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HUOBI TECHNOLOGY HOLDINGS LIMITED

火币科技控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock code: 1611)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE DATABASE SERVICE AGREEMENT

DATABASE SERVICE AGREEMENT

On 30 April 2021, Win Techno, a wholly-owned subsidiary of the Company, and Huobi Worldwide, entered into the Database Service Agreement, pursuant to which Huobi Worldwide shall engage Win Techno as a service provider to provide database services to Huobi Worldwide for a term commencing from 1 May 2021 and expiring on 30 September 2022.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Li is beneficially interested in approximately 58.07% of the issued shares in the Company and is therefore a controlling shareholder of the Company. As such, Mr. Li is a connected person of the Company under Rule 14A.07 of the Listing Rules. As Huobi Worldwide is ultimately controlled by Mr. Li, Huobi Worldwide is an associate of Mr. Li and therefore a connected person of the Company under Chapter 14A of the Listing Rules. As at the date of this announcement, Win Techno is a wholly-owned subsidiary of the Company. The Database Service Agreement and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios in respect of the annual caps of the transactions contemplated under the Database Service Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the Database Service Agreement are subject to the reporting, annual review and announcement requirements but are exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

On 30 April 2021, Win Techno, a wholly-owned subsidiary of the Company, and Huobi Worldwide, entered into the Database Service Agreement, pursuant to which Huobi Worldwide shall engage Win Techno as a service provider to provide database services to Huobi Worldwide for a term commencing from 1 May 2021 and expiring on 30 September 2022.

PRINCIPAL TERMS OF THE DATABASE SERVICE AGREEMENT

The principal terms of the Database Service Agreement are as follows:

Date

30 April 2021 (after trading hours)

Parties

- (1) Win Techno; and
- (2) Huobi Worldwide

Provision of Database Services

Pursuant to the Database Service Agreement, Win Techno shall provide database services to Huobi Worldwide. The particular type of database services provided by Win Techno to Huobi Worldwide under the Database Service Agreement are customized services in relation to data storage and data centre maintenance services.

Term

The Database Service Agreement is for a term commencing on 1 May 2021 and expiring on 30 September 2022.

Service Fees and Pricing Basis

The service fees payable by Huobi Worldwide to Win Techno under the Database Service Agreement shall be determined with reference to the demand of services required, to be invoiced monthly and calculated on a cost plus 15% premium basis.

In determining the pricing of the above services provided, Win Techno makes reference to certain market pricing information on similar services in the information technology industry obtained from different local websites via public sources, including websites for online database service sourcing, referral intermediaries, or other industry participants providing database maintenance businesses, which is highly relevant and similar to the service provided by Win Techno to Huobi Worldwide.

With reference to market pricing information obtained from the aforesaid websites by Win Techno, the normal annual server maintenance costs are approximately 10% to 20% of the cost of server building. Taking into account such indicative price range and having considered the customized service provided by Win Techno to Huobi Worldwide, Win Techno determined a cost plus 15% premium basis for the monthly service fee, which is within the range of the normal market pricing for provision of similar services in the information technology industry and reflect the value of the customized service provided by Win Techno to Huobi Worldwide.

As the service provided by Win Techno to Huobi Worldwide is a customized service and Win Techno currently does not have any customer which is an independent third party, there is no direct market comparable and it is adequate for the Company to ascertain the annual service fee with reference to the limited comparables as outlined in the aforesaid well-known and long established websites which contain substantive market pricing information in relation to similar services provided by local companies in the information technology industry. In the event that Win Techno has independent third party customers, the service fee charged by Win Techno on Huobi Worldwide will be higher or not lower than those available to independent third party customers.

ANNUAL CAPS

Historical Amounts

The historical transaction amounts in respect of similar database services provided by Win Techno for the period from 30 July 2019 to 30 September 2019 and financial year ended 30 September 2020 and from 1 October 2020 to 31 March 2021 are set out below:

| Period | 30 July 2019 to 30 September 2019 (*Note 1) | 1 October 2019 to 30 September 2020 | 1 October 2020 to 31 March 2021 |
|---|--|--|---|
| Transaction Amount (*Note 2) | JPY34,000,000 (equivalent to approximately HK\$2,380,000) | JPY230,500,000 (equivalent to approximately HK\$16,135,000) | JPY133,800,000 (equivalent to approximately HK\$9,366,000) |

Note:

- (1) Win Techno began to provide cloud-based database services as a wholly-owned subsidiary of the Company after completion of its acquisition by the Company on 30 July 2019.
- (2) The historical transaction amounts are calculated with respect of the similar services provided by Win Techno to other connected person of the Company under Chapter 14A of the Listing Rules on the basis of fixed monthly service fees actually incurred.

Proposed Annual Caps

The proposed annual caps for the Database Service Agreement are set out below:

| Period | 1 May 2021 to 30 September 2021 | 1 October 2021 to 30 September 2022 |
|---------------------------------------|---|---|
| Maximum Transaction Amount | JPY35,000,000 (equivalent to approximately HK\$2,520,000) | JPY84,000,000 (equivalent to approximately HK\$6,048,000) |

Basis of the Proposed Annual Caps

The proposed annual cap of the service fee under the Database Service Agreement is determined by the Directors after taking into account the following factors:

- (1) the historical transaction amounts of similar database services provided by Win Techno;
- (2) the expected database related services required by Huobi Worldwide; and
- (3) the expected costs in the maintenance of database infrastructure and streamlined provision of database related services.

REASONS FOR AND BENEFITS OF ENTERING INTO THE DATABASE SERVICE AGREEMENT

The Directors have been carefully monitoring the historical transaction amounts of past services and the estimated demand of Huobi Worldwide for the database services by Win Techno.

It is expected that the Group would continue its business on database services, which is in line with the Group's existing strategies in the development of technology services and financial technology services. Win Techno will continue to support the Group with its involvement in database related services. Over the past years, Win Techno has constructed and updated its database infrastructure, enhancing its service quality while controlling basic costs, resulting in an increased profit making ability.

The Directors are of the view that the Database Service Agreement and the continuing connected transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group, their terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS FOR THE CONTINUING CONNECTED TRANSACTIONS

As at the date of this announcement, Mr. Li is beneficially interested in approximately 58.07% of the issued shares in the Company and is therefore a controlling shareholder of the Company. As such, Mr. Li is a connected person of the Company under Rule 14A.07 of the Listing Rules. As Huobi Worldwide is ultimately controlled by Mr. Li, Huobi Worldwide is an associate of Mr. Li and therefore a connected person of the Company under Chapter 14A of the Listing Rules. As at the date of this announcement, Win Techno is a wholly-owned subsidiary of the Company. The Database Service Agreement and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios in respect of the annual caps of the transactions contemplated under the Database Service Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the Database Service Agreement are subject to the reporting, annual review and announcement requirements but are exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Among the existing Directors, the connected Director, Mr. Li Lin, was required to abstain from voting in the Board meeting in respect of the resolutions to approve the Database Service Agreement contemplated thereunder. All the remaining Directors who were entitled to vote, unanimously approved the above resolutions. The format and procedure for passing the resolutions were in compliance with the laws of the British Virgin Islands and the memorandum and articles of association of the Company.

INFORMATION OF THE GROUP, WIN TECHNO AND HUOBI WORLDWIDE

The Group

The principal businesses of the Group include contract manufacturing, on electronic manufacturing services basis, of a wide range of power-related and electrical/electronic products, and provision of technology solution services.

Win Techno

Win Techno is a company incorporated in Japan with limited liability. The principal businesses of Win Techno include provision of cloud based and data centre operation and maintenance.

Huobi Worldwide

Huobi Worldwide is a company incorporated in Hong Kong with limited liability which is indirectly controlled by Mr. Li. The principal business of Huobi Worldwide include the investment and operation of several leading global and regional digital asset trading platforms.

PRICING AND INTERNAL CONTROL POLICIES FOR THE GROUP

The Company has adopted the following pricing and internal control policies and measures to ensure that the continuing connected transactions of the Group are conducted in accordance with the Listing Rules and to safeguard the interests of the Company and the Shareholders as a whole:

- (a) In respect of the service fees payable to Win Techno by Huobi Worldwide for the services provided under the Database Service Agreement, such service fees will be charged on the basis of cost plus a fixed percentage of premium. The management of the Group is aware that the provision of database services is highly customized for each client, and there is a lack of direct market comparables or prevailing market rates for the services provided. However, the management of the Group will continue to monitor the rate of premium charged through the business department of the Company to ensure that the services fees charged under the Database Service Agreement will not be less favourable for any identical or similar services provided by Win Techno to other Independent Third Parties. The business department will also conduct periodic market research by (i) obtaining market pricing information from public sources including established websites and websites of company engaging in similar business, and (ii) obtaining price quotations from other database services supplier for similar services provided (if such are available in the market), to ensure that the service fees charged by Win Techno under the Database Service Agreement, with respect to the quality of the services provided, are fair and reasonable, on normal commercial terms, or on terms no less favourable than those available to Independent Third Parties under prevailing local market conditions;
- (b) The internal audit department of the Company is responsible for reviewing and assessing the internal control procedures of the Group, including but not limited to the relevant information in relation to the Database Service Agreement on an annual basis. In addition, the internal audit department will prepare an internal control report and submit to the Board for review and approval;
- (c) The Company's external auditors will conduct an annual review on the pricing and annual caps of the continuing connected transactions under the Database Service Agreement; and
- (d) The independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions to ensure that (i) such transactions are conducted in the ordinary and usual course of business of the Group, (ii) and the internal control policies and measures are in place, and (iii) the terms and conditions under the Database Service Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole. The Company will facilitate the provision of necessary information to the independent non-executive Directors and the auditors for the purpose of such review.

In view of the above, the Directors consider that there are adequate pricing and internal control procedures and external supervision measures to ensure that the continuing connected transactions under the Database Service Agreement will comply with the relevant regulatory guidelines and the transactions and revised caps under the said agreements will be through arm's length negotiations and conducted on normal commercial terms and not prejudicial to the interest of the Company and its minority Shareholders.

DEFINITIONS

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

| | |
|-------------------------------------|--|
| “Board” | the board of Directors; |
| “Business Day” | a day (other than Saturdays, Sundays and public holidays) on which licensed banks in Hong Kong are generally open for business; |
| “Company” | Huobi Technology Holdings Limited (火币科技控股有限公司), a company incorporated in the British Virgin Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Exchange 1611); |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules; |
| “continuing connected transactions” | the transactions contemplated under the Database Service Agreement; |
| “Database Service Agreement” | the service agreement for provision of database services entered into between Huobi Worldwide and Win Techno on 30 April 2021; |
| “Director(s)” | the director(s) of the Company; |
| “Group” | the Company and its subsidiaries; |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People's Republic of China; |

| | |
|-------------------|--|
| “Huobi Worldwide” | Huobi Worldwide Limited, a company incorporated in Hong Kong with limited liability, which is indirectly controlled by Mr. Li; |
| “JPY” | Japanese Yen, the lawful currency of Japan; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “Mr. Li” | Mr. Li Lin, the chairman of the Board, an executive Director, the chief executive officer, and a controlling shareholder of the Company; |
| “Shareholder(s)” | holder(s) of the Share(s); |
| “Shares” | ordinary share(s) of HK\$0.001 each in the share capital of the Company; |
| “Stock Exchange” | the Stock Exchange of Hong Kong Limited; |
| “Win Techno” | Win Techno Inc., a company incorporated in Japan with limited liability, which is a wholly-owned subsidiary of the Group; and |
| “%” | per cent. |

By order of the Board
HUOBI TECHNOLOGY HOLDINGS LIMITED
Li Lin
Executive Director

Hong Kong, 30 April 2021

As at the date of this announcement, the Board comprises (1) Mr. Li Lin as the executive Director, and (2) Mr. Duan Xiongfei, Mr. Yip Wai Ming and Mr. Ngai Matthew Cheuk Yin as independent non-executive Directors.