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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer 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 to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

- (1) CONNECTED TRANSACTION IN RELATION TO THE SUBSCRIPTION
OF NEW SHARES UNDER SPECIFIC MANDATE;
(2) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
(3) PROPOSED AMENDMENTS TO THE SHARE OPTION SCHEME;
AND
(4) NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders**



A letter from the Board is set out on pages 5 to 16 of this circular. A letter from the Independent Board Committee is set out on pages 17 to 18 of this circular. A letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 32 of this circular. A notice convening the EGM (as defined herein) of New Huo Technology Holdings Limited to be held at on Unit 702-703, 7/F, 100 Queen's Road Central, Central, Hong Kong on 28 July 2023 at 10:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular.

A form of proxy for the EGM is enclosed herewith and published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk). Whether or not you are able to attend and vote at the EGM, you are requested to complete the accompanying form of proxy and return it to the branch share registrar of the Company (as defined herein), 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 of 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.

6 July 2023

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DEFINITIONS

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

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| “AGM Circular” | the circular of the Company dated 1 March 2023 |
| “Amended Long Stop Date” | the date upon the expiry of four (4) months from the date of the Subscription Agreements, or such other date as the parties may agree in writing |
| “Amended Share Option Scheme” | the Share Option Scheme as amended by incorporating the Proposed Amendments to be approved at the EGM |
| “Announcement” | the announcement of the Company dated 26 April 2023 in relation to the Subscriptions |
| “Board” | the board of Directors |
| “Company” | New Huo Technology Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange |
| “connected persons” | has the meanings as ascribed thereto under the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “EGM” | the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the Subscription Agreements and the transactions contemplated thereunder and the grant of the Specific Mandates to allot and issue the Subscription Shares |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollar, the lawful currency of Hong Kong |
| “Hong Kong” | Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Board Committee” | an independent committee of the Board comprising all the independent non-executive Directors |
| “Independent Financial Adviser” or “Gram Capital” | Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription I |

DEFINITIONS

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| “Independent Shareholders” | Shareholder(s) other than those who are required under the Listing Rules to abstain from voting on the resolution(s) to be proposed at the EGM |
| “Independent Third Party(ies)” | any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and the connected persons of the Company in accordance with the Listing Rules |
| “Last Trading Day” | 25 April 2023, being the last full trading day in the Shares prior to the date of the Subscription Agreements |
| “Latest Practicable Date” | 3 July 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Long Stop Date” | the date upon the expiry of three (3) months from the date of the Subscription Agreements, or such other date as the parties may agree in writing |
| “Mr. Du” | Mr. Du Jun, the chief executive officer and an executive Director of the Company |
| “On Chain” | ON CHAIN Technology LIMITED, a company limited by shares incorporated in the British Virgin Islands |
| “Option(s)” | share options granted by the Company pursuant to the Share Option Scheme |
| “Proposed Amendments” | the proposed amendments to the Share Option Scheme as set out under the section headed “XI. Proposed Amendments to the Share Option Scheme” in this circular |
| “SFC” | Securities and Futures Commission of Hong Kong |
| “SFO” | Securities and Futures Ordinance (cap 571 of the laws of Hong Kong), as amended from time to time |
| “Share(s)” | ordinary share(s) of nominal value of HK\$0.001 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Share(s) |

DEFINITIONS

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|-----------------------------|---|
| “Share Option Scheme” | the Company’s share option scheme adopted by the Shareholders on 27 October 2016, amended on 17 November 2020 and 30 March 2023, and as further amended (and if applicable, approved by the Shareholders) from time to time |
| “Specific Mandate I” | the specific mandate to be sought from the Independent Shareholders at the EGM and to be granted to the Board for the allotment and issue of the Subscription Shares I |
| “Specific Mandate II” | the specific mandate to be sought from the Shareholders at the EGM and to be granted to the Board for the allotment and issue of the Subscription Shares II |
| “Specific Mandates” | collectively, Specific Mandate I and Specific Mandate II |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscription I” | the subscription of an aggregate of 74,700,000 Subscription Shares I by Mr. Du in accordance with the terms and conditions of the Subscription Agreement I |
| “Subscription II” | the subscription of an aggregate of 82,300,000 Subscription Shares II by On Chain in accordance with the terms and conditions of the Subscription Agreement II |
| “Subscription Agreement I” | the subscription agreement dated 26 April 2023 entered into between the Company and the Mr. Du in relation to the Subscription I |
| “Subscription Agreement II” | the subscription agreement dated 26 April 2023 entered into between the Company and On Chain in relation to the Subscription II |
| “Subscription Agreements” | collectively, the Subscription Agreement I and the Subscription Agreement II |
| “Subscription Price” | HK\$2.08 per Subscription Share |
| “Subscription Shares” | an aggregate of 157,000,000 new Shares to issued and allotted by the Company pursuant to the Subscription Agreements, each a Subscription Share |
| “Subscription Shares I” | an aggregate of 74,700,000 new Shares to be subscribed by Mr. Du pursuant to the Subscription Agreement I, each a Subscription Share |
| “Subscription Shares II” | an aggregate of 82,300,000 new Shares to be subscribed by On Chain pursuant to the Subscription Agreement II, each a Subscription Share |

DEFINITIONS

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|-----------------|---|
| “Subscriptions” | collectively, Subscription I and Subscription II |
| “USD” | means United States dollar, the lawful currency of the United States of America |
| “%” | per cent |

In case of any discrepancy between the English version and the Chinese version of this circular, the English version shall prevail.

LETTER FROM THE BOARD



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 (*Chairman*)

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:*

Unit 702-3, 7/F

100 Queen's Road Central

Central

Hong Kong

Registered Office:

Vistra Corporate Services Centre

Wickhams Cay II

Road Town, Tortola

BVI VG 1110

6 July 2023

To the Shareholders

Dear Sirs or Madams,

- (1) CONNECTED TRANSACTION IN RELATION TO THE SUBSCRIPTION
OF NEW SHARES UNDER SPECIFIC MANDATE;
(2) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
(3) PROPOSED AMENDMENTS TO THE SHARE OPTION SCHEME;
AND
(4) NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

I. INTRODUCTION

Reference is made to the Announcement (1) On 26 April 2023 (after the Stock Exchange trading hours), the Company and Mr. Du entered into Subscription Agreement I, pursuant to which the parties conditionally agreed that Mr. Du shall subscribe for, and the Company shall allot and issue, the Subscription Shares I at the Subscription Price, (2) on 26 April 2023 (after the Stock Exchange trading hours), the Company and On Chain entered into the Subscription Agreement II, pursuant to which the Company has conditionally agreed to allot and issue, and On Chain has conditionally agreed to subscribe for, the Subscription Shares II at the Subscription Price. Reference is also made to the announcement of the Company dated 30 June 2023 in relation to the extension of the Long Stop Date of the Subscriptions and the AGM Circular of the Company dated 1 March 2023 in relation to the proposed amendments to the Share Option Scheme.

LETTER FROM THE BOARD

The circular sets out, among other things, (i) details of the Subscription Agreements (including the Specific Mandates and the transactions contemplated thereunder); (ii) recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Subscription Agreement I and the transactions contemplated thereunder; (iii) the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement I and the transactions contemplated thereunder; (iv) the Proposed Amendments to the Share Option Scheme; and (v) a notice of the EGM.

II. THE SUBSCRIPTION AGREEMENT I

The principal terms of the Subscription Agreement I are as follows:

Date

26 April 2023 (after the Stock Exchange trading hours)

Parties

The Company (as the issuer) and Mr. Du (as the subscriber)

Number of Subscription Shares I

The Subscription Shares I represent (i) approximately 24.18% of the total number of issued Shares as at the Latest Practicable Date; and (ii) approximately 19.47% of the total number of issued Shares as enlarged by the allotment and issue of the Subscription Shares I, assuming that there will be no changes in the total number of issued Shares between the Latest Practicable Date and the allotment and issue of the Subscription Shares I. Based on the closing price of the Shares of HK\$2.28 per Share on the Last Trading Day, the Subscription Shares I have a market value of HK\$170,316,000.00 and an aggregate nominal value of HK\$74,700.00.

The Subscription Shares I will be allotted and issued under the Specific Mandate I to be sought from the Independent Shareholders at the EGM.

Subscription Price

The Subscription Price is HK\$2.08 per Subscription Share, and the aggregate Subscription Price of all Subscription Shares I of HK\$155,376,000.00 payable by Mr. Du shall be payable in cash upon completion of the Subscription I.

The Subscription Price represents:

- (i) a discount of 9.57% to the closing price of HK\$2.30 per Share as quoted on the Stock Exchange on 26 April 2023, the date of the Subscription Agreement I;
- (ii) a discount of 11.79% to the average closing price of HK\$2.36 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;

LETTER FROM THE BOARD

- (iii) a premium of approximately 1.46% to the closing price of HK\$2.05 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (iv) a premium of approximately 376.28% over the audited consolidated equity attributable to the Shareholders per Share of approximately HK\$0.44 as at 30 September 2022, calculated by dividing the Group's audited consolidated equity attributable to the Shareholders of approximately HK\$135 million as at 30 September 2022 by 308,960,665 Shares in issue as at the Latest Practicable Date.

The net Subscription Price (after deduction of all professional fees and related expenses, is estimated to be approximately HK\$2.07 per Subscription Share.)

The Subscription Price was arrived at after arm's length negotiations between the Company and Mr. Du with reference to, among other things, the prevailing market price of the Shares and the market conditions, and the funding needs and financial position of the Group.

Ranking of the Subscription Shares I

The Subscription Shares I when allotted and issued, shall rank *pari passu* in all respects among themselves free from all liens, charges, guarantee, adverse interests and adverse claims, and with the Shares in issue on the date of allotment and issue of the Subscription Shares I including all dividends declared or payable or distribution made or proposed on or after the date of completion of the Subscription I.

Conditions Precedent

Completion of the Subscription I is conditional upon the following conditions being fulfilled on or before the Long Stop Date:

- (A) the Board having passed and approved the Subscription Agreement I and the transactions contemplated thereunder;
- (B) the Independent Shareholders having approved and passed at the EGM, the necessary resolutions to approve the Subscription Agreement I and the transaction contemplated thereunder (including but not limited to the grant of the Specific Mandate I for the allotment and issuance of the Subscription Shares I);
- (C) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Subscription Shares I and such approval and permission having not subsequently been revoked or withdrawn prior to the commencement of dealings in the Subscription Shares I on the Stock Exchange;
- (D) the allotment, issue and subscription of the Subscription Shares I not being prohibited by any statute, order, rule, regulation, ruling, directive or request promulgated or issued after the date of the Subscription Agreement I by any legislative, executive or regulatory body or authority (including the Stock Exchange and the SFC) which is applicable to the Company;

LETTER FROM THE BOARD

- (E) the representations and warranties given by the parties under the Subscription Agreement I being true and accurate in all material respects and not misleading when made and remaining true and accurate and not misleading until the date of completion; and
- (F) all necessary consents and approvals required to be obtained on the part of the Company in respect of the Subscription Agreement I and the transactions contemplated thereunder having been obtained.

None of the conditions set out above may be waived by the Company or Mr. Du. If the conditions set out above are not fulfilled on or before the Long Stop Date, the Subscription Agreement I shall terminate and neither of the parties shall have any claim against the other for costs, damages, compensation or otherwise save for any antecedent breach of such Subscription Agreement I.

With reference to the announcement of the Company dated 30 June 2023, as additional time is required for the Company to prepare for the completion of Subscription I, on 29 June 2023 (after the Stock Exchange trading hours), the Company and Mr. Du entered into a supplemental Subscription Agreement I to Subscription Agreement I, pursuant to which the parties agreed to extend the Long Stop Date of Subscription Agreement I to 26 August 2023, being the Amended Long Stop Date.

Save and except for the change disclosed above, all the other terms and conditions of Subscription Agreement I remain unchanged and continue to remain in full force and effect.

As at the Latest Practicable Date, except condition (A) which has been fulfilled, none of the other conditions set out above has been fulfilled. In terms of condition (C), application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares I.

III. THE SUBSCRIPTION AGREEMENT II

The principal terms of the Subscription Agreement II are as follows:

Date

26 April 2023 (after the Stock Exchange trading hours)

Parties

The Company (as the issuer) and On Chain (as the subscriber). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, On Chain and its ultimate beneficial owner are Independent Third Parties of the Company.

LETTER FROM THE BOARD

Number of Subscription Shares

The Subscription Shares II represent (i) approximately 26.64% of the total number of issued Shares as at the Latest Practicable Date; and (ii) approximately 21.03% of the total number of issued Shares as enlarged by the allotment and issue of the Subscription Shares II, assuming that there will be no changes in the total number of issued Shares between the Latest Practicable Date and the allotment and issue of the Subscription Shares II. Based on the closing price of the Shares of HK\$2.28 per Share on the Last Trading Day, the Subscription Shares II have a market value of HK\$187,644,000.00 and an aggregate nominal value of HK\$82,300.00.

The Subscription Shares II will be allotted and issued under the Specific Mandate II.

Subscription Price

The Subscription Price of HK\$2.08 per Subscription Share represents:

- (i) a discount of 9.57% to the closing price of HK\$2.30 per Share as quoted on the Stock Exchange on 26 April 2023, the date of the Subscription Agreement II;
- (ii) a discount of 11.79% to the average closing price of HK\$2.36 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 1.46% to the closing price of HK\$2.05 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (iv) a premium of approximately 376.28% over the audited consolidated equity attributable to the Shareholders per Share of approximately HK\$0.44 as at 30 September 2022, calculated by dividing the Group's audited consolidated equity attributable to the Shareholders of approximately HK\$135 million as at 30 September 2022 by 308,960,665 Shares in issue as at the Latest Practicable Date.

The net Subscription Price (after deduction of all professional fees and related expenses, is estimated to be approximately HK\$2.07 per Subscription Share.

The Subscription Price of the Subscription Shares II was arrived at after arm's length negotiations between the Company and On Chain with reference to the prevailing market price of the Shares. The aggregate Subscription Price for the 82,300,000 Subscription Shares II is HK\$171,184,000.00, which shall be satisfied by On Chain by payment to the Company in cash upon completion of the Subscription II.

Ranking of the Subscription Shares II

The Subscription Shares II when allotted and issued, shall rank *pari passu* in all respects among themselves free from all liens, charges, guarantee, adverse interests and adverse claims, and with the Shares in issue on the date of allotment and issue of the Subscription Shares II including all dividends declared or payable or distribution made or proposed on or after the date of completion of the Subscription II.

LETTER FROM THE BOARD

Conditions precedent

Completion of the Subscription Agreement II is conditional upon the fulfillment of the following conditions on or before the Long Stop Date:

- (A) the Board having passed and approved the Subscription Agreement II and the transactions contemplated hereunder;
- (B) the Shareholders having approved and passed at the EGM to be convened and held, the necessary resolutions to approve the Subscription Agreement II and the transaction contemplated hereunder (including but not limited to the grant of the Specific Mandate II for the allotment and issuance of the Subscription Shares II);
- (C) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Subscription Shares II and such approval and permission having not subsequently been revoked or withdrawn prior to the commencement of dealings in the Subscription Shares II on the Stock Exchange;
- (D) the allotment, issue and subscription of the Subscription Shares II not being prohibited by any statute, order, rule, regulation, ruling, directive or request promulgated or issued after the date of the Subscription Agreement II by any legislative, executive or regulatory body or authority (including the Stock Exchange and the SFC) which is applicable to the Company;
- (E) the representations and warranties given by the parties under the Subscription Agreement II being true and accurate in all material respects and not misleading when made and remaining true and accurate and not misleading until the date of completion of the Subscription II; and
- (F) all necessary consents and approvals required to be obtained on the part of the Company in respect of the Subscription Agreement II and the transactions contemplated thereunder having been obtained.

None of the conditions set out above may be waived by the Company or On Chain. If the conditions set out above are not fulfilled on or before the Long Stop Date, the Subscription Agreement II shall terminate and neither of the parties shall have any claim against the other for costs, damages, compensation or otherwise save for any antecedent breach of such Subscription Agreement II.

With reference to the announcement of the Company dated 30 June 2023, as additional time is required for the Company to prepare for the completion of Subscription II, on 29 June 2023 (after the Stock Exchange trading hours), the Company and On Chain entered into a supplemental Subscription Agreement II to Subscription Agreement II, pursuant to which the parties agreed to extend the Long Stop Date of Subscription Agreement II to 26 August 2023, being the Amended Long Stop Date.

Save and except for the change disclosed above, all the other terms and conditions of Subscription Agreement II remain unchanged and continue to remain in full force and effect.

LETTER FROM THE BOARD

As at the Latest Practicable Date, except condition (A) which has been fulfilled, none of the other conditions set out above has been fulfilled. In terms of condition (C), application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares II.

IV. INFORMATION OF THE PARTIES

Information of The Company

The Company is an investment holding company and 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 Subscriber under Subscription Agreement I

Mr. Du is the chief executive officer and an executive Director of the Company, and is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

Information of Subscriber under Subscription Agreement II

On Chain is a company limited by shares incorporated in the British Virgin Islands. On Chain's principal activity is investment holding. On Chain and its ultimate beneficial owner, Mr. Zhong Gengfa (鍾庚發), who holds 100% interest in On Chain, are Independent Third Parties of the Company. Both Mr. Du and On Chain has shareholding interests in CHAIN UP Technology LIMITED (“**CHAIN UP Tech**”), in which On Chain holds approximately 35% and Mr. Du indirectly holds approximately 15% of the issued shares of CHAIN UP Tech. Both Mr. Du and Mr. Zhong Gengfa (鍾庚發) are directors of CHAIN UP Tech. CHAIN UP Tech is headquartered in Singapore, and is principally engaged in the provision of technology solutions for businesses, covering both infrastructure development and ecosystem support. Save as disclosed, there is no other relationship between Mr. Zhong Gengfa (鍾庚發) and Mr. Du.

To the best information, knowledge and belief of the Directors, (i) the shareholders and ultimate beneficial owners of CHAIN UP Tech (excluding Mr. Du); and (ii) CHAIN UP Tech itself are Independent Third Parties of the Company.

V. REASONS FOR AND BENEFITS OF THE SUBSCRIPTIONS

The Group has incurred a loss for the year of approximately HK\$206.5 million in the latest financial year ended 30 September 2022. Further, in November 2022, HBIT Limited, a wholly-owned subsidiary of the Company, has a balance of approximately USD18.1 million cryptocurrencies deposited in cryptocurrency exchange FTX (the “**FTX**”). As the FTX group entities, including FTX, had filed for bankruptcy protection in the United States in November 2022, the cryptocurrency assets may not be withdrawn (the “**Incident**”). The Company has borrowed an additional loan of approximately US\$13.2 million from Mr. Li Lin, the controlling shareholder and non-executive director of the Company for covering client asset liability arising from the Incident. Hence, the Group needs additional cash for business operation and repayment of debts. In light of the prevailing financial conditions of the Group,

LETTER FROM THE BOARD

the Board considers the Subscriptions to be a suitable financial option as compared to other means of financing as it enables the Group to raise capital in an efficient manner without increasing interest burden on the Group, strengthen the financial position of the Company and represents a good opportunity to broaden the Shareholders' base and capital base of the Company.

For the reasons stated above, in respect of the Subscription I, the Directors (other than (i) those on the Independent Board Committee, whose views are set out in the letter from the Independent Board Committee of this circular; and (ii) Mr. Du who has a material interest in the Subscription I) consider that the terms of the Subscription Agreement I are on normal commercial terms, fair and reasonable and the entering into of the Subscription Agreement I is in the interests of the Company and its shareholders as a whole; and in respect of the Subscription II, the Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement II are on normal commercial terms, fair and reasonable and the entering into of the Subscription Agreement II is in the interests of the Company and its shareholders as a whole.

USE OF PROCEEDS

It is expected that the gross proceeds of the Subscription I and Subscription II will be approximately HK\$155.4 million and HK\$171.2 million respectively, and the aggregate gross proceeds of the Subscriptions will be approximately HK\$327 million. The net proceeds of the Subscription I and Subscription II, after the deduction of all professional fee and related expenses, is estimated to be approximately HK\$154.4 million and HK\$170.2 million respectively, and the aggregate net proceeds of the Subscriptions is estimated to be approximately HK\$325 million. The Company intends to use the net proceeds of (1) approximately HK\$235 million for the repayment of outstanding loans, (2) approximately HK\$40 million will be used for business development and (3) approximately HK\$50 million will be used for the general working capital of the Group.

The completion of Subscription I and Subscription II is not inter-conditional. If only Subscription I is completed, the Company intends to apply the net proceeds of (1) approximately HK\$100 million for the repayment of outstanding loans, (2) approximately HK\$20 million for business development; and (3) approximately HK\$34 million will be used for the general working capital of the Group. If only Subscription II is completed, the Company intends to apply the net proceeds of (1) approximately HK\$113 million for the repayment of outstanding loans; (2) approximately HK\$20 million for business development; and (3) approximately HK\$37 million will be used for the general working capital of the Group. Further announcement will be made by the Company as necessary in accordance with the Listing Rules in case of any change of use of proceeds.

VI. FUND RAISING ACTIVITY BY THE COMPANY IN THE PAST TWELVE MONTHS

The Company has not conducted any fund-raising activities involving the issue of its equity securities in the 12 months immediately preceding the date of the Announcement.

VII. APPLICATION FOR LISTING OF THE SUBSCRIPTION SHARES

Application(s) will be made by the Company to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

LETTER FROM THE BOARD

VIII. CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date and (ii) immediately after completion of the Subscription I and Subscription II, assuming that there are no changes in the total number of issued Share between the Latest Practicable Date and the allotment and issue of the Subscription Shares, for illustration purposes only:

| | As at the Latest Practicable Date | | Immediately after completion of Subscription I only | | Immediately after completion of Subscription II only | | Immediately after completion of Subscription I and Subscription II | |
|---------------------------|-----------------------------------|----------------|---|----------------|--|----------------|--|----------------|
| | Number of Shares | Approximate % | Number of Shares | Approximate % | Number of Shares | Approximate % | Number of Shares | Approximate % |
| Directors | | | | | | | | |
| Mr. Li Lin | | | | | | | | |
| (Note 1) | 125,021,261 | 40.47% | 125,021,261 | 32.59% | 125,021,261 | 31.95% | 125,021,261 | 26.83% |
| Mr. Du | 3,869,446 | 1.25% | 78,569,446 | 20.48% | 3,869,446 | 0.99% | 78,569,446 | 16.86% |
| Sub-total | 128,890,707 | 41.72% | 203,590,707 | 53.07% | 128,890,707 | 32.94% | 203,590,707 | 43.69% |
| Shareholders | | | | | | | | |
| Mr. Shen Nan | | | | | | | | |
| Peng (Note 2) | 36,892,572 | 11.94% | 36,892,572 | 9.62% | 36,892,572 | 9.43% | 36,892,572 | 7.92% |
| On Chain | - | - | - | - | 82,300,000 | 21.03% | 82,300,000 | 17.66% |
| Other public Shareholders | 143,177,386 | 46.34% | 143,177,386 | 37.32% | 143,177,386 | 36.59% | 143,177,386 | 30.73% |
| Total | 308,960,665 | 100.00% | 383,660,665 | 100.00% | 391,260,665 | 100.00% | 465,960,665 | 100.00% |

Notes:

- Mr. Li Lin, a non-executive Director, holds 116,582,987 through Avenir Capital Inc. and 8,438,274 Shares through HBCapital Limited. Avenir Capital Inc and HBCapital Limited are both wholly-owned by Mr. Li Lin.
- 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 Share.

- Due to rounding, the percentage figures shown above may not add up to the sub-total or total.

LETTER FROM THE BOARD

IX. LISTING RULES IMPLICATIONS

As at the Latest Practice Date, Mr. Du is the chief executive officer and an executive Director of the Company, and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, Subscription I will constitute a connected transaction of the Company and is subject to the reporting, announcement, circular and Independent Shareholder's approval requirements under Chapter 14A of the Listing Rules.

As Mr. Du is considered to have a material interest in Subscription I and the transactions contemplated thereunder, he had abstained from voting on the Board resolution(s) of the Company to approve the Subscription Agreement I and the transactions contemplated thereunder.

In accordance with Rule 14A.36 of the Listing Rules, Mr. Du and his associates will be required to abstain from voting on the resolution(s) to approve the Subscription Agreement I and the transactions contemplated thereunder at the EGM. Save as disclosed above, to the best of the knowledge, information and belief of the Directors, other than Mr. Du, no other Shareholder or Director (as the case may be) has a material interest in the transactions contemplated under the Subscription Agreement I and will be required to abstain from voting on the resolution(s) to approve the Subscription Agreement I and the transactions contemplated thereunder at the EGM.

X. ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been established to give a recommendation to the Independent Shareholders as to whether the terms of the Subscription Agreement I are on normal commercial terms or better and fair and reasonable, whether the Subscription I is in the interests of the Company and its shareholders as a whole and as to how to vote at the EGM. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

XI. PROPOSED AMENDMENTS TO THE SHARE OPTION SCHEME

The Share Option Scheme was adopted on 27 October 2016 and amended on 17 November 2020 and 30 March 2023 respectively. The purpose of the Share Option Scheme is to recognise, motivate and provide incentives to those who make contributions to the Group, with the aim to attract and retain the best available personnel by providing additional incentive and to promote the success of the business of the Group.

Reference is made to section 8 **“VESTING, PERFORMANCE AND CLAWBACK MECHANISM”** of Appendix III of the AGM Circular for the summary of the Share Option Scheme as amended on 30 March 2023 in relation to the vesting, performance and clawback mechanism of the Share Option Scheme. Unless otherwise defined, capitalised terms used in the section herein shall have the same meaning as those defined in the AGM Circular.

Under the Share Option Scheme, the Vesting Period of Share Options shall be no less than 12 months, and the Share Options shall be vested on the 1st anniversary of the date on which a Share Option is granted to a Grantee.

LETTER FROM THE BOARD

In order to ensure the practicability and flexibility of the Share Option Scheme, the Board and the Remuneration Committee are of the view that the vesting date of the Share Options should not be strictly limited to the 1st anniversary of the date on which a Share Option is granted to a Grantee. The Board and the Remuneration Committee are of the view that at their discretion, the vesting period of the Share Options could be longer than one financial year which would allow the Company to access the Grantee's performance on a sustainable basis and encouraging the Grantee's continuous growth.

Save and except the aforesaid, there are no other changes to be made to the Share Option Scheme, the summary of which is set out in Appendix III of the AGM Circular.

XII. EGM

The EGM will be convened and held for the purpose of considering and, if thought fit, (i) approving the Subscription Agreements and the transactions contemplated thereunder and the grant of the Specific Mandates for the allotment and issue of the Subscription Shares; and (ii) the Proposed Amendments to the Share Option Scheme.

In accordance with Rule 14A.36 of the Listing Rules, Mr. Du and his associates will be required to abstain from voting on the resolution(s) to approve the Subscription Agreement I and the transactions contemplated thereunder at the EGM, including the grant of the Specific Mandate I. Save as disclosed above, to the best of the knowledge, information and belief of the Directors, other than Mr. Du, no other Shareholder has a material interest in the transactions contemplated under the Subscription Agreement I, including the grant of the Specific Mandate I, and will be required to abstain from voting on the resolution(s) to approve the Subscription Agreement I and the transactions contemplated thereunder at the EGM, including the grant of the Specific Mandate I.

To the best of the knowledge, information and belief of the Directors, no existing Shareholder has a material interest in the transactions contemplated under the Subscription Agreement II, including the grant of the Specific Mandate II, and therefore no Shareholder is required to abstain from voting on the resolution(s) to approve the Subscription Agreement II and the transactions contemplated thereunder at the EGM, including the grant of the Specific Mandate II.

A notice of the EGM is set out on pages EGM-1 to EGM-4 of this circular. The resolutions in relation to (i) the Subscription Agreement I and the transactions contemplated thereunder and the grant of the Specific Mandate I for the allotment and issue of the Subscription Shares I will be put to vote by the Independent Shareholders at the EGM by way of poll, (ii) the Subscription Agreement II and the transactions contemplated thereunder and the grant of the Specific Mandate II for the allotment and issue of the Subscription Shares II will be put to vote by the Shareholders at the EGM by way of poll, and (iii) the Proposed Amendments of the Share Option Scheme at the EGM will be put to vote by the Shareholders at the EGM by way of poll, pursuant to Rule 13.39(4) of the Listing Rules.

LETTER FROM THE BOARD

XIII. RECOMMENDATION

The Directors (other than (i) those on the Independent Board Committee, whose views are set out in the letter from the Independent Board Committee of this circular, and (ii) Mr. Du who has a material interest in the Subscription Agreement I) consider that the terms of the Subscription Agreement I and the transactions contemplated thereunder (including the grant of the Specific Mandate I) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole so far as the Independent Shareholders are concerned, and recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

The Directors consider that (i) the terms of the Subscription Agreement II and the transactions contemplated thereunder (including the grant of the Specific Mandate II) and (ii) the Proposed Amendments of the Share Option Scheme, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and recommends the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

XIV. CLOSURE OF REGISTER OF MEMBERS

For determining the Shareholders who are entitled to attend and vote at the EGM, the register of members of the Company will be closed from 25 July 2023 to 28 July 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the entitlement to attend and vote at the EGM, all transfers of Shares 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. (Hong Kong time) on 24 July 2023.

XV. GENERAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders, the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders, and additional information of the Group set out in the Appendix to this circular.

As completion of each of the Subscriptions are subject to the fulfilment of the conditions precedent as stated in each of the Subscription Agreements, each of the Subscriptions may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

By Order of the Board
NEW HUO TECHNOLOGY HOLDINGS LIMITED
Li Lin
Non-executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the full text of a letter from the Independent Board Committee setting out its recommendation for the purpose of inclusion in this circular.

Independent non-executive Directors:

Mr. Yu Chun Kit

Mr. Yip Wai Ming

Dr. LAM, Lee G., *BBS, JP*

6 July 2023

To the Independent Shareholders

Dear Sirs or Madams,

**(1) CONNECTED TRANSACTION IN RELATION TO THE SUBSCRIPTION
OF NEW SHARES UNDER SPECIFIC MANDATE;
(2) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
(3) PROPOSED AMENDMENTS TO THE SHARE OPTION SCHEME;
AND
(4) NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

We refer to the circular dated 6 July 2023 issued by the Company (the “**Circular**”) of which this letter forms part. Capitalised terms defined in the Circular have the same meanings herein unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Subscription Agreement I are fair and reasonable so far as the Independent Shareholders are concerned and to advise the Independent Shareholders how to vote at the EGM.

Gram Capital has been appointed to act as the Independent Financial Adviser with our approval to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Subscription Agreement I and Specific Mandate I. The text of the letter of advice from Gram Capital containing their recommendation and the principal factors they have taken into account in arriving at their recommendation is set out on pages 19 to 32 of the Circular.

Independent Shareholders are recommended to read the letter of advice from Gram Capital, the letter from the Board contained in the Circular as well as the additional information set out in the appendices to the Circular. Having considered the terms of the Subscription Agreement I and the advice from Gram Capital, we consider that the terms of the Subscription Agreement I and the transactions contemplated thereunder (including but not limited to the grant of the Specific Mandate I) are fair and reasonable, on normal commercial terms, and although not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions in respect of the Subscription Agreements and the Specific Mandates to be proposed at the EGM.

Yours faithfully,
Independent Board Committee

Mr. Yu Chun Kit
*Independent non-executive
Director*

Mr. Yip Wai Ming
*Independent non-executive
Director*

Dr. LAM, Lee G., BBS, JP
*Independent non-executive
Director*

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription I for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

6 July 2023

*To: The independent board committee and the independent shareholders
of New Huo Technology Holdings Limited*

Dear Sir/Madam,

CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF NEW SHARES BY CONNECTED PERSON

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription I, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 6 July 2023 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 26 April 2023, the Company entered into the Subscription Agreement I (and a supplemental agreement on 29 June 2023 to extend long stop date) with Mr. Du and the Subscription Agreement II (and a supplemental agreement on 29 June 2023 to extend long stop date) with On Chain, pursuant to which the parties conditionally agreed that Mr. Du and On Chain shall subscribe for, and the Company shall allot and issue, the Subscription Shares I and Subscription Shares II respectively at the Subscription Price of HK\$2.08 per Subscription Share.

With reference to the Board Letter, the Subscription I constitutes a connected transaction of the Company under the Listing Rules, which is subject to the reporting, announcement, circular and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM GRAM CAPITAL

The Independent Board Committee comprising Mr. Yu Chun Kit, Mr. Yip Wai Ming and Dr. LAM, Lee G., BBS, JP (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Subscription Agreement I are on normal commercial terms and are fair and reasonable; (ii) whether the Subscription I is conducted in the ordinary and usual course of the business of the Group and is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Subscription Agreement I and transactions contemplated thereunder at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as independent financial adviser in respect of the Company's continuing connected transactions as set in the Company's circular dated 29 November 2021. Notwithstanding the aforesaid engagement, we were not aware of any relationship or interest between Gram Capital and the Company or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as a hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Having considered the above and that (i) none of the circumstances as set out under the Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid past engagement was only independent financial adviser engagement and would not affect our independence to act as the Independent Financial Adviser, we are of the view that we are independent to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Subscription I. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

LETTER FROM GRAM CAPITAL

The 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 the 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 therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Mr. Du or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Subscription I. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

LETTER FROM GRAM CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Subscription I, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Subscription I

Information on the Group

With reference to the Board Letter, 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.

Set out below are the consolidated financial information of the Group for the two years ended 30 September 2022 as extracted from the Company's annual report for the year ended 30 September 2022 (the "**2022 Annual Report**") and six months ended 31 March 2023 ("**1H2023**") as extracted from the Company's interim report for the six months ended 31 March 2023 ("**2023 Interim Report**"):

| | For the six months ended 31 March 2023 | For the year ended 30 September 2022 | For the year ended 30 September 2021 | Year-on-year change |
|---|---|---|---|--------------------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>%</i> |
| | (unaudited) | (audited) | (audited) | |
| Revenue | 2,505,881 | 9,452,864 | 610,713 | 1,447.84 |
| – <i>Cryptocurrency trading business</i> | 2,384,836 | 8,939,289 | – | N/A |
| – <i>Other business</i> | 121,045 | 513,575 | 610,713 | (15.91) |
| Cost of sales and services | | | | |
| – <i>Cryptocurrency trading business</i> | (2,399,589) | (8,941,077) | – | N/A |
| – <i>Other business</i> | (111,123) | (327,093) | (308,082) | 6.17 |
| Gross (loss)/profit | (4,831) | 184,694 | 302,631 | (38.97) |
| (Loss)/profit for the year/period | (232,359) | (206,501) | 141,477 | N/A |
| Net cash (used in)/generated from operating activities | (164,114) | (314,838) | 181,612 | N/A |

LETTER FROM GRAM CAPITAL

| | As at 31 March 2023 <i>HK\$'000</i> | As at 30 September 2022 <i>HK\$'000</i> | As at 30 September 2021 <i>HK\$'000</i> | Year-on-year change % |
|----------------------------------|--|--|--|-----------------------------|
| Cash and cash equivalents | 36,023 | 322,633 | 552,175 | (41.57) |
| Interest-bearing bank borrowings | – | 678 | 13,987 | (95.15) |
| Other borrowings | 489,160 | 466,442 | 280,366 | 66.37 |
| Net cash (<i>Note</i>) | (453,137) | (144,487) | 257,822 | N/A |
| Net (liabilities)/assets | (74,104) | 147,086 | 278,605 | (47.21) |

Note: Calculated by cash and cash equivalents less interest-bearing bank borrowings and other borrowings.

As depicted from the table above, the Group's revenue increased by approximately 1,447.84% from the year ended 30 September 2021 ("FY2021") to the year ended 30 September 2022 ("FY2022"), mainly attributable to the revenue from cryptocurrency trading business. Nevertheless, given the gross loss of the cryptocurrency trading business for FY2022, decrease in revenue and gross profit margin of other business, the Group's gross profit decreased by approximately 38.97% from FY2021 to FY2022. The Group recorded loss of approximately HK\$207 million for FY2022 as compared to profit of approximately HK\$141 million for FY2021. With reference to 2022 Annual Report, such change was mainly due to decrease in the Group's gross profit as aforesaid and increase in the Groups' administrative expenses. The Group recorded gross loss of approximately HK\$5 million and loss of approximately HK\$232 million for 1H2023.

With reference to the 2022 Annual Report, the Group's net cash used in operating activities was approximately HK\$315 million for FY2022 (mainly due to operating loss before working capital changes and increase in cryptocurrencies, as partially offset by increase in collateral payables) as compared to the net cash generated from operating activities of approximately HK\$182 million for FY2021. As a result of the Group's net cash used in operating activities of approximately HK\$315 million and net cash used in investing activities of approximately HK\$134 million for FY2022, as partially offset by net cash generated from financing activities of approximately HK\$233 million for FY2022, the Group's cash and cash equivalents decreased from approximately HK\$552 million as at 30 September 2021 to approximately HK\$323 million as at 30 September 2022. With reference to the 2023 Interim Report and as confirmed by the Directors, the Group's cash and cash equivalents further decreased to approximately HK\$36 million as at 31 March 2023 as a result of the Group's net cash used in operating activities of approximately HK\$164 million (mainly due to loss before income tax as adjusted for, amongst others, expected credit loss on restricted deposit, and the net effect of working capital changes), net cash used in investing activities of approximately HK\$68 million, net cash generated from financing activities of approximately HK\$37 million for 1H2023 and cash and cash equivalents classified as held for sale in respect of a target company and its subsidiaries under the disposal as announced by the Company on 24 March 2023. As at 31 March 2023, the Group also recorded negative net cash (calculated by cash and cash equivalents less interest-bearing bank borrowings and other borrowings) and net liabilities of approximately HK\$453 million and approximately HK\$74 million respectively.

LETTER FROM GRAM CAPITAL

With reference to 2022 Annual Report, as a leading all-in-one digital asset platform, the Group will closely follow the market demand to provide more comprehensive services in the future. The Group plans to build a new virtual asset service – Sinohope in the near future, and develop a hybrid virtual asset service platform integrating centralisation and decentralisation, aiming to provide a safe, compliant, professional and easy-to-use portal for investors who are interested in accessing the digital asset world. At the same time, the Group will fully leverage its experience and resources in the industry to optimise the allocation of funds and resources, and expand the depth and breadth of its business in a more directional manner.

With reference to 2023 Interim Report, in the future, the Group will continue to apply blockchain technology to improve the security and reliability of its products, and constantly expand application scenarios to provide customers with better quality blockchain products and services. The Group will focus its business on multi-party computation (MPC) wallet and staking business.

Information on Mr. Du

With reference to the Board Letter, Mr. Du is the chief executive officer and an executive Director of the Company, and is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

Reasons for and benefits of the Subscription I and use of proceeds

With reference to the Board Letter, the Group incurred loss of approximately HK\$207 million for FY2022. Furthermore, in November 2022, HBIT Limited, a wholly-owned subsidiary of the Company, had a balance of approximately US\$18.1 million cryptocurrencies deposited in cryptocurrency exchange FTX (i.e. the FTX). As FTX group entities, including FTX, filed for bankruptcy protection in the United States in November 2022, the cryptocurrency assets may not be withdrawn (i.e. the Incident). The Company borrowed an additional loan of approximately US\$13.2 million from Mr. Li Lin (the “CS Loan”), the controlling Shareholder and non-executive Director of the Company, for covering client asset liability arising from the Incident. Hence, the Group needs additional cash for business operation and repayment of debts.

Financing alternatives

With reference to the Board Letter, in light of the prevailing financial conditions of the Group, the Board considers the Subscriptions to be a suitable financial option as compared to other means of financing as it enables the Group to raise capital in an efficient manner without increasing interest burden on the Group, strengthen the financial position of the Company and represents a good opportunity to broaden the Shareholders’ base and capital base of the Company.

Upon our enquiry, the Directors advised that they also considered other forms of fund raising methods for the Group, such as other equity financing (i.e. rights issue or open offer) and debt financing, before conducting the Subscription I.

LETTER FROM GRAM CAPITAL

In respect of the debt financing, it will incur additional finance costs and increase gearing level of the Group and may be subject to lengthy due diligence and negotiations with lenders. Having also taken into account (i) that the Group's total liabilities increased by approximately 32.34% from approximately HK\$600 million as at 30 September 2021 to approximately HK\$793 million as at 31 March 2023; (ii) the Group's negative net cash (calculated by cash and cash equivalents less interest-bearing bank borrowings and other borrowings) of approximately HK\$453 million as at 31 March 2023; (iii) the CS Loan; and (iv) that the Company intends to apply part of the net proceeds from the Subscription I for repayment of the Group's outstanding loans, the Directors considered that debt financing is not an optimal financing method.

In respect of rights issue or open offer, the Directors considered that (i) such fundraising activities may incur additional costs, including but not limited to underwriting commission and other professional fees; (ii) given the Group's loss of approximately HK\$207 million for FY2022 and approximately HK\$232 million for 1H2023, the Company may have difficulties in seeking underwriter; and (iii) if the rights issue or open offer is not underwritten, its results will be uncertain.

Based on the above factors, we concur with the Directors' view that the Subscription I is a suitable financial option as compared to other means of financing.

Use of proceeds

With reference to the Board Letter, it is expected that the gross proceeds and net proceeds (after deduction of all professional fee and related expenses) from the Subscription I will be approximately HK\$155.4 million and HK\$154.4 million (the "**Net Proceeds**") respectively. The Company intends to use the aforesaid net proceeds (assuming only Subscription I is completed) as to (i) HK\$100 million for the repayment of outstanding loans; (ii) HK\$20 million for business development (the "**Net Proceeds for BD**"); and (iii) approximately HK\$34.4 million for the general working capital of the Group.

Upon our enquiry, the Directors advised us that: (i) repayment of outstanding loans with part of the Net Proceeds will improve the Group's financial position; and (ii) the Net Proceeds for BD will finance development cost of the Group's MPC business (including but not limited to research and development cost, marketing & operation cost).

Having considered (i) reasons for and benefits of the Subscription I as mentioned above; (ii) the Subscription I is suitable financial option as compared to other means of financing; and (iii) that the proposed use of the Net Proceeds will improve the Group's financial position and facilitate the Group's business development and operation, we are of the view that although the Subscription I is not conducted in the ordinary and usual course of business of the Group, it is in the interest of the Company and the Shareholders as a whole.

LETTER FROM GRAM CAPITAL

2. Principal terms of the Subscription I

Set out below are the summarised terms of the Subscription Agreement I, details of which are set out under the section headed “II. THE SUBSCRIPTION AGREEMENT I” of the Board Letter.

Date: 26 April 2023 (the “**Agreement Date**”)

Parties: (a) the Company (as the issuer); and
(b) Mr. Du (as the subscriber).

Subscription Shares I:

The 74,700,000 Subscription Shares I represents (i) approximately 24.18% of the total number of issued Shares as at the Latest Practicable Date; and (ii) approximately 19.47% of the total number of issued Shares as enlarged by the allotment and issue of the Subscription Shares I, assuming that there will be no changes in the total number of issued Shares between the date of the Announcement and the allotment and issue of the Subscription Shares I.

Subscription Price:

The Subscription Price is HK\$2.08 per Subscription Share, which represents:

- (i) a premium of approximately 1.46% over the closing price of HK\$2.05 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 9.57% to the closing price of HK\$2.30 per Share as quoted on the Stock Exchange on the Agreement Date (the “**Agreement Date Discount**”);
- (iii) a discount of approximately 11.79% to the average closing price of approximately HK\$2.36 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to and including the Last Trading Day (the “**5 Days Discount**”); and
- (iv) a premium of approximately 376.28% over the Company’s audited consolidated net asset value per Share as at 30 September 2022 of approximately HK\$0.44 (calculated by total equity attributable to owners of the Company of approximately HK\$135 million as at 30 September 2022 and 308,960,665 Shares in issue as at the Latest Practicable Date).

With reference to the Board Letter, the Subscription Price under the Subscription Agreement I was arrived at after arm’s length negotiations between the Company and Mr. Du with reference to, among other things, the prevailing market price of the Shares and the market conditions, and the funding needs and financial position of the Group.

LETTER FROM GRAM CAPITAL

Analysis on the Subscription Price

In order to assess the fairness and reasonableness of the Subscription Price, we conducted the following analysis:

a) Share price performance

Set out below is a chart showing the movement of the closing prices of the Shares during the period from 1 April 2022 to Agreement Date, being a period of approximately one year up to and including the Agreement Date (the “**Shares Review Period**”), which is a commonly adopted share price review period for analysis and we consider such period to be sufficient and reasonable for our analysis, to illustrate the general trend and level of movement of the closing prices of the Shares:



Source: *the Stock Exchange's website*

During the Shares Review Period, the highest and lowest closing prices of Shares as quoted on the Stock Exchange were HK\$6.49 recorded on 7 July 2022 and HK\$2.03 recorded on 28 March 2023 respectively. The Subscription Price falls within the aforesaid closing price range.

During the Shares Review Period, the closing price of the Shares decreased from HK\$6.34 on 1 April 2022 to HK\$3.50 on 6 July 2022. The closing price of Shares surged sharply to HK\$6.49 on 7 July 2022. Subsequently, the closing price of Shares dropped and formed a general downward trend until it reached HK\$2.03 on 28 March 2023. Thereafter, the closing price of the Shares fluctuated between HK\$2.06 and HK\$2.61 and reached HK\$2.30 on the Agreement Date.

LETTER FROM GRAM CAPITAL

b) Liquidity

Set out below are (i) the number of trading days; (ii) the percentage of the Shares' average daily trading volume (the "**Average Volume**") as compared to the total number of issued Shares held by the public as at the Agreement Date; and (iii) the percentage of the Average Volume as compared to the total number of issued Shares as at the Agreement Date, during the Shares Review Period:

| Month | No. of trading days in each month | % of the Average Volume to total number of issued Shares held by the public as at the Agreement Date <i>(Note 1)</i> % | % of the Average Volume to total number of issued Shares as at the Agreement Date <i>(Note 2)</i> % |
|---|---|--|--|
| 2022 | | | |
| April | 18 | 0.11 | 0.05 |
| May | 20 | 0.16 | 0.08 |
| June | 21 | 0.15 | 0.07 |
| July | 20 | 1.29 | 0.60 |
| August | 23 | 0.14 | 0.07 |
| September | 21 | 0.29 | 0.14 |
| October | 20 | 0.14 | 0.06 |
| November | 22 | 0.40 | 0.18 |
| December | 20 | 0.37 | 0.17 |
| 2023 | | | |
| January | 18 | 1.95 | 0.90 |
| February | 20 | 1.44 | 0.67 |
| March | 23 | 0.42 | 0.20 |
| April (up to and including the Agreement Date) | 15 | 0.36 | 0.16 |

Source: the Stock Exchange's website

Notes:

1. Based on 143,177,386 Shares held by the other public Shareholders as at the Agreement Date.
2. Based on 308,960,665 Shares as at the Agreement Date.

LETTER FROM GRAM CAPITAL

We noted from the above table that the average daily trading volume of the Shares was generally thin during the Shares Review Period. Save for July 2022, January 2023 and February 2023, the Average Volume was below 0.5% of the total number of issued Shares held in public hands and the total number of issued Shares as at the Agreement Date for each month during the Shares Review Period.

Given the generally low liquidity of the Shares as illustrated above, it is reasonable to set the Subscription Price at a discount to the closing price of the Shares as at the Agreement Date.

c) Comparables

As part of our analysis, we also identified subscription of new shares listed on the Stock Exchange under specific mandate for cash consideration (including connected transactions and transactions with independent third parties (to demonstrate practices under comparable transactions regardless of the identities of counter parties), but excluding transactions involving restructuring) which were announced by Hong Kong listed companies during the six-month period from 26 October 2022 up to and including the Agreement Date (the “**Comparables**”). The review period of six months was adopted to include sufficient Comparables to demonstrate the market practices during a period proximate to the Agreement Date. We found 9 transactions which met the said criteria and they are exhaustive. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the subject companies of the Comparables.

| Company name (Stock code) | Date of announcement | Involving connected transaction? | Premium/ (discount) of the subscription price to the closing price per share on the date of the agreement in relation to the respective subscription of new shares (%) | Premium/ (discount) of the subscription price to the average closing price per share for the five consecutive trading days up to and including the last full trading day prior to the date of the agreement in relation to the respective subscription of new shares (%) |
|--|----------------------|--|--|---|
| Cornerstone Technologies Holdings Limited (8391) | 7 December 2022 | Yes | (55.83) | (23.53) |

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| Company name (Stock code) | Date of announcement | Involving connected transaction? | Premium/ (discount) of the subscription price to the closing price per share on the date of the agreement in relation to the respective subscription of new shares (%) | Premium/ (discount) of the subscription price to the average closing price per share for the five consecutive trading days up to and including the last full trading day prior to the date of the agreement in relation to the respective subscription of new shares (%) |
|--|----------------------|--|--|---|
| China Ecotourism Group Limited (1371) | 8 December 2022 | No | (28.57) | (3.85) |
| In Technical Productions Holdings Limited (8446) | 12 December 2022 | Yes | (16.94) | (10.84) |
| COFCO Joycome Foods Limited (1610) | 11 January 2023 | Yes | (1.71) | (2.21) |
| Honghua Group Limited (196) | 18 January 2023 | Yes | (1.71) | (3.51) |
| New Concepts Holdings Limited (2221) | 19 January 2023 | No | (13.64) | (11.01) |
| Easy Repay Finance & Investment Limited (8079) | 8 February 2023 | Yes | 15.61 | 15.47 |
| Suoxinda Holdings Limited (3680) | 19 March 2023 | No | (5.00) | (6.17) |
| Glory Sun Financial Group Limited (1282) | 20 April 2023 | No | 82.47 | 67.46 |
| | Maximum | | 82.47 | 67.46 |
| | Minimum | | (55.83) | (23.53) |
| | Average | | (2.81) | 2.42 |
| Subscription I | 26 April 2023 | | (9.57) | (11.79) |

Source: the Stock Exchange's website

LETTER FROM GRAM CAPITAL

According to the above table, the subscription prices of the Comparables ranged from a discount of approximately 55.83% to a premium of approximately 82.47%, with average discount of approximately 2.81% to the respective closing prices of the shares on the date of agreement in relation to the respective subscription (the “**Agreement Date Discount/Premium Market Range**”). The Agreement Date Discount falls within the Agreement Date Discount/Premium Market Range.

According to the above table, the subscription prices of the Comparables ranged from a discount of approximately 23.53% to a premium of approximately 67.46% with average premium of approximately 2.42% to the respective average closing prices of the shares for the five consecutive trading days up to and including the last full trading day prior to the dates of agreement in relation to the respective subscription of new shares (the “**5 Days Discount/Premium Market Range**”). The 5 Days Discount also falls within the 5 Days Discount/Premium Market Range.

Having considered the following factors, including:

- (i) the Agreement Date Discount falls within the Agreement Date Discount/Premium Market Range;
- (ii) the 5 Days Discount falls within the 5 Days Discount/Premium Market Range;
- (iii) the Subscription Price falls within the closing price range of the Shares during the Shares Review Period; and
- (iv) given the generally low liquidity of the Shares during the Shares Review Period, it is reasonable to set the Subscription Price at a discount to the closing price of the Shares as at the Agreement Date.

we are of the view that the Subscription Price is fair and reasonable.

Ranking of the Subscription Shares I:

The Subscription Shares I when allotted and issued, shall rank pari passu in all respects among themselves free from all liens, charges, guarantee, adverse interests and adverse claims, and with the Shares in issue on the date of allotment and issue of the Subscription Shares I including all dividends declared or payable or distribution made or proposed on or after the date of completion of the Subscription I.

Having considered the principal terms of the Subscription I as set out above, we are of the view that the terms of the Subscription I are on normal commercial terms and are fair and reasonable.

LETTER FROM GRAM CAPITAL

3. Possible dilution effect on the shareholding interests of the public Shareholders

As advised by the Directors, the shareholding interests of the other public Shareholders would be diluted by approximately 9.02 percentage points immediately after completion of the Subscription I. Taking into account (i) the aforementioned reasons for and benefits of the Subscription I; and (ii) the terms of the Subscription I being fair and reasonable, we are of the view that the aforesaid dilution is acceptable.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Subscription I are on normal commercial terms and are fair and reasonable; and (ii) although the Subscription I is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Group and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Subscription I and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

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. SHARE CAPITAL

The authorised and issued shares as at the Latest Practicable Date were, and immediately following the issue of the Subscription Shares (provided that Subscription I and Subscription II shall complete simultaneously) will be, as follows:

| | | |
|--|---|---------------------------|
| <i>Authorised share capital</i> | | <i>HK\$</i> |
| <u>500,000,000</u> | shares of HK\$0.001 each | <u>500,000.000</u> |
| <i>Issued and fully-paid share capital</i> | | |
| 308,960,665 | Shares in issue as at the Latest Practicable Date | 308,960.665 |
| <u>157,000,000</u> | Subscription Shares to be issued and allotted | <u>157,000.000</u> |
| <u>465,690,665</u> | Shares in issue immediately following the issue of the Subscription Shares | <u>465,690.665</u> |

All Shares in issue rank pari passu with each other in all respects including the right as to voting and dividends.

As at the Latest Practicable Date, the number of Options outstanding under the Share Options Scheme was 53,334.

Save as disclosed above, no share, options, warrants, conversion rights or any equity or debt securities of the Company were outstanding or were proposed to be listed or issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital.

There has not been any alterations in the capital of any member of the Group since the publication of annual results for the year ended 30 September 2022 and up to the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

Directors' and Senior Management' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executives in the shares, underlying shares or debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 of the Listing Rules, were as follows:

Directors and chief executive

| Name of Directors | Capacity in which Shares were held | Number of Shares <i>(Note 2)</i> | Appropriate percentage of the issued share capital |
|--------------------------|--|--|---|
| Mr. Li <i>(Note 2)</i> | Interest of controlled corporation <i>(Note 1)</i> | 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 or chief executives of the Company has or is deemed to have any interests or short positions in the shares, underlying shares of debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will 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 and short positions which each of them has taken or deemed to have taken under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying in Shares and Securities of the Company

As at the Latest Practicable Date, to the best knowledge of the Directors and the senior management of the Company, the followings are the persons, who had interests or short positions in the shares and underlying shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

| Name of Shareholders | Capacity in which Shares were held | Number of shares (L) <i>(Note 3)</i> | Appropriate percentage of the issued share capital |
|--|--|---|--|
| Mr. Li Lin (“ Mr. Li ”) | Interest of controlled corporation <i>(Note 1)</i> | 125,021,261 | 40.47% |
| Avenir Capital Inc. (“ Avenir Capital ”) | Beneficial owner <i>(Note 1)</i> | 116,582,987 | 37.73% |
| HBCapital Limited (“ HBCapital ”) | Beneficial owner <i>(Note 1)</i> | 8,438,274 | 2.73% |
| Mr. Shen Nan Peng (“ Mr. Shen ”) | Interest of controlled corporation <i>(Note 2)</i> | 36,892,572 | 11.94% |
| SC China Enterprises Limited | Interest of controlled corporation <i>(Note 2)</i> | 36,892,572 | 11.94% |
| SNP China Holding Limited | Interest of controlled corporation <i>(Note 2)</i> | 36,892,572 | 11.94% |
| SC China Venture IV Management, L.P. | Interest of controlled corporation <i>(Note 2)</i> | 30,467,072 | 9.86% |
| Sequoia Capital China Venture Fund IV, L.P. | Interest of controlled corporation <i>(Note 2)</i> | 30,467,072 | 9.86% |

| Name of Shareholders | Capacity in which Shares were held | Number of shares (L) (Note 3) | Appropriate percentage of the issued share capital |
|---|---|----------------------------------|--|
| 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:

- 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.
- 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 as at the Latest Practicable Date.
- The letter “L” denotes the long position in the Shares.

Save as disclosed above, as at the Latest Practicable Date, no other person has any interest or short position which shall be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

4. 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 it 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.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save and except the Company's record of a loss of approximately HK\$99.4 million in November 2022 due to the failure to withdraw cryptocurrency assets from the FTX, as disclosed in the interim report of the Company dated 29 May 2023 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).

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance and, so far as the Directors are aware, no litigation or claim of material importance was pending or threatened against any member of the Group.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contract or appointment letter with the Company or any other member of the Group save for those expiring or determinable by the relevant employer within one year without payment of compensation, other than statutory compensation.

8. DIRECTORS' INTEREST IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors of the Company had any interest in any asset which has been since 30 September 2022 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group.

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

9. EXPERT AND CONSENT

The following is the qualification of the expert who has given its opinion or advice contained in this circular:

| Name | Qualification |
|----------------------|---|
| Gram Capital Limited | a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO |

As at the Latest Practicable Date, the above expert:

- (a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, in the form and context in which it appears;
- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) did not have any direct or indirect interest in any assets which had been since 30 September 2022 (the date to which the latest published audited consolidated financial statements of the Company were made up), acquired, disposed of by, or leased to any member of the Group or were proposed to be acquired or disposed of by, or leased to any member of the Group.

10. MISCELLANEOUS

- (a) 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.
- (b) The registered office of the Company is located at Vistra Corporate Services Centre Wickhams Cay II Road Town, Tortola BVI VG 1110.
- (c) The head office and principal place of business of the Company in Hong Kong is at Unit 702-3, 7/F, 100 Queen's Road Central, Central, Hong Kong.
- (d) 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.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Company's website (<http://www.newhuotech.com/>) and the Stock Exchange's website (www.hkexnews.hk) from the date of this circular up to and including the date of the EGM (being not less than 14 days):

- (a) the Subscription Agreements;
- (b) the supplemental Subscription Agreement I;
- (c) the supplemental Subscription Agreement II;
- (d) the Amended Share Option Scheme;
- (e) the letter from Gram Capital, the text of which is set out in this circular; and
- (f) the written consent of the expert referred to in the paragraph headed "Expert and Consent" in this appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING

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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 an extraordinary general meeting (“**EGM**”) of New Huo Technology Holdings Limited (the “**Company**”) will be held at Unit 702-3, 7/F, 100 Queen's Road Central, Central, Hong Kong on 28 July 2023 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company.

Unless otherwise defined, capitalised terms used herein shall have the same meaning as those defined in the circular of the Company dated 6 July 2023 (the “**Circular**”).

ORDINARY RESOLUTIONS

1. To consider and approve the resolution in relation to the Subscription Agreement I, further details of which are set out in the Circular:

“**THAT**

- (a) the Subscription Agreement I dated 26 April 2023 and entered into between the Company and Mr. Du Jun as the subscriber in relation to Subscription I and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) subject to the Listing Committee of The Stock Exchange of Hong Kong Limited approving the listing of, and granting permission to deal in, the Subscription Shares I, the Directors of the Company be and are hereby granted the Specific Mandate I to allot and issue the Subscription Shares I subject to the terms of the Subscription Agreement I, with such Specific Mandate I being in addition to and not prejudicing or revoking any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the shareholders of the Company prior to the passing of this resolution; and;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) any Director be and is hereby authorised to sign, execute, perfect and deliver all such documents, and do all such actions which are in their opinion necessary, appropriate, desirable or expedient for the implementation and completion of the Subscription Agreement I, and the transactions contemplated thereunder, including the Specific Mandate I, and the allotment and issue of the Subscription Shares I and to agree to the variation and waiver of any of the matters relating thereto that are, in the opinion of the Directors, appropriate, desirable or expedient in the context of the Subscription Agreement I and are in the best interests of the Company.”
2. To consider and approve the resolution in relation to the Subscription Agreement II, further details of which are set out in the Circular:

“**THAT**

- (a) the Subscription Agreement II dated 26 April 2023 and entered into between the Company and On Chain as the subscriber in relation to Subscription II and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) subject to the Listing Committee of The Stock Exchange of Hong Kong Limited approving the listing of, and granting permission to deal in, the Subscription Shares II, the Directors of the Company be and are hereby granted the Specific Mandate II to allot and issue the Subscription Shares II subject to the terms of the Subscription Agreement II, with such Specific Mandate II being in additional to and not prejudicing or revoking any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the shareholders of the Company prior to the passing of this resolution; and;
- (c) any director of the Company (the “**Director(s)**”) be and is hereby authorised to sign, execute, perfect and deliver all such documents, and do all such actions which are in their opinion necessary, appropriate, desirable or expedient for the implementation and completion of the Subscription Agreement II, and the transactions contemplated thereunder, including the Specific Mandate II, and the allotment and issue of the Subscription Shares II and to agree to the variation and waiver of any of the matters relating thereto that are, in the opinion of the Directors, appropriate, desirable or expedient in the context of the Subscription Agreement II and are in the best interests of the Company.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

3. To consider, if thought fit, the amendments of the Share Option Scheme, further details of which are set out in the Circular:

“**THAT**

- (a) the proposed amendments to the existing share option scheme adopted by the Company on 27 October 2016 and as amended on 17 November 2020 and 30 March 2023 (the “**Share Option Scheme**”), a copy of which has been produced to the meeting marked “A” and initialed by the chairman of the meeting for the purpose of identification, be and is hereby approved (the “**Proposed Amendments**”, and the Share Option Scheme as amended by the Proposed Amendments the “**Amended Share Option Scheme**”);
- (b) the Proposed Amendments referred to in paragraph (a) above shall apply to the outstanding Share Options granted under the Share Option Scheme and the Share Options to be granted under the Amended Share Option Scheme with effect from the date of this Circular; and
- (c) the board of directors of the Company be and is hereby authorised to do all such acts and execute such documents as may be necessary, desirable or expedient in order to give full effect to the Proposed Amendments to the Amended Share Option Scheme referred to in paragraph (a) above subject to the Listing Rules (as amended from time to time).”

By Order of the Board
New Huo Technology Holdings Limited
Li Lin
Non-executive Director

Hong Kong, 6 July 2023

Notes:

1. A form of proxy for use in connection with the EGM is enclosed herewith and published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk). Whether or not you are able to attend the EGM, please complete and return the form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not later than 48 hours before the time designated for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.
2. Any member entitled to attend and vote at the EGM is entitled to appoint one or two proxies to attend and vote instead of him/her/it. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her/it and vote on his/her/its behalf at the EGM. A proxy need not be a member of the Company. On a poll, votes may be given either personally or by proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorized 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.
4. To be valid, a form of appointment of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be deposited at 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 not later than 48 hours before the time appointed for the time appointed for holding the EGM or any adjournment thereof.

NOTICE OF EXTRAORDINARY GENERAL MEETING

5. No instrument appointing a proxy shall be valid after expiration of 12 months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll demanded at the Meeting or any adjournment thereof in cases where the EGM was originally held within 12 months from such date.
6. Where there are joint registered holders of any share of the Company, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders be present at the Meeting 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.
7. For determining the entitlement to attend and vote at the EGM, the register of members will be closed from 25 July 2023 to 28 July 2023, both days inclusive. During this period, no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with 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, not later than 4:30 p.m. on 24 July 2023.
8. If Typhoon Signal No. 8 or above, or "black" rainstorm warning is in effect any time after 8:00 a.m. and before the above time of EGM, the EGM will be postponed. The Company will post an announcement on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.newhuotech.com) to notify the Shareholders (as defined herein) of the date, time and place of the rescheduled meeting.

As at the date of this EGM notice, the Board 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.