferred equity + market value of debt + minority interest – cash and cash equivalents

- Determination of the measure of operating results i.e., EBITDA, which represent the denominators of the multiple. The formula for calculating EBITDA is:

  EBITDA = Operating Income or Losses + Depreciation & Amortization

**Implied EV to EBITDA multiple for the Guideline Public Companies**

| | Name | Ticker | EV *(HKD million)* | EBITDA *(HKD million)* | EV/EBITDA *(rounded)* |
|---|---|---|---|---|---|
| 1 | WUS Printed Circuit Kunshan Co Ltd | 002463 CH | 28,922 | 1,872 | 15.45x |
| 2 | Shenzhen Suntak Circuit Technology Co Ltd | 002815 CH | 12,247 | 1,519 | 8.06x |
| 3 | Aoshikang Technology Co Ltd | 002913 CH | 11,114 | 956 | 11.63x |
| 4 | Keen Ocean International Holding Ltd | 8070 HK | 91 | 18 | 5.02x |
| 5 | Avary Holding Shenzhen Co Ltd | 002938 CH | 75,261 | 8,695 | 8.66x |
| 6 | Zhen Ding Technology Holding Ltd | 4958 TT | 35,277 | 9,671 | 3.65x |
| 7 | Espey Mfg. & Electronics Corp | ESP US | 212 | 31 | 6.78x |

| | Name | Ticker | EV *(HKD million)* | EBITDA *(HKD million)* | EV/EBITDA *(rounded)* |
|---|---|---|---|---|---|
| 8 | Hammond Manufacturing Co Ltd | HMM/A CN | 578 | 142 | 4.06x |
| 9 | TTM Technologies Inc | TTMI US | 16,706 | 2,429 | 6.88x |
| 10 | Wong's International Holdings Ltd | 99 HK | 1,897 | 235 | 8.08x |
| 11 | Wise Ally International Holdings Ltd | 9918 HK | 194 | 80 | 2.42x |
| 12 | Perennial International Ltd | 725 HK | 177 | 37 | 4.80x |
| 13 | Yan Tat Group Holdings Ltd | 1480 HK | 51 | 123 | 0.42x |
| 14 | Trio Industrial Electronics Group Ltd | 1710 HK | 273 | 27 | 10.03x |
| | | Mean (rounded): | | | 6.85x |
| | | Median (rounded): | | | 6.83x |
| | | **Selected multiple (rounded):** | | | **6.83x** |

We have taken the median, being 6.83x of the 14 Guideline Public Companies, as the adopted EV to EBITDA multiple for our valuation analysis. The median serves a better reflection of the central tendency of the sample if the distribution is not roughly identified as normally distributed. We believe the median rule can better take consideration of the side effect of the skewed data points than the average rule.

## CONTROL PREMIUMS

Control Premiums (sometimes referred to as Market Participant Acquisition Premiums) are applied to reflect differences between the comparables and the valuation target with regard to the ability to make decisions and the changes that can be made as a result of exercising control. All else being equal, participants would generally prefer to have control over a subject business than not. However, participants' willingness to pay a control premium will generally be a factor of whether the ability to exercise control enhances the economic benefits available to the owner of the valuation target. Control premiums may be quantified using any reasonable method but are typically calculated based on either an analysis of the specific cash flow enhancements or reductions in risk associated with control or by comparing observed prices paid for controlling interests in publicly-traded securities to the publicly-traded price before such a transaction is announced.

In this valuation, valuation multiple is computed with reference to the EV/EBITDA of the Guideline Public Companies. EV of the Guideline Public Companies can only reflect the valuation on a sum-of-minority-shares basis. Furthermore, this transaction involved equity interest of the Target Group on a controlling basis. It is thus reasonable to apply a control premium to reflect these control advantages over the observed minority prices of the Guideline Public Companies. The consideration for this transaction is HK$115 million, hence we have made reference to 2020-2021 empirical studies from Mergerstat Review and considered the premium offered by transactions with purchase price less than $25 million (approximately HK$195 million as at the Valuation Date), exercised professional judgment to arrive at control premium of 26%.

## DISCOUNT FOR LACK OF MARKETABILITY

Discount for lack of marketability ("**DLOM**") reflects the concept that when comparing otherwise identical assets, a readily marketable asset would have a higher value than an asset with a long marketing period or restrictions on the ability to sell the asset. For example, publicly-traded securities can be bought and sold nearly instantaneously while shares in a private company may require a significant amount of time to identify potential buyers and complete a transaction. Many bases of value allow the consideration of restrictions on marketability that are inherent in the subject asset but prohibit consideration of marketability restrictions that are specific to a particular owner. DLOM may be quantified using any reasonable method, but are typically calculated using option pricing models, studies that compare the value of publicly-traded shares and restricted shares in the same company, or studies that compare the value of shares in a company before and after an initial public offering.

In this valuation, EV/EBITDA multiple of the Guideline Public Companies are computed. Guideline Public Companies are listed companies, while the Target Group is a non-marketable interest. As such, DLOM is considered as a downward adjustment on the value of the Target Group, which is a privately owned equity, when comparing with listed companies.

We have made reference to Pluris DLOM Database, a database studying DLOM from actual transactions in restricted stock private placements and exercised professional judgment to arrive at DLOM of 29%.

## SUMMARY OF VALUATION RESULT

As the final step of our valuation, we consolidated our above findings and discussions into the following summary of valuation result:

**Valuation Summary for the Target Group**

| **Market Approach – GPTC Method** | **EV/EBITDA** | **31 January 2023** *HKD* |
|---|---|---|
| Selected Valuation Multiple (rounded) | | 6.83x |
| Financial Result of the Target Group: | | |
| Trailing 12 months ended Adjusted EBITDA as at 31 January 2023 *(Note1)* | | 26,222,638 |
| Implied Value of 100% Equity Interest in the Target Group, before Adjustment | | 179,100,617 |
| Less: Loan from/to New Wave Capital Limited *(Note 2)* | | (60,808,767) |
| Less: Export Loan – Bank A *(Note 2)* | | (6,654,755) |
| Less: Lease liabilities – ROU Assets *(Note 2)* | | (73,346,770) |
| Less: Intercompany current account *(Note 2)* | | (5,261,082) |
| Less: Excess Liabilities – Factory Relocation Cost *(Note 3)* | | (24,034,050) |
| Less: Provision for Relocation Cost *(Note 4)* | | (4,152,767) |
| Add: Excess Cash and Bank *(Note 2)* | | 114,402,072 |
| | | 119,244,498 |
| Add: Control Premium | 26% | 31,003,570 |
| | | 150,248,068 |
| Less: DLOM | -29% | (43,633,225) |
| Implied Equity Value of 100% Equity Interest in the Target Group | | 106,614,843 |
| **Implied Equity Value of 100% Equity Interest in the Target Group (rounded)** | | **106,615,000** |

*Note 1:* One-off Gains/Losses for the trailing 12 months as at the ended 31 January 2023 have been adjusted to compute a sustainable EBITDA, which represent a more appropriate financial figure.

*Note 2:* Loans, lease liabilities, intercompany current account, and excess cash and bank are referring to the consolidated figures of the Target Group as at 31 January 2023.

*Note 3:* Excess liabilities are those liabilities that are not essential for the operation of a business. The amount of HKD24,034,050 represented the payables related to the factory relocation costs. According to the Management, such liabilities are of non-operating and one-off in nature, which classified as excess liabilities. The result calculated from the EV/EBITDA multiple represents the implied value of the Target Group's operation, value of excess liabilities is not reflected. Thus, value of excess liabilities is deducted as a separate item.

*Note 4:* From the Financial Projection provided by the Management, there is a provision allocated for the restructuring cost during the period of 2023. Considered that such cost is non-operating and one-off in nature which necessary to be paid in the following year, the value of the provision is deducted as a separate item.

## CROSS-CHECK BY OTHER VALUATION MULTIPLE

As aforesaid, we considered EV to EBITDA multiple as the most appropriate valuation multiple and applied in the valuation of the Target Group. As the Target Group is under operation and profitable, price to earnings multiple is also a relevant multiple of valuation. To access the reasonableness of the valuation result, we also performed cross-check of our result by price to earnings multiples of the Guideline Public Companies.

We have calculated the implied Price to Earnings (P/E) multiple of the Target Group based on the valuation result (i.e. Implied Equity Value of the Target Group). Then, we obtained the P/E multiple of the Guideline Public Companies and compared with that of the Target Group.

**P/E Multiple of the Guideline Public Companies**

| | **Name** | **Ticker** | **P/E Multiple, after CP and DLOM** *(rounded)* |
|---|---|---|---|
| 1 | WUS Printed Circuit Kunshan Co Ltd | 002463 CH | 17.40x |
| 2 | Shenzhen Suntak Circuit Technology Co Ltd | 002815 CH | 13.80x |
| 3 | Aoshikang Technology Co Ltd | 002913 CH | 14.00x |
| 4 | Keen Ocean International Holding Ltd | 8070 HK | 4.30x |
| 5 | Avary Holding Shenzhen Co Ltd | 002938 CH | 11.80x |
| 6 | Zhen Ding Technology Holding Ltd | 4958 TT | 6.20x |
| 7 | Espey Mfg. & Electronics Corp | ESP US | 12.30x |
| 8 | Hammond Manufacturing Co Ltd | HMM/A CN | 5.00x |
| 9 | TTM Technologies Inc | TTMI US | 15.10x |
| 10 | Wong's International Holdings Ltd | 99 HK | 6.30x |
| 11 | Wise Ally International Holdings Ltd | 9918 HK | 45.60x |
| 12 | Perennial International Ltd | 725 HK | 7.80x |
| 13 | Yan Tat Group Holdings Ltd | 1480 HK | 4.40x |
| 14 | Trio Industrial Electronics Group Ltd | 1710 HK | N/A (loss making) |
| | | Upper Quartile: | 14.03x |
| | | Mean (rounded): | 12.63x |
| | | Median (rounded): | 11.82x |
| | | Lower Quartile: | 6.24x |
| | | Implied P/E Multiple of the Target Group: | 12.08x |

The above analysis shows the mean and the median P/E multiples of the Guideline Public Companies were 12.63x and 11.82x respectively. The implied P/E multiple of the Target Group was 12.08x which close to the market median and within the range of the lower quartile (i.e., 6.24x) and upper quartile (i.e., 14.03x). Such cross-check result suggests that the valuation result derived from EV to EBITDA multiple is fair and fall within a reasonable range.

## SENSITIVITY ANALYSIS

A sensitivity analysis on the fair value of the Target Group was performed, holding all other variable fixed and varying the valuation multiple (i.e., EV to EBITDA) as of the Valuation Date.

**Sensitivity Analysis on Equity Value**

| EV to EBITDA Multiple | Fair Value *(HKD)* |
|---|---|
| 4.83x (-2) | 59,724,000 |
| 5.83x (-1) | 83,170,000 |
| **6.83x** | **106,615,000** |
| 7.83 (+1) | 130,060,000 |
| 8.83 (+2) | 153,505,000 |

## STATEMENT OF LIMITING CONDITIONS

- Absent a statement to the contrary, we have assumed that no hazardous conditions or materials exist which could affect the Target Group or its assets. However, we are not qualified to establish the absence of such conditions or materials, nor do we assume the responsibility for discovering the same.

- The business interest and subject business assets have been valued free and clear of any liens or encumbrances unless stated otherwise. No hidden or apparent conditions regarding the subject business assets or their ownership are assumed to exist.

- All information provided by the client and others is thought to be accurate. However, we offer no assurance as to its accuracy.

- Unless stated otherwise in this report, we have assumed compliance with the applicable local laws and regulations.

- We assume no responsibility for the legal matters including, but not limited to, legal or title concerns. Title to all subject business assets is assumed good and marketable.

- The report may not fully disclose all the information sources, discussions and business valuation methodologies used to reach the conclusion of value. Supporting information concerning this report is on file with our company.

- The valuation analysis and conclusion of value presented in the report are for the purpose of this engagement only and are not to be used for any other reason, any other context or by any other person except the client to whom the report is addressed.

- The opinion of value expressed in this report does not obligate us attend court proceedings with regard to the subject business assets, properties or business interests, unless such arrangements have been made previously.

- Possession of this report does not imply a permission to publish the same or any part thereof. No part of this report is to be communicated to the public by means of advertising, news releases, sales and promotions or any other media without a prior written consent and approval by us.

- We have only considered circumstances existing as at the Valuation Date. An event that could affect the value may occur subsequent to the Valuation Date. Such an occurrence is referred to as a subsequent event which is not considered in the valuation.

**CONCLUSION OF VALUE**

In conclusion, based on the analyses as fully described in this valuation report and the valuing methodologies which we have employed, we are of the opinion that the fair value of the 100% equity interest in Pantene Group as at 31 January 2023 is as follows.

| **Subject of Valuation** | **Valuation Result** *(HKD)* |
|---|---|
| Fair Value of 100% Equity Interest in Pantene Group | 106,615,000 |

The opinion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and consideration of many uncertainties, not all of which can be easily quantified or ascertained. We hereby certify that we have neither present nor any prospective interests in the subject under valuation. Moreover, we have neither personal interests nor any bias with respect to the any of the parties involved.

This valuation report is issued subject to our general service conditions.

Yours faithfully,
For and on behalf of
**VALTECH VALUATION ADVISORY LIMITED**

**INVOLVED STAFF BIOGRAPHY**

**Marvin Wong, CPA**

Mr. Wong has over ten years of experience in the professional service industry, including auditing, internal control advisory, financial due diligence, and with a focus on business valuation services. Mr. Wong is experienced in performing business valuation for State-owned enterprises, private and public companies. He provides valuation services mainly to support the purpose of financial reporting, mergers and acquisitions, tax filing and fund raising. He has performed valuation of projects for State-owned Assets Supervision and Administration Commission of the State Council (SASAC) filing in the PRC, listed companies' circular filing in Hong Kong and Singapore.

He has earned valuation experience in industries including but not limited to food and beverage, education, financial service, hotel, toll road, mining, ship building, pharmacy, agriculture, trading, e-platform, marketing, person-to-person microlending, waste management, intelligent parking, etc. He is also experienced in intangible asset valuation including customer relationship, trademark, franchise agreement, mining right, patent, distribution network and concession right.

**Max Tsang, CPA, CFA, FRM, MRICS, MStat**

Mr. Tsang has been working in the professional valuation field since 2011. Before joining the valuation field, he worked in banking and finance sector from 2008 to 2010. Mr. Tsang has been leading a team of business valuation for private and listed companies for the purposes of financial reporting, initial public offerings, mergers and acquisitions, financing, tax and litigation support. The scope of services includes business valuation and intangible asset valuation. He has performed valuation and provided fairness opinion for listed companies in the United States, Australia and Germany. He has participated in many representative projects, such as valuation of global luxury brands, oil and gas extraction in the United States and Canada, BOT infrastructural project, solar and wind power plants, banks, logistic hub in Singapore, toll road in the United Kingdom, container port in Brazil and premium food manufacturer in Spain.

He has provided valuation advisory services for private equity funds in Hong Kong and the PRC regarding market value assessment of the general partner's stakes and investment portfolios for valuation control and financial reporting purposes (including compliance with IFRS 9). The investment portfolios included renowned internet and technology companies as well as infrastructural projects in China. He has also served as the expert witness for litigation. He is also experienced in valuation of overseas project for State-owned Assets Supervision and Administration Commission of the State Council (SASAC) filing in the PRC. The valuation reports prepared by Mr. Tsang and his team have been regularly referenced by Hong Kong listed companies in their circulars, including companies in agriculture, retail, mining, internet, automobile, education, financial services, multimedia, internet, real estate, entertainment, electronic equipment and infrastructural sectors.

**Bobby Zhu**

Mr. Zhu has valuation experiences in various industries including but not limited to clean energy, manufacturing, utility and infrastructure, mining, etc. Prior to joining Valtech Valuation, he worked in another valuation firm where he participated in many business valuation projects to support clients for the purpose of financial reporting, mergers and acquisitions. He has also gained experiences in performing valuation of projects for State-owned Assets Supervision and Administration Commission of the State Council (SASAC) filing in the PRC. Earlier to that, he worked as Corporate Financial analyst in Sony and Dell and Corporate Auditor in Natuzzi China. Bobby earned his Financial Management Degree from Shanghai University of Finance& Economics.

**Carmen Goh**

Ms. Goh completed her Financial Services Degree with various internships and academic experience in Hong Kong, Shanghai, and Germany. Before joining the valuation field, she gained experience in the Corporate Development department, responsible for market research and financial analysis, supporting business development for new ventures. Since joining Valtech Valuation, she gained experience in different industries but not limited to food and beverage, sports, lighting, financial services, etc. She is accumulating and enriching her experience in providing valuation services for public and private companies in China and Hong Kong.

## GENERAL SERVICE CONDITIONS

The service(s) we provide will conform to the professional appraisal standard. The proposed service fee is not contingent in any way upon our conclusions of value or result. All the data provided to us are assumed to be accurate without independent verification. As an independent contractor, we have and will reserve the right to use subcontractors. Furthermore, we have the right to retain all files, working papers or documents developed by us during the engagement for as long as we wish, which will also be our property.

The report we prepare is prohibited for any other use but only for the specific purpose stated herein. No reliance may be made by any third party on the report or part thereof without our prior written consent. The report along with this General Services Conditions could be shown to the third parties who need to review the information contained herein.

No one should rely on our report as a substitute for their own due diligence. No reference to our name or our report, in whole or in part, in any document you prepare and/or distribute to third parties may be made without our written consent. You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including all fees of lawyers, including ours and the parties successfully suing us, to which we may become subject in connection with this engagement except in respect of our own negligence. Your obligation for indemnification and reimbursement shall extend to any of our management and employees, including any director, officer, employee, subcontractor, affiliate or agent. In the event we are subject to any liability in connection with this engagement, regardless the nature of the claim, such liability will be limited to the amount of fees we received for this engagement.

We will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings. Meanwhile, we reserve the right to include your company/firm name in our client list.

The conditions stated in this section can only be modified by written documents executed by both parties.

## 1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements for each of the three years ended 30 September 2020, 2021 and 2022 of the Company together with relevant notes thereto are disclosed in the following documents which have been published on both the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.newhuotech.com/). Please refer to the hyperlinks as stated below:

– pages 64 to 156 of the annual report of the Company for the year ended 30 September 2020 published on 22 January 2021.

  https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0122/2021012201048.pdf

– pages 82 to 184 of the annual report of the Company for the year ended 30 September 2021 published on 25 January 2022.

  https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0125/2022012500646.pdf

– pages 101 to 208 of the annual report of the Company for the year ended 30 September 2022 published on 26 January 2023.

  https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0126/2023012600387.pdf

## 2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 March 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had aggregate outstanding borrowings of approximately HK$507.38 million, comprising (i) unsecured and unguaranteed loan from a former controlling shareholder of approximately HK$30.97 million; and (ii) unsecured and unguaranteed loan from a related company of approximately HK$476.41 million.

As at 31 March 2023, the Group had outstanding lease payments in respect of leasehold land and buildings of approximately HK$74.89 million which were secured by rental deposits paid by the Group and unguaranteed.

Save as aforesaid, and apart from intra-group liabilities and normal trade payables in the normal course of business, at the close of business on 31 March 2023, the Group did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

To the best knowledge of the Directors, having made all reasonable enquiries, there has not been any material adverse change in the Group's indebtedness position and contingent liabilities since 31 March 2023 and up to the Latest Practicable Date.

## 3. WORKING CAPITAL

The Directors are of the opinion that, in the absence of unforeseeable circumstances and after taking into account the Group's internal resources, available credit facilities and the estimated net proceeds from the Disposal, the Group has sufficient working capital for its requirements for at least twelve months from the date of this circular. The Company has obtained the relevant confirmations as required under Rule 14.66(12) of the Listing Rules.

## 4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

One of the primary business objectives of the Group has all along been the development of its business so as to achieve sustainable growth. Upon the Completion, the Company will cease to hold any interests in the Target Companies and each of the Target Companies will cease to be a direct wholly-owned subsidiary of the Company. Accordingly, the Group ceases to operate the Disposal Businesses and the financial results of (i) each of the Target Companies; and (ii) each of the Target Subsidiaries (being the direct and indirect wholly-owned subsidiaries of Target Company I and Target Company II) will no longer be consolidated into the consolidated financial statements of the Company.

The Group expects the impact of the Disposal to be minimal on the Group's business. The Board considers that it is economically more beneficial and cost-effective for the Group to place its focus on the Group's other businesses, being provision of technology solution services and the conducting of businesses in virtual asset ecosystem, which presented stable growth and development. It is expected that the amount saved from the Disposal will be able to partially offset expected income which could have been derived from the Target Group had they not been disposed of. Following the Disposal and after deducting the various expenses arising from the Disposal, the Group expects to generate additional liquidity in support of the rapid development of such other businesses of the Group. For details of the benefits of the Disposal to the Group, please refer to the section headed "**REASONS FOR AND BENEFITS OF THE DISPOSAL**" in this circular.

Looking forward for the financial year commencing from 1 October 2022, with the lifting of the government anti-COVID-19 measures, we are cautiously optimistic that the performance of the Group will rebound in 2023. The Directors will closely monitor the situation and evaluate the prevailing market condition and how it impacts our operations and financial position on a continuing basis. It will remain the Company's aim to reinforce its own comprehensive competitive edges and to strengthen, develop and diversify its business portfolio in a sustainable manner to enhance its capability to create value for the Shareholders. The Group will also continuously review and improve its corporate management, aiming to sustainably optimise its business processes and enhance its management efficiency, thereby ensuring the Group's operations remain stable amid the adversity.

## 5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save and except the Company's record of a loss of approximately HK$102.2 million in November 2022 due to the failure to withdraw cryptocurrency assets from the FTX which might have an impact on the financial and trading position of the Group, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 30 September 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 circular 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 circular misleading.

## 2. DISCLOSURE OF INTERESTS

### Directors' and Chief Executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") contained in the Listing Rules, were as follows:

**Directors and chief executive**

| **Name of Directors** | **Capacity in which Shares were held** | **Number of Shares** *(Note 2)* | **Approximate percentage of the issued share capital** |
|---|---|---|---|
| Mr. Li *(Note 2)* | Interest of controlled corporation *(Note 1)* | 125,021,261 | 40.47% |
| Mr. Du Jun | Beneficial owner | 3,869,446 | 1.25% |

*Notes:*

1. Mr. Li holds 100% interest in the total issued share capital of Avenir Capital Inc. and HBCapital. Therefore, Mr. Li is deemed to be interested in the shares held by Avenir Capital Inc. and HBCapital for the purpose of Part XV of the SFO.

2. The letter "L" denotes the long position in the Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

**Substantial Shareholders**

As at the Latest Practicable Date, so far as is known to any Directors or chief executives of the Company, the following persons/corporations (other than the Directors, supervisors and the chief executive of the Company) had, or were deemed or taken to have, an interest or short position in the Shares or underlying Shares 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 will be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

| **Name of Shareholder** | **Capacity in which Shares were held** | **Number of Shares** *(Note 3)* | **Approximate percentage of the issued share capital** |
|---|---|---|---|
| Mr. Li Lin ("**Mr. Li**") | Interest of controlled corporation *(Note 1)* | 125,021,261 | 40.47% |
| Avenir Capital Inc. ("**Avenir Capital**") | Beneficial owner *(Note 1)* | 116,582,987 | 37.73% |
| HBCapital Limited ("**HBCapital**") | Beneficial owner *(Note 1)* | 8,438,274 | 2.73% |
| Mr. Shen Nan Peng ("**Mr. Shen**") | Interest of controlled corporation *(Note 2)* | 36,892,572 | 11.94% |
| SNP China Enterprises Limited | Interest of controlled corporation *(Note 2)* | 36,892,572 | 11.94% |
| SC China Holding Limited | Interest of controlled corporation *(Note 2)* | 36,892,572 | 11.94% |

| Name of Shareholder | Capacity in which Shares were held | Number of Shares *(Note 3)* | Approximate percentage of the issued share capital |
|---|---|---|---|
| SC China Venture IV Management, L.P. | Interest of controlled corporation *(Note 2)* | 30,467,072 | 9.86% |
| Sequoia Capital China Venture Fund IV, L.P. | Interest of controlled corporation *(Note 2)* | 30,467,072 | 9.86% |
| Sequoia Capital CV IV Senior Holdco. Ltd. | Interest of controlled corporation *(Note 2)* | 30,467,072 | 9.86% |
| Sequoia Capital CV IV Holdco, Ltd. | Beneficial owner | 30,467,072 | 9.86% |

*Notes:*

1. Mr. Li holds 100% interest in the total issued shares of Avenir Capital and 100% interest in the total issued shares of HBCapital. Therefore, Mr. Li is deemed to be interested in the shares held by Avenir Capital and HBCapital for the purpose of Part XV of the SFO.

2. Sequoia Capital CV IV Holdco, Ltd. holds 30,467,072 Shares, representing approximately 9.86% of the total issued share capital of the Company. Sequoia Capital CV IV Holdco, Ltd. is a wholly-owned subsidiary of Sequoia Capital CV IV Senior Holdco, Ltd., whose sole shareholder is Sequoia Capital China Venture Fund IV, L.P. The general partner of Sequoia Capital China Venture Fund IV, L.P. is SC China Venture IV Management, L.P., whose general partner is SC China Holding Limited ("**SC China**"). SC China is a wholly-owned subsidiary of SNP China Enterprises Limited ("**SNP China**"), a company wholly owned by Mr. Shen. In addition, Zhen Partners Fund I, L.P. ("**Zhen Partners**") holds 6,425,500 Shares, representing approximately 2.08% of the total issued share capital of the Company. SC China, through several intermediate entities is interested in more than 33.3% limited partnership interest in Zhen Partners, and therefore SC China is deemed to be interested in the 6,425,500 Shares. Since SC China is wholly owned by SNP China, which is in turn wholly owned by Mr. Shen, both SNP China and Mr. Shen are deemed to be interested in such 6,425,500 Shares as well. In light of the above, pursuant to Part XV of the SFO, Mr. Shen, SNP China and SC China are deemed to be interested in a total number of 36,892,572 Shares, representing approximately 11.94% of the total issued share capital of the Company.

3. The letter "L" denotes the long position in the Shares.

Save as disclosed above, so far as was known to the Directors, as at the Latest Practicable Date, no other person (other than the Directors and chief executives of the Company) had an interest or short position in the Shares and/or underlying Shares which were required to be notified to the Company under 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, or held any interests or short positions in 5% or more of the respective types of capital in issue of the Company.

## 3. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, Mr. Du Jun has shareholding interest in ChainUp Pte. Ltd. ("**Chainup**"), the businesses of Chainup involve the provision of technology solution services to clients in relation to the operation of the virtual asset trading platform, and such businesses (apart from the Group's businesses), compete or are likely to compete, either directly or indirectly, with the principal businesses of the Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective associates, was interested in any business which competes or is likely to compete either directly or indirectly with the Group's business as required to be disclosed pursuant to the Listing Rules.

## 4. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACT OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been since 30 September 2022, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

## 5. SERVICE AGREEMENTS

As at the Latest Practicable Date, none of the Directors has entered or proposed to enter into a service contract with the Company or any other member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## 6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or claims of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any member of the Group.

## 7. QUALIFICATION AND CONSENT OF EXPERT

The following are the qualifications of the expert who have given opinion or, advice contained in this circular:

| Name | Qualifications |
|---|---|
| Valtech Valuation Advisory Limited | Independent valuer |

(i) As at the Latest Practicable Date, Valtech Valuation Advisory Limited has given and has not withdrawn its written consent to the issue of this circular with the reference to and the inclusion herein of its name and its letter in the form and context in which it appears.

(ii) As at the Latest Practicable Date, Valtech Valuation Advisory Limited does not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

(iii) As at the Latest Practicable Date, Valtech Valuation Advisory Limited does not have any interest, direct or indirect, in any assets which since 30 September 2022, being the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

## 8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) have been entered into by the members of the Group within two years immediately preceding the date of this circular, which are, or may be, material:

(a) the subscription agreement dated 7 February 2022 entered into between Huobi Solutions Limited, a direct wholly-owned subsidiary of the Company, as the subscriber and HB Venture Management Limited as the general partner, in relation to the subscription with a fund in the subscription amount of US$10 million (equivalent to approximately HK$78 million). Please refer to the Company's announcements dated 8 February 2022, 4 March 2022 and 29 April 2022 respectively for further details of this agreement;

(b) the subscription agreement dated 21 February 2022 entered into between Huobi Solutions Limited, a direct wholly-owned subsidiary of the Company, as the subscriber and Huobi Investment SPC as the fund company, in relation to the subscription with a segregated portfolio of the aforesaid fund company in the subscription amount of US$15 million (equivalent to approximately HK$117 million). Please refer to the Company's announcement dated 21 February 2022 for further details of this agreement;

(c) the sale and purchase agreement dated 9 September 2022 entered into between Huobi Digital Limited, a direct wholly-owned subsidiary of the Company, as the vendor and Huobi Cayman Holding Limited as the purchaser, in relation to the disposal of the entire equity interest in Huobi Nevada Inc. (as the target company), in the consideration of US$6.8 million (equivalent to approximately HK$53.0 million). Please refer to the Company's announcement dated 9 September 2022 for further details of this agreement;

(d) the sale and purchase agreement dated 1 November 2022 entered into between New Huo Investment Limited, a direct wholly-owned subsidiary of the Company, as the vendor and Exonexa Limited as the purchaser, in relation to the disposal of the entire issued share capital in Win Techno Inc. (as the target company), in the consideration of US$3,270,000 (equivalent to approximately HK$25.5 million). Please refer to the Company's announcement dated 1 November 2022 for further details of this agreement;

(e) the sale and purchase agreement dated 23 March 2023 entered into between the Company, as the vendor and Wechain Technology Limited, as the purchaser, in relation to the disposal of the Company's investor options and the 299,043 shares in Animoca Brands Corporation Limited (as the target company), in the consideration of US$809,000 (equivalent to approximately HK$6,310,000). Please refer to the Company's announcement dated 23 March 2023 for further details of this agreement;

(f) the subscription agreement dated 26 April 2023 entered into between the Company, as the issuer and Mr. Du Jun, as the subscriber, in relation to the subscription of 74,700,000 subscription shares in the aggregate subscription price of HK$155,376,000.00. Please refer to the Company's announcement dated 26 April 2023 for further details of this agreement;

(g) the subscription agreement dated 26 April 2023 entered into between the Company, as the issuer and ON CHAIN Technology LIMITED, as the subscriber, in relation to the subscription of 82,300,000 subscription shares in the aggregate subscription price of HK$171,184,000.00. Please refer to the Company's announcement dated 26 April 2023 for further details of this agreement; and

(h) the Sale and Purchase Agreement.

**9. GENERAL**

(a) The registered office of the Company is located at Vistra Corporate Services Centre Wickhams Cay II Road Town, Tortola BVI VG 1110.

(b) The head office and principal place of business of the Company in Hong Kong is at 6/F & Unit 702–3, 7/F, 100 Queen's Road Central, Central, Hong Kong.

(c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(d) The company secretary of the Company is Mr. Ng Kwan Ho. He is a member of the Hong Kong Institute of Certified Public Accountant and has over 12 years of audit, corporate finance, compliance, initial public offerings and company secretarial experience. Mr. Ng Kwan Ho joined the Company in April 2020 and is currently also the corporate finance manager of the Company.

(e) In the event of inconsistency, the English text of this circular shall prevail over its Chinese text.

## 10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (https://www.hkexnews.hk) and the Company (http://www.newhuotech.com/) for a period of not less than 14 days before the date of the EGM and will also be available for inspection at the EGM:

(a) the Sale and Purchase Agreement;

(b) the written consents referred to in the paragraph headed "**QUALIFICATION AND CONSENT OF EXPERT**" in this appendix;

(c) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(d) the valuation report prepared by Valtech Valuation Advisory Limited, the text of which is set out in Appendix I to this circular; and

(e) this circular.

# NEW HUO TECHNOLOGY HOLDINGS LIMITED
# 新火科技控股有限公司

*(Incorporated in the British Virgin Islands with limited liability)*

**(Stock code: 1611)**

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting of New Huo Technology Holdings Limited ("**Company**", and together with its subsidiaries, the "**Group**") will be held at Unit 702–3, 7/F, 100 Queen's Road Central, Central, Hong Kong at 10:00 a.m. on Friday, 16 June 2023 to consider, if thought fit, passing the following resolution as ordinary resolution of the Company:

**ORDINARY RESOLUTION**

1. "**THAT**

(a) the Sale and Purchase Agreement dated 24 March 2023 entered into between the Company as vendor and New Wave Capital Limited as the Purchaser in respect of the Disposal (as defined in the circular of the Company dated 25 May 2023 ("**Circular**")), a copy of which is marked "A" and signed by the chairman of the EGM for identification purpose has been tabled at the EGM) be and is hereby approved, confirmed and ratified and the transactions contemplated thereunder be and are hereby approved (terms as defined in the Circular having the same meanings when used in this resolution); and

(b) any one of the directors of the Company be and is hereby authorised to sign and execute all such documents or agreements or deeds on behalf of the Company and to do all such other things and to take all such actions as he/she considers necessary, appropriate, desirable and expedient for the purposes of giving effect to or in connection with the Disposal, the Sale and Purchase Agreement and the transactions contemplated thereunder, and to agree to such variation, amendments or waiver or matters relating thereto as are, in the opinion of such director, in the interest of the Company and its shareholders as a whole."

By order of the Board
**NEW HUO TECHNOLOGY HOLDINGS LIMITED**
**Du Jun**
*Executive Director*

Hong Kong, 25 May 2023

*Registered Office:*
Vistra Corporate Services Centre
Wickhams Cay II
Road Town, Tortola
BVI VG 1110

*Head Office and Principal Place of business in Hong Kong:*
6/F & Unit 702–3, 7/F
100 Queen's Road Central
Central, Hong Kong

*Notes:*

1. A form of proxy for use at the EGM or any adjournment thereof is enclosed. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

2. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the annual general meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.

3. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.

4. For the purpose of determining the Shareholders who are entitled to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 13 June 2023 to Friday, 16 June 2023 (both dates inclusive). In order to qualify for attending and voting at the EGM, all transfer documents together with the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. (Hong Kong time) on Monday, 12 June 2023.

5. In the case of joint holders of shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

6. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

7. Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions set out in this notice will be decided by poll at the above meeting.

*As at the date of this notice, the board of directors of the Company comprises (1) Mr. Li Lin as a non-executive Director; (2) Mr. Du Jun and Ms. Zhang Li as executive Directors; and (3) Mr. Yu Chun Kit, Mr. Yip Wai Ming and Dr. Lam, Lee G., BBS, JP as independent non-executive Directors.*