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NEW HUO TECHNOLOGY HOLDINGS LIMITED

新火科技控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock code: 1611)

SUPPLEMENTAL ANNOUNCEMENT CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF FINANCIAL ASSETS

Reference is made to the announcement of the Company dated 23 March 2023 (the “**Announcement**”) in relation to the disposal of financial assets of the Company, namely the 299,043 shares of Animoca Brands and the Investor Option (the “**Disposed Financial Assets**”). Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

This Announcement is made to provide additional information to the Announcement in relation to the basis for the consideration of the Disposal (the “**Consideration**”).

BASIS FOR THE CONSIDERATION

The Consideration was determined with reference to, among others, (i) the unaudited fair value of the Disposed Financial Assets as at 31 December 2022 in the amount of US\$807,536 (equivalent to approximately HK\$6,299,000); (ii) value of the Disposed Financial Assets as obtained from the valuation report prepared by an independent valuer as at 31 December 2022 in the amount of US\$807,536 (equivalent to approximately HK\$6,299,000) (“**Valuation Amount**”); (iii) the business prospects of Animoca Brands; and (iv) the factors set out in the section headed “Reasons for and benefits of the Disposal” in the Announcement. The fair value and Valuation Amount of the Disposed Financial Assets are both the primary factors for forming the basis for the Consideration.

Fair Value of the Disposed Financial Assets

The investment in the 299,043 shares of Animoca Brands had been accounted for as financial assets at fair value through other comprehensive income (“**FVTOCI**”) and the Investor Option had been accounted for as financial assets at fair value through profit and loss (“**FVTPL**”) in the Group’s unaudited consolidated financial statements for the three months ended 31 December 2022, the audited consolidated financial statements for the two financial years ended 30 September 2021 and 30 September 2022 respectively, details of which are set out in the table below:

	For the three months ended 31 December 2022		For the year ended 30 September 2022		For the year ended 30 September 2021	
	(unaudited)		(audited)		(audited)	
	HK\$	US\$	HK\$	US\$	HK\$	US\$
299,043 shares of Animoca Brands at FVTOCI	5,385,000	690,404	5,425,000	691,034	1,946,000	249,487
Investor Option at FVTPL	914,000	117,132	1,328,000	169,237	245,000	31,410

The unaudited fair value of the Disposed Financial Assets as at 31 December 2022 was approximately US\$807,536 (equivalent to approximately HK\$6,299,000), which was equivalent to the Valuation Amount. The excess of the Consideration over the unaudited fair value of the Disposed Financial Assets as at 31 December 2022 is approximately US\$1,464 (equivalent to approximately HK\$11,000).

Independent Valuation

Valuation of the Disposed Financial Assets as at 31 December 2022 (the “**Valuation**”) was conducted by an independent valuer. For the purpose of the Valuation, the conversion of AUD into US\$ as at 31 December 2022 was based on the exchange rate of AUD1 to US\$0.682.

(i) Valuation of the 299,043 shares of Animoca Brands

The valuation approach in respect of the 299,043 shares of Animoca Brands was the guideline transactions method of the market approach. The guideline transaction method makes reference to the data of comparable transactions for arriving at an indicative value of the subject assets. Since there were two recent historical transactions of Animoca Brands' shares in January and July 2022, the respective share subscription prices of those transactions with appropriate adjustment, in consideration of the possibility of price change over a period of time by making reference to a number of market comparables, provided a reference for calculating the value of the shares of Animoca Brands. On the other hand, (i) the cost approach was inapplicable for the present valuation since there was no convincing association of the value of Animoca Brands with its costs; and (ii) the income approach was not preferred since the Company was a minority shareholder of 299,043 shares of Animoca Brands, and therefore reasonable projection of the income stream and the timing of future income stream are not available for valuation of the 299,043 shares of Animoca Brands.

The valuation amount of 299,043 shares of Animoca Brands as at 31 December 2022 was US\$690,404 (equivalent to approximately HK\$5,385,000).

The major assumptions in application of the guideline transactions method were (i) no material adverse change in the existing political, legal, technological, fiscal or economic conditions, or other adverse events beyond the control of Animoca Brands' management, which might adversely affect the global economy in general and the business operation of Animoca Brands; (ii) fulfillment of and compliance with all legal and regulatory requirements for the business operation of Animoca Brands; and (iii) no material difference in the future movement of exchange rates and interest rates from the prevailing market rates.

The valuation metrics adopted in the valuation were the adjusted subscription price per share of Animoca Brands. The subscription prices per share of two historical transactions of Animoca Brands on 18 January 2022 and 12 July 2022 were both AUD4.5. Given the possibility of price changes of Animoca Brands' shares over the period from the date of historical transactions to 31 December 2022, each of the share subscription prices of the two historical transactions was adjusted by the median price changes of several comparable listed companies for the period from the respective date of transactions to 31 December 2022. The average adjusted share subscription price of the two historical transactions was found to be AUD3.39. With the input of AUD3.39 for the value of 1 share of Animoca Brands, the value of 299,043 shares of Animoca Brands was valued at AUD1,012,714 (equivalent to US\$690,404).

(ii) Valuation of the Investor Option

The valuation approach in respect of the Investor Option was the binomial model of the income approach. The binomial model is a commonly used pricing technique for options, which could show different possible values of shares over the life of an option. On the other hand, (i) the cost approach was inapplicable for the present valuation since there was no convincing association of the value of Investor Option with its costs; and (ii) the market approach was not preferred since the Investor Option was not traded on a recognised exchange platform and comparables for an indication of value could not be obtained.

The valuation amount of the Investor Option as at 31 December 2022 was US\$117,132 (equivalent to approximately HK\$914,000).

The major assumptions in application of the guideline transactions method were (i) that the stock price follows a random walk; (ii) no material adverse change in the existing political, legal, technological, fiscal or economic conditions, or other adverse events beyond the control of Animoca Brands' management, which might adversely affect the global economy in general and the business operation of Animoca Brands; (iii) fulfillment of and compliance with all legal and regulatory requirements for the business operation of Animoca Brands; (iv) no material difference in the future movement of exchange rates and interest rates from the prevailing market rates; and (v) that competent management, key personnel and technical staff would be retained or engaged for the business operation of Animoca Brands and its shareholders would continue to support its ongoing development of businesses.

The major parameters used in the binomial model for the valuation were spot price, exercise price, expected volatility, time to maturity, risk-free rate and dividend yield. Reference is also made to the valuation amount of AUD3.39 per share of Animoca Brands as at 31 December 2022 for valuation of the Investor Option.

Save as disclosed above, all other information as set out in the Announcement remain unchanged and shall continue to be valid. This announcement is supplemental to and should be read in conjunction with the Announcement.

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

Hong Kong, 12 April 2023

As at the date of this announcement, the Board comprises (1) Mr. Li Lin as a non-executive Director; (2) Mr. Du Jun and Ms. Zhang Li as executive Directors; and (3) Mr. Yu Chun Kit, Mr. Yip Wai Ming and Mr. Ngai Matthew Cheuk Yin as independent non-executive Directors.

For the purpose of this announcement, the conversion of US\$ into HK\$ is based on the approximate exchange rate of US\$1.00 = HK\$7.8. Such conversion should not be construed as a representation that the amount in question has been, could have been or could be converted at such particular rate or at all.