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inkeverse

Inkeverse Group Limited

映宇宙集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3700)

**MAJOR ACQUISITION
ACQUISITION MANDATE IN RELATION TO
THE POTENTIAL CRYPTOCURRENCY ACQUISITIONS**

**ACQUISITION MANDATE IN RELATION TO THE POTENTIAL
CRYPTOCURRENCY ACQUISITIONS**

Reference is made to the voluntary announcement of the Company dated 26 March 2024 in relation to, among others, the proposed purchase of cryptocurrencies by the Company. As the Board believes in the potential of cryptocurrencies and investments in cryptocurrencies are integral to the Group's Web3.0 business development strategy and asset allocation strategy, after careful consideration, the Board proposed to seek approval for the Acquisition Mandate from the Shareholders in advance to authorize and empower the Board to conduct the Potential Cryptocurrency Acquisitions for an aggregate amount not exceeding US\$100 million during the Mandate Period, namely a period of 12 months from the date on which the ordinary resolution(s) in relation to the Acquisition Mandate and the Potential Cryptocurrency Acquisitions is duly passed by the Shareholders at the AGM.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Potential Cryptocurrency Acquisitions is expected to exceed 25% but all are less than 100%, the Potential Cryptocurrency Acquisitions, if materialized, may constitute major acquisition of the Company and is therefore subject to the announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the Potential Cryptocurrency Acquisitions will be open market transactions and will be conducted on an on-going basis, and the cryptocurrency investment market is volatile and fast-changing, acquiring cryptocurrencies at the best possible prices requires prompt actions at the right timing, and it would not be practicable to seek prior Shareholders' approval for each acquisition of cryptocurrencies. Accordingly, the Board proposed to seek the Shareholders' prior approval for the grant of the Acquisition Mandate at the AGM.

To the best of the Board's knowledge, information and belief having made all reasonable enquiries, none of the Shareholders have a material interest in the Acquisition Mandate and the Potential Cryptocurrency Acquisitions. Accordingly, it is expected that no Shareholder is required to abstain from voting at the AGM.

A circular containing, among other things, further details of the Acquisition Mandate and the Potential Cryptocurrency Acquisitions, the notice of the AGM, and other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 22 May 2024.

ACQUISITION MANDATE IN RELATION TO THE POTENTIAL CRYPTOCURRENCY ACQUISITIONS

Reference is made to the voluntary announcement of the Company dated 26 March 2024 in relation to, among others, the proposed purchase of cryptocurrencies by the Company. As the Board believes in the potential of cryptocurrencies and investments in cryptocurrencies are integral to the Group's Web3.0 business development strategy and asset allocation strategy, after careful consideration, the Board proposed to seek approval for the Acquisition Mandate from the Shareholders in advance to authorize and empower the Board to conduct the Potential Cryptocurrency Acquisitions for an aggregate amount not exceeding US\$100 million during the Mandate Period, namely a period of 12 months from the date on which the ordinary resolution(s) in relation to the Acquisition Mandate and the Potential Cryptocurrency Acquisitions is duly passed by the Shareholders at the AGM.

The Terms of the Acquisition Mandate

The Acquisition Mandate to be sought from the Shareholders' approval at the AGM will be on the following terms:

1. *Mandate Period*

The Acquisition Mandate is effective during the Mandate Period, namely a period of 12 months from the date on which the ordinary resolution(s) in relation to the Acquisition Mandate and the Potential Cryptocurrency Acquisitions is duly passed by the Shareholders at the AGM.

2. *Maximum Amount*

The Acquisition Mandate shall authorize and empower the Board to acquire cryptocurrencies in an aggregate amount not exceeding US\$100 million in open market transactions, which was determined with reference to the Group's business development strategy in the field of Web3.0 in the future, the asset allocation strategy of the Group and the possible increase in the price for cryptocurrency acquisition in the future.

3. *Types of Cryptocurrencies to be Acquired*

The types of cryptocurrencies which the Group intends to acquire should be cryptocurrencies that accord with the Group's business development strategy and asset allocation demands, as assessed by the Group's virtual asset management and risk control department and approved by the Board under the Acquisition Mandate, and have good market liquidity, large market value, wide recognition on the market and relatively long-term holding value. The cryptocurrencies that the Group intends to acquire under the Acquisition Mandate will consist of Bitcoin (BTC), Ether (ETH), Tether USD (USDT) and USD Coin (USDC).

It is currently expected that the Company will use approximately US\$60 million to acquire BTC, approximately US\$20 million to acquire ETH, and approximately US\$10 million each for the acquisition of USDT and USDC.

The Group's primary consideration for allocating the Acquisition Mandate is guided by its business strategies. BTC and ETH align more closely with the Group's Web3.0 business development plan as compared to stablecoins, details of which are on pages 8 to 9 of this announcement. The Group believes that the developer ecosystem of BTC has significant growth potential, as it is at its early stage of development but is starting to flourish, echoing the surge of Ethereum several years ago. The Group expects that the BTC developer community will experience rapid growth and expansion with the advancement of BTC technology and the development of Layer-2 solutions. Therefore, the Group plans to allocate more investments in BTC developer ecosystem during this early stage, in contrast to the more mature Ethereum system. The allocation of the Acquisition Mandate also takes into account the reliability, liquidity, market capitalization and recognition, reputation and track record of each type of cryptocurrency. BTC was launched in 2009 and has become the world's largest cryptocurrency by market capitalization, while ETH was launched in 2014 and is second only to BTC in market capitalization up to the present. As at the date of this announcement, the market capitalization of BTC is USD1,237.25 billion, which is approximately 3.5 times that of ETH. The allocation of BTC and ETH in the Acquisition Mandate also takes into consideration such variance in market capitalization.

Allocating a smaller portion of funds to USDT and USDC balances the Group's need for stability with the potential for capital appreciation. USDT and USDC share a similar nature, as they both maintain a fixed exchange rate with the USD and are regarded as stablecoins. USDT is a cryptocurrency stablecoin launched in 2014 and has now become the third largest cryptocurrency after BTC and ETH and the stablecoin with the largest market value. USDC is another type of stablecoin backed by reserve assets like USD and euros, which was launched in 2018. USDC is the stablecoin second only to USDT by market value currently.

Investment in multiple cryptocurrencies reduces the risk associated with any single cryptocurrency's volatility. BTC, ETH, USDT and USDC represent diverse segments of the cryptocurrency market, each with its own risk-return profile. Diversification helps mitigate the impact of adverse events specific to any one cryptocurrency.

Considering the above, the Board is of the view that the allocation of Acquisition Mandate is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

4. *Acquisition Consideration for the Cryptocurrencies*

The consideration for the Potential Cryptocurrency Acquisitions will be determined according to the bid and ask prices of the cryptocurrencies as quoted on the open market, and the Company will purchase cryptocurrencies at its discretion with reference to the state of the cryptocurrency market and price. The maximum percentage of premium the Company would pay for the acquisition of relevant cryptocurrencies will not exceed 10% of the market price. The consideration for the Potential Cryptocurrency Acquisitions will be funded by existing cash reserves of the Group.

The Group aims to adjust trading strategies promptly to better navigate the impact of macroeconomic conditions on the cryptocurrency market. It will track and analyze long-term trends in the global financial markets, including currency policies, interest rate fluctuations, inflation rates, and economic growth expectations.

The Group's acquisition of cryptocurrency is primarily driven by its business strategy and forms part of its diversified asset allocation. It is a long-term investment aimed at mitigating the impact of market fluctuations and reducing risks associated with large lump-sum investments. Therefore, the Group will not conduct frequent transactions or set short-term growth targets. The Group will select opportune timing of purchase based on the performance and pricing of the cryptocurrency market. The Group will adopt a phased approach to purchase cryptocurrencies, either quarterly or semi-annually, depending on market conditions. Before each purchase, the Group will conduct assessment on market trends, the type of cryptocurrency to be purchased, price ranges based on the average price over the past 3 to 6 months, timing of purchase influenced by macro-level policies, including favorable policies towards cryptocurrencies, and the suitability of the trading platform. Price information will be sourced from real-time market data provided by regulated and licensed trading platforms in the open market.

The Company has established a specialized department responsible for managing and supervising the virtual asset business and conducting risk control. The department will develop policies and systems for cryptocurrency trading and management and will utilize professional analysis tools and platforms to monitor and analyze market fluctuations, price volatility, trading volume, and other indicators related to cryptocurrencies. The department will also evaluate and review the price range, quantity, type and time of each cryptocurrency transaction. Additionally, it will oversee the regulatory compliance and security of all cryptocurrency transactions, including application, approval, operation, storage management, and internal reporting.

The Group will adhere to the relevant policies and regulations in Hong Kong regarding cryptocurrencies and will also strictly follow its internal policies related to the purchase, use, and management of cryptocurrencies.

5. *Scope of Authorization*

The Board shall be authorized and empowered to determine, decide, execute and implement with full discretion in relation to the Potential Cryptocurrency Acquisitions, including but not limited to the number of each type of cryptocurrencies to be acquired, the number of batches of each type of cryptocurrencies to be acquired, and other relevant information of the Potential Cryptocurrency Acquisitions.

6. *Manner of the Potential Cryptocurrency Acquisitions*

The Potential Cryptocurrency Acquisitions by the Group shall be conducted in the open market on regulated and licensed trading platforms, including but not limited to HashKey Exchange and OSL. HashKey Exchange is a virtual asset trading platform operated by Hash Blockchain Limited, which is a virtual asset trading platform operator licensed by the Securities and Futures Commission of Hong Kong (CE Reference: BPL992). OSL (CE Reference: BPT213) is a digital asset platform that provides services related to cryptocurrencies and blockchain technology. It is operated by OSL Digital Securities Limited, a subsidiary of OSL Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 863). The Group may also continue to explore to conduct the Potential Cryptocurrency Acquisitions on other trading platforms which are regulated and licensed by relevant regulatory authorities under the Acquisition Mandate. Furthermore, the Group has formed up a specialized supervisory team, which will monitor the licensing and regulatory environment of the trading platforms on a regular basis and ensure that the trading platforms used by the Group are secure and recognised.

INFORMATION ON CRYPTOCURRENCY

Cryptocurrencies are digital currencies in which encryption techniques are used to regulate the generation of units of currency and verify the transfer of funds using blockchain technology. The blockchain is a public record of cryptocurrency transactions in chronological order and is shared between all users in that blockchain so as to verify the permanence of transactions and prevent double spending. Cryptocurrencies make it easier to transfer funds between two parties in a transaction, and these transfers are facilitated through the use of public and private keys for security purposes.

REASONS FOR AND BENEFITS OF THE POTENTIAL CRYPTOCURRENCY ACQUISITIONS AND THE GRANT OF THE ACQUISITION MANDATE

The Board believes that the Web3.0 industry and blockchain technology contain the potential to subvert the current financial and technology industries. The Web3.0 industry is still in the active development stage, and cryptocurrencies have room for long-term value appreciation. As the financial center of Asia and the world, Hong Kong has achieved remarkable results in the development of the Web3.0 industry. The Hong Kong government believes that virtual assets have become indispensable in the market. The Group is confident in the prospects of the Web3.0 industry, and investments in cryptocurrencies are an important part of the Group's Web3.0 business development strategy and asset allocation strategy.

In the age of Web2.0, the Group has successfully developed various social networking products targeting different subdivided scenarios. The Group has proposed the concept of "full scene" in 2019 and has been devoting to connecting the online and offline platforms, social networking and entertainment platforms as well as the virtual and reality platforms. In June 2022, the Group has upgraded its brand and strategies, and officially renamed as Inkeverse Group Limited, aiming to create a multi-dimensional interactive social system that seamlessly integrates reality and virtuality based on the emerging paradigm of Web3.0. Given the attraction of virtual assets to global investors and the new opportunities that virtual assets bring into the field of Web3.0, the decentralized concept represented by Web3.0 aligns well with the Group's overseas live streaming social networking products, offering more innovative modes and diverse approaches, and providing users a better experience. Leveraging its extensive operating experiences and accumulated social networks, the Group will continuously acquire new technologies and driving growth within the development of the Web3.0 industry.

In the Web3.0 paradigm, live social platforms can realize real-time content sharing and establish community-based and autonomous social networks. Leveraging on blockchain's new value recognition and value distribution mechanism, all participants can directly receive value recognition from each other within the ecology, providing content creators greater creative freedom and expression opportunities. Moreover, users have control over their own data, enabling more flexible management of their social information and selective sharing with others. Additionally, blockchain's smart contract functionality introduces innovative applications for social media, including disintermediated transactions and cryptocurrency incentive mechanisms, which further enrich users' interactive experiences on social platforms. Therefore, the Group will leverage its overseas product portfolio and expertise, continuously expanding its user base, recruiting professionals and advancing its presence in the Web3.0 arena to achieve further business breakthroughs. The Group has set up a professional team to delve into: (1) new overseas social platforms adopting SocialFi and other models, which integrate social, financial and blockchain technologies to earn cryptocurrency through interactions, content creation, likes and sharing; (2) the token

application ecosystem within the overseas video live streaming system, where audience purchases of virtual gift for content creators are recorded on the blockchain in the form of a smart contract, so that the gift can be held and traded; and (3) integration of other modes such as Web3.0+AI. As the demand for Web3.0 continues to rise, the Group will explore more entertainment interactions and new play methods using new technologies, catering to diverse demand scenarios, expanding business horizons and enriching product content. The Board is confident in the exploration and Group's expansion in the future realm of Web3.0 live social networking.

Furthermore, in the Web3.0 landscape, cryptocurrency plays a crucial role in shaping this new internet ecosystem. Decentralized applications (DApps) in Web3.0 are typically built on blockchain technology with higher transparency and credibility. Cryptocurrency serves as a circulating token built on blockchain technology, providing the foundation for the application and operation of decentralized programs. The Web3.0's decentralized social media platforms generally use cryptocurrency as an incentive to construct product frameworks, which improves user participation and increases product value. Therefore, holding cryptocurrency will be an important basis for the Group's venture into the Web3.0 domain. The Group prioritizes and values cryptocurrency, aiming to leverage its purchase and holdings to drive exploration and innovation in new overseas businesses, while expanding growth opportunities across diverse dimensions through diversified asset allocation.

Cryptocurrency has unique functions such as decentralization, scarcity, global application, portability and security. Against the background of a large-scale increase in money supply by central banks around the world, by allocating part of the cash reserves to cryptocurrencies in a timely manner, fund management risk can be diversified to deal with potential depreciation risks of cash assets. In addition, the acceptance of cryptocurrencies is also continuously growing. For example, more and more traditional financial institutions have begun to provide cryptocurrency-related services. Certain listed companies have also commenced to use cryptocurrencies as part of their fund management, and traditional asset management companies have launched cryptocurrency funds. The legality of cryptocurrency and its status in the financial market is constantly improving. The Board believes that this investment will optimize the value of the Group and diversify the Group's asset portfolio in the long term.

BTC has become the world's largest cryptocurrency by market capitalization. With the ongoing development and widespread adoption of blockchain technology, the utilization of BTC on social platforms, especially in decentralized social networks, is becoming more and more extensive, in-depth and diversified. The Group is currently assessing the feasibility of integrating the BTC payment system into its social network business and exploring suitable blockchain-based overseas projects for potential investments. Additionally, the various characteristics of BTC, including scarcity, divisibility, transferability, non-forgability and the potential to serve as an effective hedge against currency depreciation resulting from the active increase in the money supply by central banks around the world, make it a good alternative for value storage.

Ethereum is an open source blockchain platform that allows developers to create and deploy smart contracts and DApps and use their own cryptocurrency, i.e. ETH. Its developer-friendly interface, streamlined programming and expansive developer community have led Ethereum to have the largest number of DApps. DApps across the field of gaming and social media have adopted the Ethereum protocol, offering users new possibilities and opportunities by leveraging the smart contract capabilities of Ethereum to automate and decentralize business logic.

The Group is currently assessing the feasibility of integrating blockchain technology into its various social network and overseas businesses. This includes but not limited to potential investments in Ethereum-based DApps and blockchain-based overseas projects which may have synergy with its large user base. Many blockchain-based projects only accept ETH as investment consideration.

As the second-largest cryptocurrency by market capitalization, ETH enjoys widespread recognition and usage in the blockchain industry, making it an important asset in this domain. In anticipation of its potential future DApp launches, the Group can use ETH as a reserve for promoting its DApps. Additionally, ETH can be used as consideration to invest in blockchain-based projects.

USDT and USDC are the most prevalent stablecoins with the largest market value at present. Stablecoins play a vital role in the development of the cryptocurrency market and the future of metaverse. The value of stablecoin not only lies in its stability, which facilitates efficient and cost-effective digital currency transactions, but also in its wide application in decentralized finance, cross-border remittance, daily consumption payment and other scenarios. With the development and popularization of blockchain technology, stablecoins have become a new cornerstone of the global financial system, providing strong support for the growth of the cryptocurrency market and the evolution of the metaverse.

The Company considered it is appropriate for the Company to seek the Acquisition Mandate for the potential Cryptocurrency Acquisitions taking into consideration the following factors:

1. The Potential Cryptocurrency Acquisitions will be open-market transactions and will be conducted on an on-going basis. Thus, seeking Shareholders' approval for each transaction would be impractical without a prior mandate;
2. The Potential Cryptocurrency Acquisitions will be conducted on regulated and licensed trading platforms, mitigating the risks to the Shareholders; and
3. The Mandate Period is restricted to 12 months, providing sufficient safeguard in the proposed Acquisition Mandate and sufficient information for the Shareholders to make an informed assessment.

In view of the above, the Board is therefore of the view that both the terms of the Acquisition Mandate and the Potential Cryptocurrency Acquisitions are fair and reasonable and on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

INFORMATION OF THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability, and its Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the operations of mobile live streaming platforms in the PRC and are considered to be engaged in the provision of value-added telecommunications services, internet cultural services, online audio and video program services and talent agency services.

As the Potential Cryptocurrency Acquisitions will be conducted in the open market on regulated and licensed trading platforms, the identities and principal business activities of the vendors of the Potential Cryptocurrency Acquisitions cannot be ascertained. The Company hereby undertake that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, in the event that any vendor or its ultimate beneficial owner is a connected person of the Company or the Company's connected persons, the Company will comply with the requirements under Chapter 14A of the Listing Rules.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Potential Cryptocurrency Acquisitions is expected to exceed 25% but all are less than 100%, the Potential Cryptocurrency Acquisitions, if materialized, may constitute major acquisition of the Company and is therefore subject to the announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the Potential Cryptocurrency Acquisitions will be open market transactions and will be conducted on an on-going basis, and the cryptocurrency investment market is volatile and fast-changing, acquiring cryptocurrencies at the best possible prices requires prompt actions at the right timing, and it would not be practicable to seek prior Shareholders' approval for each acquisition of cryptocurrencies. Accordingly, the Board proposed to seek the Shareholders' prior approval for the grant of the Acquisition Mandate at the AGM.

To the best of the Board's knowledge, information and belief having made all reasonable enquiries, none of the Shareholders have a material interest in the Acquisition Mandate and the Potential Cryptocurrency Acquisitions. Accordingly, it is expected that no Shareholder is required to abstain from voting at the AGM.

A circular containing, among other things, further details of the Acquisition Mandate and the Potential Cryptocurrency Acquisitions, the notice of the AGM, and other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 22 May 2024.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Acquisition Mandate”	a specific mandate proposed by the Board in order to seek Shareholders’ approval to authorize and empower the Board to conduct the Potential Cryptocurrency Acquisitions during the Mandate Period;
“AGM”	the annual general meeting of the Company to approve, among other things, the Acquisition Mandate and the Potential Cryptocurrency Acquisitions;
“Board”	the board of Directors;
“Company”	Inkeverse Group Limited (映宇宙集团有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time;

“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange;
“Mandate Period”	a period of 12 months from the date on which the ordinary resolution(s) in relation to the Acquisition Mandate and the Potential Cryptocurrency Acquisitions is duly passed by the Shareholders at the AGM;
“Potential Cryptocurrency Acquisitions”	the potential acquisitions of cryptocurrencies in an aggregate amount not exceeding US\$100 million in open market transactions on an on-going basis;
“PRC” or “China”	the People’s Republic of China, and for the purposes of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	ordinary share(s) in the share capital of the Company with a par value of USD0.001 each;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“US\$” or “USD”	United States dollars, the lawful currency of the United States; and
“%”	per cent.

By order of the Board
Inkeverse Group Limited
FENG Yousheng
Chairman and Executive Director

Hong Kong, 22 May 2024

As at the date of this announcement, the executive Directors are Mr. FENG Yousheng and Mr. HOU Guangling; the non-executive Director is Mr. LIU Xiaosong; and the independent non-executive Directors are Mr. David CUI, Mr. DU Yongbo, Dr. LI Hui and Mr. CHEN Yong.