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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)

MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANIES

THE DISPOSAL AND THE SALE AND PURCHASE AGREEMENT

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

Completion is subject to the conditions precedent as set out in the paragraph headed “**Conditions Precedent**” under the section headed “**THE DISPOSAL AND THE SALE AND PURCHASE AGREEMENT**”.

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

LISTING RULES IMPLICATIONS

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

To the best of the Directors' knowledge, information and belief, none of the Shareholders or any of their respective associates have a material interest in the Disposal, thus no Shareholder is required to abstain from voting for the resolution if the Company were to convene the EGM to approve the Disposal.

EGM AND DESPATCH OF CIRCULAR

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Disposal, the Sale and Purchase Agreement and the transactions contemplated thereunder. A circular containing, among other things, (i) details of the Sale and Purchase Agreement; (ii) the valuation report in respect of the 100% equity interest in the companies of the Target Group prepared by an independent valuer; (iii) other information as required to be disclosed under the Listing Rules; and (iv) the notice of the EGM, is expected to be despatched to the Shareholders on or before 19 April 2023.

Completion is conditional upon the satisfaction of the conditions set out in the section headed "Conditions Precedent" in this announcement. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise cautions when dealing in the securities of the Company and, if in any doubt, are recommended to consult their professional adviser(s).

INTRODUCTION

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

THE DISPOSAL AND THE SALE AND PURCHASE AGREEMENT

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

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

As at the date of this announcement, the Purchaser is a company incorporated in the BVI and is ultimately wholly-owned by Mr. Hsu. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner, Mr. Hsu, are Independent Third Parties.

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

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

- (a) Pantene Industrial Co. Limited;
- (b) Pantronics International Holdings Limited;
- (c) Panjet Service Company Limited;
- (d) Grace Harvest Corporation Limited;
- (e) Panjet (Int'l) Limited; and
- (f) Pantronics (Int'l) Limited.

As at the date of this announcement, the Vendor is the sole legal and beneficial owner of the entire issued share capital of each of the above Target Companies.

Consideration

The Consideration, in the amount of HK\$115,000,308.00, will be payable upon Completion to the Company and/or its designated party(ies). Pursuant to the Sale and Purchase Agreement, the Consideration comprises (1) the consideration of the Sale Shares in the amount of HK\$111,473,000.00; and (2) the Offset Amount.

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

- (1) the unaudited net asset value of the Target Group as at 31 January 2023 in the amount of approximately HK\$94,462,000.00 in aggregate, details of which are set out in the section headed "**FINANCIAL INFORMATION OF THE TARGET GROUP**";
- (2) the fair value in aggregate for the entire equity interests of all companies under the Target Group in the amount of HK\$106,615,000.00 as at 31 January 2023, as prepared by an independent valuer;
- (3) the financial performance of the Target Group set out in the section headed "**FINANCIAL INFORMATION OF THE TARGET GROUP**";

- (4) the business prospects of the Disposal Businesses; and
- (5) the benefits to be derived by the Group from the Disposal as set out in the section headed **“REASONS FOR AND BENEFITS OF THE DISPOSAL”**.

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

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

Conditions Precedent

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

- (a) the Warranties given by the Vendor remaining true, accurate and not misleading in all material respects;
- (b) the Warranties given by the Purchaser remaining true, accurate and not misleading in all material respects;
- (c) the approval of the Board with respect to the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained;
- (d) all requisite approvals, consents and waivers required to be obtained by the Vendor, Purchaser and each company of the Target Group in respect of the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained, with the full compliance in respect of all applicable laws and regulations (including but not limited to the Listing Rules); and
- (e) the passing of the ordinary resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder by the Shareholders at the EGM to be convened and held in accordance with the Listing Rules and the applicable laws and regulations.

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

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

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

Completion

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

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

INFORMATION OF THE VENDOR AND THE GROUP

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

INFORMATION OF THE PURCHASER

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

INFORMATION OF THE TARGET GROUP

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

- (a) Pantene Industrial Co. Limited, being Target Company I, is incorporated in Hong Kong and principally engaged in the sale and distribution of power-related electrical and electronic products, the following Target Subsidiaries are directly wholly-owned by Target Company I:
 - (i) Pan Electrium Industrial Company Limited is an inactive company incorporated in Hong Kong;
 - (ii) Pantene Electronics North America, Inc. is a company incorporated in the USA and is principally engaged in after-sales support;
 - (iii) Shenzhen Pantai Electronic Co., Ltd. is a company incorporated in the PRC as a wholly foreign-owned enterprise, which owns the entire equity interests of Dongguan Pantai Electronic Co., Ltd., a company incorporated in the PRC. Both companies are principally engaged in the manufacture and sale of power-related electrical and electronic products; and
 - (iv) Pan Guang Limited is an investment holding company incorporated in the BVI and Pan Ming Limited, an inactive company incorporated in the BVI, is directly wholly-owned by Pan Guang Limited;
- (b) Pantronics International Holdings Limited, being Target Company II, is an investment holding company incorporated in Hong Kong and Pin Xin International Limited, an inactive company incorporated in Hong Kong, is directly wholly-owned by Target Company II;
- (c) Panjet Service Company Limited, being Target Company III, is an investment holding company incorporated in Hong Kong;
- (d) Grace Harvest Corporation Limited, being Target Company IV, is an inactive company incorporated in Hong Kong;
- (e) Panjet (Int'l) Limited, being Target Company V, is an inactive company incorporated in the BVI; and
- (f) Pantronics (Int'l) Limited, being Target Company VI, is an inactive company incorporated in the BVI.

FINANCIAL INFORMATION OF THE TARGET GROUP

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

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

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

FINANCIAL EFFECT OF THE DISPOSAL AND THE INTENDED USE OF PROCEEDS

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

Based on the preliminary assessment on the unaudited financial information of the Target Group as at 31 January 2023 and the Consideration, it is expected that upon Completion, the Group will record a disposal gain in the amount of approximately HK\$17,011,000.00. Such gain is estimated based on the consideration of the Sale Shares in the amount of HK\$111,473,000.00 less the unaudited net assets value of the Target Group as at 31 January 2023 in the amount of approximately HK\$94,462,000.00.

The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to any changes to the aforementioned unaudited financial information on the date of the Completion and the review by the auditors of the Company upon finalisation of the consolidated financial statements of the Group. Net proceeds from the Disposal, which have deducted expenses in relation to the Disposal, are estimated to be approximately HK\$31,473,000.00. The Company intends to use the net proceeds from the Disposal for the Group's general working capital.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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

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

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

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

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

LISTING RULES IMPLICATIONS

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

To the best of the Directors' knowledge, information and belief, none of the Shareholders or any of their respective associates has a material interest in the Disposal, the Sale and Purchase Agreement and the transactions contemplated thereunder, thus no Shareholder is required to abstain from voting for the resolution if the Company were to convene the EGM to approve the same.

EGM AND DESPATCH OF CIRCULAR

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Disposal, the Sale and Purchase Agreement and the transactions contemplated thereunder. A circular containing, among other things, (i) details of the Sale and Purchase Agreement; (ii) the valuation report in respect of the 100% equity interest in the companies of the Target Group prepared by an independent valuer; (iii) other information as required to be disclosed under the Listing Rules; and (iv) the notice of the EGM, is expected to be despatched to the Shareholders on or before 19 April 2023.

Completion is conditional upon the satisfaction of the conditions set out in the section headed "Conditions Precedent" in this announcement. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise cautions when dealing in the securities of the Company and, if in any doubt, are recommended to consult their professional adviser(s).

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions shall have the following meanings:

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

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| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Third Party(ies)” | third party(ies) independent of and not connected with the Company and its connected persons |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Long Stop Date” | 20 September 2023 or such other date as may be agreed between the Purchaser and the Vendor in writing |
| “Mr. Hsu” | Mr. Simon Nai-cheng Hsu |
| “Offset Amount” | the sum calculated from the offset of receivables and/or payables between the Vendor and certain companies in the Target Group in the net amount of HK\$3,527,308.00 |
| “PRC” | the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan |
| “Purchaser” | New Wave Capital Limited, a company incorporated in the BVI with limited liability, and it is ultimately wholly-owned by Mr. Hsu, both of whom to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are Independent Third Parties |
| “Sale and Purchase Agreement” | the agreement entered into on 24 March 2023 (after trading hours of the Stock Exchange) between the Vendor and the Purchaser in respect of the Disposal |
| “SFO” | the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong |
| “Sale Shares” | the entire issued share capital of all of the Target Companies |
| “Share(s)” | ordinary share(s) of HK\$0.001 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Stock Exchange” | the Stock Exchange of Hong Kong Limited |

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|-----------------------|--|
| “Target Companies” | collectively, Target Company I, Target Company II, Target Company III, Target Company IV, Target Company V and Target Company VI |
| “Target Company I” | Pantene Industrial Co. Limited, a company incorporated in Hong Kong |
| “Target Company II” | Pantronics International Holdings Limited, a company incorporated in Hong Kong |
| “Target Company III” | Panjet Service Company Limited, a company incorporated in Hong Kong |
| “Target Company IV” | Grace Harvest Corporation Limited, a company incorporated in Hong Kong |
| “Target Company V” | Panjet (Int’l) Limited, a company incorporated in the BVI |
| “Target Company VI” | Pantronics (Int’l) Limited, a company incorporated in the BVI |
| “Target Group” | collectively, the Target Companies and the Target Subsidiaries |
| “Target Subsidiaries” | such direct and indirect wholly-owned subsidiaries of Target Company I and Target Company II respectively |
| “USA” | the United States of America |
| “Warranties” | such representations and warranties contemplated under the Sale and Purchase Agreement |
| “%” | per cent. |

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

Hong Kong, 24 March 2023

As at the date of this announcement, 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 Mr. Ngai Matthew Cheuk Yin as independent non-executive Directors.