
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 **Crypto Flow Technology Limited**, you should at once hand this circular together with the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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Crypto Flow Technology Limited
加幂科技有限公司

(formerly known as Loto Interactive Limited 樂透互娛有限公司)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8198)

MAJOR TRANSACTION
IN RELATION TO DISPOSAL OF BUSINESSES

Financial adviser to the Company



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

A letter from the Board is set out on pages 4 to 13 of this circular.

The Company has obtained written approval in respect of the Disposal in accordance with Rule 19.44 of the GEM Listing Rules from a Shareholder who holds more than 50% of the entire issued share capital and voting rights of the Company. Accordingly, as permitted under Rule 19.44 of the GEM Listing Rules, no extraordinary general meeting will be convened for the purpose of approving the Disposal.

This circular is despatched to the Shareholders for information only.

This circular will remain on the "Latest Listed Company Information" page of the Stock Exchange's website at www.hkexnews.hk for a minimum period of 7 days from the date of its publication and on the Company's website at www.cryptoflowhk.com.

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

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

“Agreement”	the agreement entered into on 3 January 2023 between the Company, the Purchaser and the Guarantor in respect of the Disposal
“Announcement”	the announcement of the Company dated 3 January 2023 in relation to the Disposal
“Board”	the board of the Directors
“Business Day(s)”	a day (other than a Saturday, Sunday or public holiday or a day on which a tropical cyclone warning signal no. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which the licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Chengdu Keying”	Chengdu Keying Interactive Information Technology Limited* (成都科盈互動信息科技有限公 司), a subsidiary of the Disposal Company immediately prior to Completion
“Chengdu Yilaike”	Chengdu Yilaike Technology Co., Ltd.* (成都伊萊科科技有限公 司), a subsidiary of the Disposal Company immediately prior to Completion
“CHFT” or “Independent Valuer”	CHFT Advisory and Appraisal Limited, an independent valuer to perform an independent appraisal of the market value of the equity interests in the Disposal Company as at 30 September 2022
“Company”	Crypto Flow Technology Limited (formerly known as Loto Interactive Limited 樂透互娛有限公 司) (stock code: 8198), a company incorporated under the laws of the Cayman Islands with limited liability and the Shares of which are listed on GEM
“Completion”	completion of the Disposal
“Consideration”	the consideration for the Disposal of HK\$37,000,000
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Share pursuant to the Agreement
“Disposal Company”	Brighten Express Limited (達正有限公 司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company immediately prior to Completion
“Disposal Group”	Disposal Company, together with its subsidiaries

DEFINITIONS

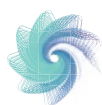
“Ganzi Changhe”	Ganzi Changhe Hydropower Consumption Service Co., Ltd* (甘孜州長河水電消納服務有限公司), a subsidiary of the Disposal Company immediately prior to Completion
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Ke Lizhi, being the ultimate beneficial owner of the Purchaser holding 99% equity interest in the Purchaser
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	23 February 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Long Stop Date”	31 January 2023 (or such later date to be agreed between the Company and the Purchaser in writing)
“Macau”	the Macau Special Administrative Region of the PRC
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, Macau and Taiwan
“PRC Big Data Centres”	the three big data centres operated by the Disposal Group located in Sichuan province of the PRC
“Purchaser”	澳門鯤鵬九洲文化旅遊投資集團有限公司(Macau Kun Peng Jiu Zhou Cultural Tourism Investment Group Limited*), a company incorporated in Macau with limited liability
“Sale Share”	one issued share and the entire equity interests in the Disposal Company
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of a par value of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“Sichuan Lecaiyuntian”	Sichuan Lecaiyuntian Internet Technology Co., Ltd* (四川省樂彩雲天網絡科技有限公司), a subsidiary of the Disposal Company immediately prior to Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VAT Refund”	the application for the refund of value-added-tax of the Disposal Group amounting to approximately HK\$17.7 million as at 30 September 2022
“%”	per cent.

* *For identification purposes only*

LETTER FROM THE BOARD



Crypto Flow

Crypto Flow Technology Limited 加幂科技有限公司

(formerly known as Loto Interactive Limited 樂透互娛有限公司)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8198)

Executive Directors:

Mr. Li Hongbin (*Chairman*)
Mr. Huang Yibin (*Chief Executive Officer*)
Ms. Xiong Jiayan

Independent non-executive Directors:

Mr. Chu, Howard Ho Hwa
Mr. Tong, I Tony
Mr. Sun Yuqiang

Registered office:

P.O. Box 31119
Grand Pavilion, Hibiscus Way
802 West Bay Road
Grand Cayman, KY1-1205
Cayman Islands

*Head office and principal place of
business in Hong Kong:*

Unit 3506, 35th Floor, Tower One
Lippo Centre, 89 Queensway
Hong Kong

28 February 2023

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTION IN RELATION TO DISPOSAL OF BUSINESSES

1. INTRODUCTION

Reference is made to the Announcement in relation to the Disposal. As set out in the announcement of the Company dated 11 January 2023, Completion took place on 11 January 2023 and each of the companies within the Disposal Group ceased to be subsidiaries of the Company. The purpose of this circular is to provide you with, among others, (a) further details of the Disposal; and (b) other information as required by the GEM Listing Rules.

2. THE DISPOSAL

The principal terms of the Agreement are set out below:

Date

3 January 2023

LETTER FROM THE BOARD

Parties

- (1) The Company (as the seller);
- (2) the Purchaser; and
- (3) the Guarantor.

The Purchaser is owned as to 99% by Mr. Ke Lizhi (i.e. the Guarantor) and 1% by Ms. Zhang Xia.

To the best knowledge of the Directors, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules).

Subject matter

The Company will conditionally agree to sell and the Purchaser will conditionally agree to purchase the Sale Share.

Consideration

The Purchaser shall pay the Consideration of HK\$37,000,000 in the following manners:

1. HK\$22,200,000 (being 60% of the Consideration) shall be paid by the Purchaser to the Company upon the Completion; and
2. HK\$14,800,000 (being 40% of the Consideration) shall be paid by the Purchaser to the Company within 45 days following the Completion.

Further details of the Consideration are set out in the section headed “4. Basis of the Consideration” of this circular.

LETTER FROM THE BOARD

Conditions precedent

Completion is conditional upon each of the following being satisfied (or, where applicable, waived):

1. the parties having obtained all necessary approvals, consents, authorisation, waivers, instructions or relaxations in respect of the Disposal and the transactions contemplated under the Agreement;
2. the Shareholders having approved the Agreement and the transactions contemplated thereunder in accordance with the GEM Listing Rules;
3. the board of directors of the Disposal Company having passed resolutions to approve the Agreement and the transactions contemplated thereunder;
4. the parties to the Agreement having obtained all necessary consents or approvals in respect of the Agreement and the transactions contemplated thereunder from the relevant government or regulatory authorities (if required);
5. the Company having issued written confirmation to the Purchaser that all of the aforesaid conditions (1) to (4) having been satisfied (except for the relevant conditions, if any, which are subject to the consents, approvals or satisfaction to be obtained from the Purchaser and/or the Guarantor); and
6. the Purchaser having issued written confirmation to the Company that all of the aforesaid conditions (1) and (4) having been satisfied (except for the relevant conditions, if any, which are subject to the consents, approvals or satisfaction to be obtained from the Company).

If the above conditions have not been satisfied or waived (save and except for condition (2) which is not capable for being waived) on or before the Long Stop Date, or such later date as the Company and the Purchaser may agree in writing, the Agreement shall cease and determine and neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Completion

Completion shall take place within three Business Days (or such other date as agreed by the parties) upon satisfaction or waiver of all the conditions set out under the paragraph headed “Conditions precedent” above (save and except for condition (2) which is not waivable by any party to the Agreement).

As set out in the announcement of the Company dated 11 January 2023, all the conditions set out under the paragraph headed “Conditions precedent” have been fulfilled and Completion has taken place on 11 January 2023.

LETTER FROM THE BOARD

Guarantee

The Guarantor will irrevocably and unconditionally guarantee to the Seller all the obligations of the Purchaser under the Agreement including, but not limited to, the performance of the Purchaser of its obligations to settle the Consideration and other fees payable by the Purchaser to the Seller.

VAT Refund

The Company will arrange, and the Purchaser will allow, staff or designated persons of the Company to continue the process of VAT Refund application for a period of one year following the Completion. If any amount is received from the VAT Refund during the above one-year period, the Purchaser agrees to, or procure the Disposal Group to transfer all such amounts to the Company within three days following such receipt.

3. THE DISPOSAL GROUP

Information on the Disposal Group

The Disposal Company is a company incorporated in Hong Kong with limited liability. The Disposal Group is principally engaged in the operation of the PRC Big Data Centres.

Financial information on the Disposal Group

Set out below is the financial information of Disposal Group based on its unaudited management accounts:

	For the year ended 31 December 2020	For the year ended 31 December 2021	For the nine months ended 30 September 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	379,658	171,721	nil
Gross profit/(loss)	38,229	(17,969)	(7,108)
Net loss before and after taxation and extraordinary items for the year/period	(6,877)	(262,383)	(15,022)

As at 30 September 2022, the Disposal Group had unaudited net assets of approximately HK\$57.8 million.

With reference to the Company's annual report for the year ended 31 December 2021, the Group had net assets of approximately HK\$92.9 million as at 31 December 2021 from the segment of provision of big data centre services in the PRC (the "Segment Net Assets"). The difference between the Segment Net Assets as at 31 December 2021 and the Disposal Group's net assets as at 30 September 2022 was mainly due to (i) the inclusion of relevant assets and liabilities in relation to the Group's provision of big data centre services in Hong Kong in the Segment Net Assets and (ii) the loss and comprehensive loss of the Disposal Group recorded for the nine months ended 30 September 2022.

LETTER FROM THE BOARD

4. BASIS OF THE CONSIDERATION

The Consideration was arrived at after arm's length negotiation between the Company and the Purchaser after taking into account of (i) the unaudited consolidated net assets value of the Disposal Group as at 30 September 2022 of approximately HK\$57.8 million; and (ii) the valuation of the Disposal Group of approximately HK\$40.2 million as at 30 September 2022 prepared by the Independent Valuer based on asset approach. The valuation report of the Disposal Group performed by the Independent Valuer is set out in Appendix II to this circular. Based on the appraisal of the Independent Valuer, the market value of the equity interests of the Disposal Company as at 30 September 2022 amounted to approximately HK\$40.2 million. The Consideration of the Disposal of approximately HK\$37 million represents a discount of approximately 8.0% to the aforesaid market value of the equity interests of the Disposal Company.

The appraised value of the equity interest in the Disposal Company as at 30 September 2022 amounted to approximately HK\$40.2 million, representing a deficit of approximately HK\$17.6 million as compared to the consolidated net assets value of the Disposal Group. The deficit was mainly attributable to the decrease in estimated recoverable amounts of value-added-tax (“VAT”) receivables held by the Disposal Group. As at 30 September 2022, book value of VAT receivables recorded on the book of Ganzi Changhe, Sichuan Lecaiyuntian, Chengdu Keying and Chengdu Yilaike amounted to approximately HK\$17.7 million, and a major part of which was due from the government of Ganzi Tibetan Autonomous Prefecture (the “**Ganzi Government**”).

Background of VAT receivables

Back in 2019, the Disposal Group made various property, plant and equipment investments in order to provide big data centre services in Ganzi, Sichuan. Along with the property, plant and equipment investments, the Disposal Group also recognised VAT receivables to be utilized in operation. However, during the year ended 31 December 2021, the Disposal Group ceased operation based on relevant government policies. The VAT receivables amounted to approximately HK\$17.7 million on balance sheet of the Disposal Group as at 30 September 2022.

Negotiation with the Purchaser

During the negotiation with the Purchaser for determining the consideration on the Disposal, the Purchaser performed financial due diligence, including but not limited to re-assessing the recoverability of the VAT receivables and considered such VAT receivables might not be realised in the foreseeable future in near term.

The management of the Company has used its best efforts to negotiate with the Purchaser on this, and provided efforts and documents to support such amount being recoverable, and also tried to communicate with the PRC government to grant such VAT receivables to the Disposal Group, however, such grounds are not accepted by the Purchaser.

LETTER FROM THE BOARD

Prolonged Approval Process of VAT Refund

The VAT Refund applications have been submitted by the Disposal Group since June 2021 and the issue has not been solved for about 15 months as at September 2022, or about 20 months as at the Latest Practicable Date. As of the Latest Practicable Date, the Disposal Group has not obtained an expected timeline as for the approval progress, and for receiving any actual VAT refund from the Ganzi Government.

View from the Independent Valuer

Given that the Purchaser has raised concerns on the recoverability of the VAT receivables and that there are a number of issues surrounding the VAT receivables, the Company has engaged the Independent Valuer to perform an appraisal on the market value of the equity interest of the Disposal Company. In particular, the Company has discussed with the Independent Valuer the abovementioned issues surrounding the VAT receivables. The Independent Valuer considers that the interaction with and the responses from the local tax authorities suggested a prolonged approval progress and unpredictable timeline for receiving VAT Refund, which creates a high degree of uncertainty on the recovery of the deductible VAT receivables. The Independent Valuer is of the opinion that the application of VAT refund from the Ganzi Government is extremely difficult to be successful, and thus it has assigned zero value to such VAT receivables in arriving at the appraised value of the Disposal Company.

Company's view on the Consideration

The Consideration of the Disposal of approximately HK\$37 million represents a discount of approximately 8.0% to the aforesaid market value of the equity interests of the Disposal Company. After taking into account (a) the difficulty in finding a suitable purchaser for the non-operating assets held by the Disposal Group; (b) the current PRC policies on the industry that the PRC Government policy would not change and would continue to ban crypto mining business in the foreseeable future; (c) the expected use of proceeds from the Disposal would help the Group to continue expand its businesses to generate more revenue in the future; and (d) the reasons and benefits of the Disposal as set out in the section headed "6. Reasons for and benefits of the Disposal" below, the Company considers the Consideration to be fair and reasonable.

LETTER FROM THE BOARD

VAT Refund

As set out in the Agreement, the Company will arrange, and the Purchaser will allow, staff or designated persons of the Company to continue the process of VAT Refund application for a period of one year following the Completion. If any amount is received from the VAT Refund during the above one-year period, the Purchaser agrees to, or procure the Disposal Group to transfer all such amounts to the Company within three days following such receipt. The above one-year period was determined by the parties based on arm's length negotiations. Taking into account that, (i) there are difficulties and issues encountered during the VAT Refund process; (ii) the likelihood of getting the VAT Refund will become more remote if it is not yet approved by the end of such one-year period, which is now estimated to be in or around end of 2023 (i.e. around 30 months since the first application in June 2021); and (iii) there will be additional costs to be incurred by the Company to continue the process of VAT Refund, the Company considers that a one-year period is reasonable.

5. INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in Macau with limited liability with principal activity of investment holding.

6. REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in (i) the provision of data analysis and storage services; (ii) data processors leasing services; and (iii) money lending business in Hong Kong.

References are made to the Company's announcements dated 20 June 2021, 21 June 2021 and 25 June 2021 and 18 October 2021 in relation to the cessation of operation of the Group's PRC Big Data Centres, being three big data centres operated by the Disposal Group located in Sichuan province of the PRC, for compliance with the relevant national regulatory requirements, the Group's PRC Big Data Centres have been closed and no longer generated any revenue since June 2021. As part of the next steps of the Group's plan to close the PRC Big Data Centres, the Company decided to dispose of the Disposal Company.

The Directors are of the view that after the aforesaid incidents in the PRC, and in view of the continuing surge of electricity cost globally, being the major operating costs of big data centre business, caused by energy supply chain disruption mainly due to COVID-19 pandemic, the Group does not intend to continue or develop the big data centre business in the PRC. The Disposal Group did not generate any revenue since June 2021 and the Directors are of the view that continuing holding of the interests in the Disposal Group will not be beneficial to the Group in the long run.

LETTER FROM THE BOARD

The Company remains optimistic about the big data industry and it is the intention of the Company to continue to the development of its existing businesses in Hong Kong and expand the existing businesses of the Group through, among other things, the development of big data centre(s) in the overseas markets including, but not limited to, the North America and Southeast Asia regions. The Directors are of the view that the Group will be able to focus on the aforesaid business development after carrying out the Disposal. In arriving at such business development plan, the Company has taken into account the following factors:

- (i) there has been an increasing trend in energy prices in the past few months. Such increase in energy price has also led to an increase in electricity price, which is one of the key factors affecting the business of the clients of the Group's big data centre businesses;
- (ii) the operation of a big data centre will require sufficient space for installing and setting up the necessary equipment and facilities for the big data centre. Although there is a downward trend in the property prices in Hong Kong recently, there may be increase in property prices and rents following the recovery of the economic activities of Hong Kong; and
- (iii) in view of the aforesaid possible fluctuations in rents in Hong Kong and energy price in the near future, the Company considers that it will be more prudent to develop its business in areas with lower electricity prices and lower rents, such as Southeast Asia or North America.

The Group is currently exploring opportunities to develop and/or expand its existing big data centre business. It is intended that part of the net proceeds will be used by the Group on potential investment opportunities and the remaining for general working capital purposes. Further details of the intended use of proceeds from the Disposal are set out in section "8. Use of Proceeds".

Having considered the above, the Directors are of the view that the terms of the Disposal are fair and reasonable, and the Disposal is in the interests of the Company and its Shareholders as a whole.

7. FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, the Company would not hold any interests in the Disposal Company. Each of the companies within the Disposal Group ceased to be subsidiaries of the Company, and the financial results of the Disposal Group will no longer be consolidated into the financial statements of the Group.

It is expected that the total assets and liabilities of the Group will decreased by approximately HK\$43m and HK\$22.2m respectively upon Completion. It is estimated that the Group will record a one-off loss on the Disposal of approximately HK\$20.8 million, being the Consideration net of the unaudited consolidated net asset value of the Disposal Group as at 30 September 2022 (which is subject to final audit by the auditors of the Company).

The above financial impact is shown for illustrative purposes only. The actual gain or loss to be recorded by the Group is subject to review by the auditor of the Company.

LETTER FROM THE BOARD

8. USE OF PROCEEDS

The gross proceeds from the Disposal is HK\$37 million. It is intended that part of the net proceeds from the Disposal will be used by the Group on potential investment opportunities and the remaining for general working capital purposes. Further details of the intended use of proceeds from the Disposal are set out below:

- (i) approximately HK\$22 million of the proceeds will be used to increase or upgrade the fixed assets of the Group's big data centre (including any big data centres to be developed or acquired by the Group in the future);
- (ii) approximately HK\$5 million of the proceeds will be used in hiring experts or staff for researches and business development;
- (iii) approximately HK\$6 million of the proceeds will be used for business expansion, including but not limited to, investments into companies carrying out similar businesses of the Group; and
- (iv) approximately HK\$4 million of the proceeds will be used for general working capital.

The Group will use majority of the proceeds from the Disposal in operating and expanding the businesses of the Group. The Group will consider development of big data centre(s) in the overseas markets and therefore, the Company expects that certain parts of the proceeds (usage (i) above) will be used for the development of the big data centre, including the increasing or upgrading of the fixed assets to be used in big data centres. As at the Latest Practicable Date, the Group is exploring suitable opportunities for expansion and development of its big data centre business, particularly the overseas market. Such opportunities include, among others, possible investment in company(ies) in the United States of America engaging in business of big data centre(s).

In addition, along the intended business expansion into big data centre business in overseas market, the Company considers that there will be a need to hire experts or staff for researches and business development (usage (ii) above). Certain parts of the proceeds (usage (iii) above) will be reserved for the business expansion, including but not limited to the possible investment in the United States big data centre business as mentioned above, and any other similar businesses that the Company considers appropriate. Taking into account the business plan of the Group and the intended usage of the proceeds from the Disposal, the Company considers that the Group will be able to expand its businesses to generate more revenue in the future.

LETTER FROM THE BOARD

9. GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio calculated in accordance with the GEM Listing Rules in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction for the Company and is subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, none of the Shareholders has any material interest in the Disposal. As such, no Shareholder is required to abstain from voting if an extraordinary general meeting were convened for the approval of the Disposal. The Company has obtained written approval in respect of the Disposal from Manful Kingdom Limited, being the controlling Shareholder holding 279,815,740 Shares in aggregate, representing approximately 51.02% of the entire issued share capital and voting rights of the Company as at the date of the Announcement. Therefore, as permitted under Rule 19.44 of the GEM Listing Rules, no extraordinary general meeting will be convened for the approval of the Disposal.

10. RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Disposal are fair and reasonable, and that the Disposal is in the interests of the Company and the Shareholders as a whole.

Accordingly, if it had been necessary to hold a general meeting to obtain the approval of the Agreement and the Disposal, the Board would recommend the Shareholders to vote in favour of the resolutions to approve the same at such general meeting.

11. ADDITIONAL INFORMATION

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

Yours faithfully
By order of the Board
Crypto Flow Technology Limited
Huang Yibin
Chief Executive Officer and Executive Director

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the each of the three years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2022 were set out in the annual reports of the Company for the year ended 31 December 2019 (pages 60 to 143), for the year ended 31 December 2020 (pages 69 to 147) and for the year ended 31 December 2021 (pages 73 to 149), and interim report of the Company for the six months ended 30 June 2022 (pages 9 to 24) respectively, which were published on the Stock Exchange website (<http://www.hkexnews.hk>) and the Company's website (www.cryptoflowhk.com).

2. INDEBTEDNESS STATEMENT

At the close of business on 31 December 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding lease liabilities amounted to approximately HK\$3.4 million.

Save as aforesaid and apart from intra-group liabilities and normal accounts payable in the ordinary course of business, as at the close of business on 31 December 2022, the Group did not have any loan capital in issue and outstanding or agreed to be issued, bank loans or overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, guarantees, or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, taking into account the Group's internally generated funds, existing banking and other borrowing facilities available, the existing cash and bank balances and the effect of the Disposal, the working capital available to the Group is sufficient for the Group's requirements for at least 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2021, the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

In response to the “Policy Statement on the Development of Virtual Assets in Hong Kong” released by The Hong Kong Finance and Treasury Bureau, the Company actively considers performing research on the technology of blockchain, the technological application of web3.0 and the business models of support platforms. The Group has acquired 30% equity interest in Cyberflow Digital Inc, a company engaging in the development of a web3.0 mobile application, at a consideration of US\$150,000 in the fourth quarter of 2022. It is also in the process of recruiting certain talents in blockchain related technology. Going forward, the Group will continue to devote resources into the research and development of blockchain technology and the technological application of web3.0, with an aim to provide blockchain related application services.

The Company will continuously review on the operations and financial position of the Group for the purpose of formulating business plans and strategies for the Group’s long-term business development and will explore other business opportunities for the Group. Subject to the results of the review, and should suitable investment or business opportunities arise, the Company may consider whether any assets and/or business acquisitions or disposals by the Group will be appropriate in order to enhance its growth.

The Company is actively exploring the development of big data centres in line with the Group’s overall development strategy, in order to seize opportunities to meet market demand and expand our big data centre business. The Company intends to expand the existing businesses of the Group through, among others, the development of big data centre(s) in the overseas markets including, but not limited to, the North America and Southeast Asia regions.

APPENDIX II VALUATION REPORT ON THE DISPOSAL GROUP

The following is the text of a valuation report from CHFT Advisory and Appraisal Limited, the Independent Valuer, in connection with the independent appraisal of the market value of the equity interests in the Disposal Company as at 30 September 2022, which has been prepared for the inclusion in this circular.

Date: 28 February 2023



Board of the Directors

Crypto Flow Technology Limited

Unit 3506, 35th Floor,
Tower One, Lippo Centre,
89 Queensway, Hong Kong

Dear Sirs,

RE: Valuation of 100% Equity Interest of the Disposal Group

In accordance with an instruction from Crypto Flow Technology Limited (“**the Company**” or the “**Instructing Party**”), we hereby provide a valuation on the market value basis of 100% equity interest (the “**Equity Interest**”) of Brighten Express Limited, together with its subsidiaries:

- (1) 樂透互娛信息技術(深圳)有限公司;
- (2) Greentech Ltd.;
- (3) 甘孜州長河水電消納服務有限公司;
- (4) 四川省樂彩雲天網絡科技有限公司;
- (5) 成都科盈互動信息科技有限公司;
- (6) 成都伊萊科科技有限公司; and
- (7) 廣州森泰信息技術有限公司.

Brighten Express Limited, together with its subsidiaries, are collectively referred to as the “Disposal Group”.

The basis date for valuation is 30 September 2022 (the “**Valuation Date**”).

We confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market value of Equity Interest of the Disposal Group. This valuation is complied with the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors (“**RICS**”) and International Valuation Standards (“**IVS**”) published by the International Valuation Standards Council.

This report outlines our latest findings and valuation conclusion and is prepared solely for the Instructing Party’s public disclosure purpose only.

APPENDIX II VALUATION REPORT ON THE DISPOSAL GROUP

1 SCOPE OF WORK

In conducting this valuation exercise, our scope of work includes:

- Co-ordinated with the Disposal Group’s representatives to obtain the required information and documents for our valuation;
- Gathered the relevant information of the Disposal Group, including the legal documents, financial statements, ownership chart etc. made available to us;
- Discussed with the representatives of the Disposal Group to understand the history, business model, operations, etc. for valuation purpose;
- Carried out researches in the sector concerned and collected relevant market data from reliable sources for analysis;
- Investigated into the information of Disposal Group made available to us and considered the basis and assumptions of our conclusion of value;
- Designed an appropriate valuation model to analyze the collected data and derived the estimated market value of the Disposal Group; and
- Compiled a report on the valuation, which outlines our findings, valuation methodologies and parameters, and conclusion of value.

When performing our valuation, all relevant information, documents, and other pertinent data concerning the assets, liabilities and contingent liabilities should be provided to us. We relied on such data, records and documents in arriving at our opinion of values and had no reason to doubt the truth and accuracy of the information provided to us by the Instructing Party and its authorized representatives.

2 BASIS OF VALUATION

Our valuation is based on market value basis.

Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

3 BACKGROUND OF THE DISPOSAL GROUP AND THE DISPOSAL

Crypto Flow Technology Limited is principally engaged in (i) the provision of data analysis and storage services (the “**Big Data Centre Services**”), (ii) data processors leasing services, and (iii) money lending business in Hong Kong. The Disposal Group is wholly-owned by the Instructing Party.

APPENDIX II VALUATION REPORT ON THE DISPOSAL GROUP

For the Big Data Centre Services, the Instructing Party operates big data centres to provide comprehensive services including premises, hardware support, power supply, ancillary supervision and management services to clients. The Disposal Group operates three big data centres located in the Sichuan province of the PRC for the Instructing Party.

During the year ended 31 December 2021, the Disposal Group ceased operation based on relevant government policies which ban crypto mining business in the PRC. For the nine months ended 30 September 2022, the Disposal Group recorded net loss of around HKD15,000,000.

On 3 January 2023, the Instructing Party entered into an agreement (the “**Agreement**”) in relation to the disposal of 100% equity interest of Brighten Express Limited, together with its subsidiaries, with 澳門鯤鵬九洲文化旅遊投資集團有限公司 (the “**Purchaser**”), in which the Instructing Party agreed to dispose, and the Purchaser agreed to acquire the Disposal Group, with a consideration of HKD37,000,000.

4 VALUATION METHODOLOGY

There are three generally accepted valuation approaches in this valuation. The valuation approaches are sourced from International Valuation Standard 105 – Valuation Approaches and Methods.

4.1 Cost Approach

The cost approach, (or known as asset approach), takes an asset-based prospective rather than a market-oriented prospective. It requires valuing the assets on an individual basis to add up to the total values of assets.

Under this approach, the values of individual components or parts of the subject asset is estimated by valuers on an itemised basis, thus arriving at the valuation of the subject asset. This approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for any value deterioration factors and all other relevant forms of obsolescence.

The cost approach should be used as the primary basis for a valuation under the following circumstances:

- the individual components or parts of the subject asset can be clearly identified. Such components or parts generate economic benefit by itself and require few management or operation; or
- market participants would be able to recreate an asset with substantially the same utility as the subject asset, and the asset could be recreated quickly; or
- the basis of value being used is fundamentally based on replacement cost, such as reinstatement value.

4.2 Market Approach

The market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available. When reliable, verifiable and relevant market information is available, the market approach is the preferred valuation approach.

The market approach should be used as the primary basis for a valuation under the following circumstances:

- the asset has recently been sold in a transaction appropriate for consideration under the basis of value;
- the asset or substantially similar assets are actively publicly traded; and
- there are frequent or recent observable transactions in substantially similar assets.

4.3 Income Approach

The income approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset.

The income approach should be used as the primary basis for a valuation under the following circumstances:

- the income-producing ability of the asset is the critical element affecting value from a market participant perspective; and
- reliable projections of the amount and timing of future income are available for the subject asset, but there are few, if any, relevant market comparables.

4.4 Selection of Assessment Methodology

We have conducted a research in an effort to locate sufficient comparable companies/comparable transactions to determine the appropriateness of adopting market approach. Our selection criteria are that the comparable companies/comparable transactions should:

- Primarily be engaged in provision of Big Data Center Services that support crypto mining in previous years;
- Had its primary operations or revenue in China or Hong Kong;
- Ceased operation in recent years due to policy change in China; and
- Contain relevant information that is both available and publicly disclosed.

We have conducted exhaustive research, including and not limited to FactSet Database, Bloomberg, Hong Kong Stock Exchange, Shanghai Stock Exchange, Shenzhen Stock Exchange, Google, etc. However, no suitable comparable company or transaction was identified. The primary reason is that crypto mining business was a relatively new industry and was suddenly banned by China government. The transaction for company that has already ceased operation are rare, so no comparable company or transaction for valuation reference purpose is available.

We have also considered that income approach was not appropriate because the Disposal Group has ceased operation for more than one year as at the Valuation Date, and the Instructing Party does not intend to continue to provide Big Data Centre Services in the PRC. Thus, the Disposal Group does not have income-producing ability in the future.

In light of the above, we have selected the asset approach as our valuation methodology. Specifically, we have chosen the summation method.

Summation Method

The summation method is a method that calculates the value of an asset by the addition of the separate values of its component parts. The summation is typically used for investment companies or other types of assets or entities for which value is primarily a factor of the values of their holdings.

The key steps in summation methods are:

- value each of the component assets that are part of the subject apart using the appropriate valuation approaches and methods; and
- add the value of the component assets together to reach the value of the subject asset.

APPENDIX II VALUATION REPORT ON THE DISPOSAL GROUP

5 BALANCE SHEET OF THE DISPOSAL GROUP AS AT THE VALUATION DATE

In this valuation, we have obtained the financial statement of the Disposal Group as at 30 September 2022. The detailed financial information is set out as table below:

Items	Book Value <i>('000s)</i>
Cash and cash equivalents	34,128
Trade and other receivables	<u>27,137</u>
Total Current Assets	<u>61,266</u>
Property, plant & equipment	15,399
Investment in associates	<u>3,302</u>
Total Non-current Assets	<u>18,701</u>
Total Assets	<u>79,966</u>
Trade and other payables	<u>22,189</u>
Total Current Liabilities	<u>22,189</u>
Shareholder's Equity	<u>57,777</u>

Currency: HKD

6 ASSET APPROACH – VALUATION OF ASSETS AND LIABILITIES**6.1 Cash and Cash Equivalents**

As at the Valuation Date, the book value of cash and cash equivalents is around HKD34,128,000. The cash account is composed of cash on hand and cash at bank.

As this account is cash-based and has high liquidity with no significant credit risk, so we are of the opinion that the book value of this account can approximate for the market value.

6.2 Trade and Other Receivables – payments due from clients

As at the Valuation Date, the book value of trade and other receivables is around HKD27,137,000. The balance represents payments due from clients, and value-added-tax (“VAT”) receivables due from the government of Ganzi Tibetan Autonomous Prefecture (the “**Ganzi Government**”).

As payments due from clients are cash-based and it is expected that such trade receivables are expected to be realized within a short period of time, we are of the opinion that the book value of this portion, which amounts to around HKD9,400,000 of trade and other receivables, can approximate for the market value.

6.3 Trade and Other Receivables – VAT due from the Ganzi Government

As at the Valuation Date, book value of VAT receivables due from the Ganzi government amounted to around HKD17,700,000. According to management, in 2019, the Disposal Group made various property, plant and equipment investments in order to provide Big Data Centre Services in Ganzi Tibetan Autonomous Prefecture, Sichuan. Along with the property, plant and equipment investments, the Disposal Group also recognized VAT receivables to be utilized in operation. However, during the year ended 31 December 2021, the Disposal Group ceased operation based on relevant government policies.

Based on government policies relating to tax rebate benefit, the Instructing Party was applicable for VAT refund. Such application for VAT refund was submitted by a company in the Disposal Group, resulting in the VAT receivables of around HKD17,700,000 on balance sheet of the Disposal Group.

We are of the opinion that the book value of such VAT receivables does not equal to the market value based on the following reasons:

Prolonged Approval Process of VAT Refund

The VAT refund applications have been submitted by the Disposal Group since June 2021 and the issue has not been solved after about 15 months. As of the Valuation Date, the Disposal Group has not obtained an expected timeline as for the approval progress, and for receiving any actual VAT refund from the Ganzi Government. In fact, as time goes by, the response provided by Ganzi Government is perceived to be less favorable to the Disposal Group, which is discussed as below.

Challenging Responses from Ganzi Government

Following the submission of the VAT refund application in June 2021 and up to September 2022, the Disposal Group has received several responses from the Ganzi Government:

- (a) Since receiving the application from the Disposal Group in June 2021, Ganzi Government did not in any form acknowledge the rightfulness of the application of VAT refund, nor did it provide any timetable for approval;
- (b) In December 2021, the Ganzi Government notified the Disposal Group to launch a self-checking process;
- (c) The Disposal Group has conducted such self-checking process and submitted relevant report to Ganzi Government in January 2022. Also, in first half of 2022, the Disposal Group submitted other documents to Ganzi Government from time to time upon request to facilitate the VAT refund process. Nevertheless, the Disposal Group failed to obtain clear confirmation from Ganzi Government in relation to the application of VAT refund up to date; and
- (d) Moreover, in September 2022, the Disposal Group received written notification from Ganzi Government that its VAT refund application was officially filed for further approval and checking. The written notification mandated another self-checking and representative from Disposal Group to be presented to the tax administration located in Kangding city, China with self-checking results. It suggests the Disposal Group was put under further investigation and had been escalated from verbal response to written notification.

Based on the above, the interaction with and the responses from the local tax authorities suggested a prolonged approval progress and unpredictable timeline for receiving VAT refund, which creates a high degree of uncertainty on the recovery of the deductible VAT receivables. We are of the opinion that the application of VAT refund from the Ganzi Government is extremely difficult to be successful, thus the book value of around HKD17,700,000 is written off from balance sheet during our course of valuation.

Opinion from Tax Consultant

The Company has appointed SHINEWING Tax and Business Advisory Limited (“**Shinewing Tax**”), an independent tax consultant to review the VAT receivables of the Disposal Group. Based on the information provided to the Company by Shinewing Tax, Shinewing Tax opined that the recoverability of the VAT receivables of the Disposal Group is remote. We have also referred to the opinion from Shinewing Tax in our valuation.

6.4 Property, Plant & Equipment

As at the Valuation Date, the Disposal Group owns property, plant and equipment for providing the Big Data Centre Services. The PP&E on book mainly comprises of electrical equipment, network equipment, surveillance equipment, and other equipment such as air-conditioners and computers.

After obtaining the market quotes for the machinery parts as mentioned above, we are of the opinion that the market value of the property, plant and equipment amounts to around HKD15,527,000 as at the Valuation Date. Please refer to Appendix I for details of items.

6.5 Investment in associates

As at the Valuation Date, the book value of investment in associates is around HKD3,302,000. The amount represent investment in 廣州森泰信息技術有限公司 which is a self-media company that provides latest information on blockchain. The Disposal Group made the investment in 2018 and holds 20% equity interest in the company. From year of investment to the Valuation Date, the company recorded an aggregate net loss of around RMB300,000 in total. The portion attributable to the Disposal Group based on 20% holding is approximately net loss of RMB60,000, which appears to be not significant. Considering that such account represents investment cost and adjusted for profit/loss during the period, we are of the opinion that the book value of the investment in associates can approximate for the market value.

6.6 Trade and other payables

As at the Valuation Date, the book value of trade and other payables is around HKD22,189,000. The balance represents payments due to suppliers and payable electricity charges.

We have obtained the breakdown schedule and studied the nature. The payables are cash-based, and we are of the opinion that the book value of trade and other payables can approximate for the market value.

APPENDIX II VALUATION REPORT ON THE DISPOSAL GROUP

7 MARKET VALUE BALANCE SHEET OF THE DISPOSAL GROUP AS AT VALUATION DATE

In this valuation, the following items are under assessment:

Items	Book Value ('000s)	Market Value ('000s)
Cash and cash equivalents	34,128	34,128
Trade and other receivables	<u>27,137</u>	<u>9,434</u>
Total Current Assets	<u>61,266</u>	<u>43,562</u>
Property, plant & equipment	15,399	15,527
Investment in associates	<u>3,302</u>	<u>3,302</u>
Total Non-current Assets	<u>18,701</u>	<u>18,829</u>
Total Assets	<u>79,966</u>	<u>62,391</u>
Trade and other payables	<u>22,189</u>	<u>22,189</u>
Total Current Liabilities	<u>22,189</u>	<u>22,189</u>
Total Liabilities	<u>22,189</u>	<u>22,189</u>

Currency: HKD

8 PREMISE OF VALUATION AND BASIS OF VALUATION

Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

8.1 Source of Information

Our investigation covers the discussion with the Disposal Group and the Instructing Party’s representatives, the collection of information including the details of the Disposal Group.

We assume that the data obtained in the course of the valuation, along with the opinions and representations provided to us by the Instructing Party were prepared in reasonably care.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Instructing Party. We have also sought confirmation from the Instructing Party that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

8.2 Factors Considered

The factors considered in this valuation included, but were not limited to, the following:

- Operation and financial history of the Disposal Group;
- The economic conditions of PRC;
- The nature of the Disposal Group;
- Background of VAT receivables and application progress of VAT refund;
- Opinion from independent tax consultant;
- The financial conditions of the Disposal Group; and
- The economic condition and the industry outlook in general.

9 DISCLAIMER AND LIMITATION

Our findings or conclusion of values of the subject(s) in this report are valid only for the stated purpose and at the Valuation Date(s), and for the sole use of the Instructing Party.

Our liability for any loss or damage arising out of the action or proceedings aforesaid shall, notwithstanding the preceding provisions, in any event be limited to a sum not exceeding three (3) times of the amount of our agreed fee(s) for this engagement or HK\$500,000, whichever the lower. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, loss of profits, opportunity cost, etc.), even if it has been advised of their possible existence. For the avoidance of doubt our liability shall never exceed the lower of the sum calculated in accordance with the preceding provisions and the sum provided for in this clause.

The Instructing Party and the Disposal Group are required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our engagement except to the extent that any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence, misconduct, willful default or fraud of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

We reserve the right to include your company/firm name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings. These conditions can only be modified by written documents executed by both parties.

Any decision to purchase, sell or transfer any interest in the valuation subjects shall be the owners' sole responsibility, as well as the structure to be utilized and the price to be accepted. The selection of the price to be accepted requires consideration of factors beyond the information we will provide or have provided. An actual transaction involving the subject business might be concluded at a higher value or at a lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivations of the buyers and sellers at that time.

APPENDIX II VALUATION REPORT ON THE DISPOSAL GROUP

10 CONCLUSION

The conclusion of value is based on the accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

While the assumptions and consideration of such matters are considered to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Instructing Party and/or CHFT.

Based on the valuation methodology adopted, we are of the opinion that as at 30 September 2022, the market value of the Equity Interest of the Disposal Group, on the market value basis, was in the sum of HKD 40,200,000.

We hereby certify that we have neither present nor prospective interests in the Disposal Group or the value(s) reported.

Yours faithfully,
For and on behalf of
CHFT Advisory And Appraisal Ltd

Ross Wang CFA
Director

APPENDIX II VALUATION REPORT ON THE DISPOSAL GROUP

APPENDIX I – PROPERTY, PLANT & EQUIPMENT’S MARKET VALUE CALCULATION

Items	Quoted Market Value
Cables	1,196,996
5000W Diesel Generator	1,882
Thermal Imager	941
Management Monitoring Server	4,705
110KV Main Change	1,411,414
10KV High Voltage Switchgear	352,854
Protective Cabinet	32,933
110KV Busbar	37,638
Park Cleaning Machine	941
NUC Scanner	1,882
Welding Machine	941
FLUKE Tester	470
220KV Main Change	4,732,943
Steel	1,947,709
Low Pressure Aluminum Bar	153,023
Blv-1*25	268,703
Air Switch	34,346
PDU	252,022
UPS Power Supply	4,517
Power Cabinet	277,014
Negative Pressure Fan	767,245
Water Pump	5,721
Air Conditioner	16,561
Computer	5,646
Router	36,697
Core Switch	36,697
Aggregation Switches	59,279
Switchboard	400,966
Probe	17,953
Display Screen	3,387
Recorder	9,409
Decoder	2,823
Transformer	3,450,626
Total	15,526,882

Currency: HKD

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM 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 facts the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at the Latest Practicable Date, none of the Directors and chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

Substantial Shareholders' Interests in Shares, Underlying Shares and Debentures

As at the Latest Practicable Date, the interests and short positions of persons (other than the Directors and chief executive of the Company) in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long positions in the Shares

Name	Capacity/Nature	Number of Shares held/interested in	Approximate percentage of total issued Shares (Note 1)
Manful Kingdom Limited	Beneficial owner	279,815,740	51.02%
Mr. Fu Jiepin (Note 2)	Interest in controlled corporation	279,815,740	51.02%
Ms. Xia Bing (Notes 2 & 3)	Interest of spouse	279,815,740	51.02%

Name	Capacity/Nature	Number of Shares held/ interested in	Approximate percentage of total issued Shares (Note 1)
BIT Mining Limited	Beneficial owner	48,195,605	8.79%
Mr. Law Man San Vincent (Note 4)	Interest in controlled corporations	48,195,605	8.79%
	Beneficial owner	184,000	0.03%
Ms. Yuan Ping (Notes 4 & 5)	Interest of spouse	48,379,605	8.82%

Notes:

1. As at the Latest Practicable Date, the total number of issued Shares was 548,408,822.
2. As a controlling shareholder of Manful Kingdom Limited who was interested in 35% of the issued share capital thereof, Mr. Fu Jiepin was deemed to be interested in 279,815,740 Shares held by Manful Kingdom Limited.
3. Ms. Xia Bing is the spouse of Mr. Fu Jiepin. Accordingly, Ms. Xia Bing was deemed to be interested in the Shares in which Mr. Fu Jiepin was interested under the SFO.
4. Mr. Law Man San Vincent was deemed to be interested in 48,195,605 Shares held by BIT Mining Limited through his controlled corporations, Good Luck Capital Limited and Delite Limited. He was also interested in 184,000 Shares in the capacity of beneficial owner.
5. Ms. Yuan Ping is the spouse of Mr. Law Man San Vincent. Accordingly, Ms. Yuan Ping was deemed to be interested in all the Shares in which Mr. Law Man San Vincent was interested under the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified of any other interests or short positions in the Shares or underlying shares of the Company which had been recorded in the register required to be kept under section 336 of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has any existing or proposed service contract with any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in business which competes or may compete, either directly or indirectly, with the business of the Group or had any other conflict of interests with the Group.

5. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any asset which have been, since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. DIRECTORS' INTEREST IN CONTRACTS OR ARRANGEMENTS

None of the Directors had any interest, directly or indirectly, in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

7. MATERIAL LITIGATION

As at the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

8. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Board comprised three independent non-executive Directors, namely Mr. Chu, Howard Ho Hwa, Mr. Tong, I Tony and Mr. Sun Yuqiang, with Mr. Sun Yuqiang acting as the chairman. The audit committee is responsible for (i) monitoring and reviewing the effectiveness of the Group's financial reporting system and, risk management and internal control systems; (ii) reviewing the Group's financial information; and (iii) overseeing the relationship with the auditors of the Company.

Biographical information of each member of the audit committee of the Board are set out below:

Mr. Chu, Howard Ho Hwa (朱賀華)

Mr. Chu, aged 58, graduated from University of Rochester in the United States of America with a bachelor's degree in electrical engineering in 1986 and Columbia University in the United States of America with a master's degree in business administration in 1990. Mr. Chu has approximately 30 years of business experience and more than 10 years of experience in corporate governance. Currently, Mr. Chu is a partner of Go Capital Limited who takes lead in the overseas investment projects of the fund and is responsible for, among others, the due-diligence and the processing of the legal documents of the projects. Mr. Chu had held various positions including but not limited to, the head of Hong Kong origination of ABN AMRO Asia Corporate Finance Ltd., the corporate finance director of HSBC Markets (Asia) Limited, the consultant of Shanghai Century Acquisition Corporation, the chief executive officer of mReferral Corporation (HK) Limited, the assistant to chairman of United Energy Group Limited (stock code: 467.HK), the chief financial officer of China Smart Electric Group Limited and the chief financial officer of Trony Solar Holdings Company Limited (stock code: 2468.HK; delisted).

From June 2016 up to and including the date of this circular, Mr. Chu has been an independent non-executive director of BOE Varitronix Limited (stock code: 710.HK). From June 2019 up to and including the date of this circular, Mr. Chu has been an independent non-executive director of Guolian Securities Co., Ltd. (stock code: 1456.HK). Prior to that, Mr. Chu was an independent non-executive director of each of Directel Holdings Limited (stock code: 8337.HK), China Kingsone Mining Holdings Limited (stock code: 1380.HK) and Weichai Power Co., Ltd. (stock code: 2338.HK).

Mr. Tong, I Tony (唐儀)

Mr. Tong, aged 54, graduated from the University of Minnesota in the United States of America with a bachelor's degree in mechanical engineering in 1992. Mr. Tong has more than 20 years of experience in the information technology field and approximately eight years in corporate governance. Mr. Tong is the co-chairman of Hong Kong Blockchain Association.

Mr. Tong served as an adjunct professor in the Institute of Technology at the University of Minnesota in the United States of America in 1999. From December 2019 to September 2020, Mr. Tong was an independent non-executive director of Yi Hua Holdings Limited (stock code: 2213.HK; delisted). Prior to that, Mr. Tong was an independent non-executive director of each of China Investment and Finance Group Limited (stock code: 1226.HK) and Sinofortune Financial Holdings Limited (stock code: 8123.HK).

Mr. Sun Yuqiang (孫宇強)

Mr. Sun, aged 55, graduated from Sun Yat-Sen University (中山大學) in the PRC with a bachelor's degree in auditing in 1989. Mr. Sun has over 20 years of experience in auditing field. Mr. Sun is a certified public accountant and a qualified lawyer in the PRC. Mr. Sun worked at the commissioner's office of the National Audit Office of the PRC in Guangzhou. From 2002 up to and including the date of this circular, Mr. Sun has been working as a certified public accountant at 廣東數誠會計師事務所有限公司 (Guangdong Shucheng Certified Public Accountants Co., Ltd.*).

9. MATERIAL CONTRACTS

Set out below are summary of the principal contents of the material contracts (not being contracts entered into in the ordinary course of business) entered into by any members of the Group within the two years immediately preceding the Latest Practicable Date:

- (a) the shareholders' agreement dated 6 September 2021 entered into between Brighten Express Limited, a wholly-owned subsidiary of the Company, and LLY Agro-Energy, an independent third party to the Company, in relation to the formation of a joint venture company (the "Shareholders Agreement");
- (b) the supplemental agreement dated 28 September 2021 entered into among Brighten Express Limited, a wholly-owned subsidiary of the Company, Capital Management LLP, an independent third party to the Company and LLY Agro-Energy, an independent third party to the Company, to the Shareholders Agreement, pursuant to which Capital Management LLP agreed to assume all the obligations and liabilities of LLY Agro-Energy under the Shareholders Agreement, and LLY Agro-Energy agreed to assign all its rights, benefits and interests in the Shareholders Agreement to Capital Management LLP;
- (c) the supplemental agreement dated 1 April 2022 entered into among Might Winner Limited, an indirect wholly-owned subsidiary of the Company and as the lender, Bright Topper Limited, an independent third party to the Company and as the borrower, and Ms. Li Xue, as the guarantor, to a loan agreement dated 3 April 2020 entered into among such parties in relation to the extension of a loan in the principal amount of HK\$30,000,000 for 24 months; and
- (d) the Agreement.

10. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the experts who have given opinion or advice, which are contained or referred to in this circular:

Name	Qualification
CHFT Advisory and Appraisal Limited	Independent professional valuer
SHINEWING Tax and Business Advisory Limited	Tax adviser as to PRC value-added tax

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its report and/or reference (as the case may be) to its name in the form and context in which they appear.

As at the Latest Practicable Date, each of the above experts had no shareholding interest 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 of any member of the Group.

As at the Latest Practicable Date, each of the above experts had no interest, directly or indirectly, in any assets which had since 31 December 2021 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group or which were proposed to be acquired or disposed of by or leased to any member of the Group.

11. GENERAL

- (a) The registered office of the Company is at P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands and the head office and principal place of business of the Company in Hong Kong is at Unit 3506, 35th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong.
- (b) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The company secretary of the Company is Ms. Chow Chiu Man, Mandy, a chartered secretary, a chartered governance professional and an associate of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute in the United Kingdom.
- (d) The compliance officer of the Company appointed is Mr. Huang Yibin, who has been appointed as the compliance officer of the Company since 9 September 2022.
- (e) The audit committee of the Company comprises all three independent non-executive Directors, namely Mr. Sun Yuqiang (chairman of the audit committee), Mr. Chu, Howard Ho Hwa and Mr. Tong, I Tony.
- (f) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

12. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Stock Exchange website (<http://www.hkexnews.hk>) and the Company's website (www.cryptoflowhk.com) up to and including the date which is 14 days from the date of this circular:

- (a) the Agreement;
- (b) the annual reports of the Company for each of the three years ended 31 December 2019, 2020 and 2021 and the interim report of the Company for the six months ended 30 June 2022;
- (c) the valuation report on the Disposal Group, the text of which is set out in Appendix II to this circular; and
- (d) the written consents referred to in the paragraph head "9. QUALIFICATION AND CONSENT OF EXPERTS" in this Appendix.