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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **Sinohope Technology Holdings Limited**, you should at once hand this circular and the enclosed form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned therein.

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**SINOHOPE 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)**

- (1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED  
TRANSACTIONS INVOLVING ISSUE OF CONSIDERATION  
SHARES UNDER SPECIFIC MANDATE**
- (2) PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT  
UNDER SHARE OPTION SCHEME**
- (3) PROPOSED INCREASE OF AUTHORISED SHARES**
- (4) PROPOSED AMENDMENTS TO MEMORANDUM AND ARTICLES  
OF ASSOCIATION**
- AND**
- (5) NOTICE OF THE EGM**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**



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

A letter from the Board is set out on pages 9 to 63 of this circular. A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders is set out on pages 64 to 65 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 66 to 88 of this circular.

A notice convening the EGM to be held at Unit 702-703, 7/F, 100 Queen's Road Central, Hong Kong on Monday, 31 March 2025 at 10:30 a.m. is set out on pages EGM-1 to EGM-5 of this circular. A form of proxy for the EGM is enclosed herewith and published on the website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<http://www.sinohope.com/>).

Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event the form of proxy shall be deemed to be revoked.

14 March 2025

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## DEFINITIONS

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*In this circular, the following expressions have the meanings set out below unless the context requires otherwise:*

“2020 AGM”	the Company’s annual general meeting for the year 2020 held on 19 March 2021;
“2023 Subscriptions”	The subscription of 157,000,000 Shares as announced by the Company on 26 April 2023 and completed on 10 October 2023;
“Agreements”	collectively, the BVI Agreement and the BitTrade Agreement;
“Announcement”	announcement of the Company dated 16 August 2024 in relation to, amongst other things, the Proposed Acquisitions;
“Articles”	the articles of association of the Company, as amended and restated from time to time;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Audit Committee”	the audit committee of the Board;
“Avenir Asset”	Avenir Asset Investment Pte. Ltd. (formerly known as Huobi Asset Investments Pte. Ltd.), a company incorporated in Singapore with limited liability, which is directly wholly-owned by BVI Company;
“Avenir Cayman”	Avenir Cayman Holding Limited, a company incorporated under the laws of the Cayman Islands with limited liability, the ultimate beneficial owner of which is Mr. Li;
“Avenir Investment”	Avenir Investment Limited, a company incorporated and in the BVI with limited liability, which is indirectly wholly-owned by Mr. Li;
“BitTrade” or “Target Company”	BitTrade Inc., a company incorporated in Japan with limited liability, which is owned as to approximately 84.62% by Avenir Asset, approximately 7.69% by Goldenway, approximately 3.845% by Tokai and approximately 3.844% by FPG;
“BitTrade Agreement”	the agreement entered into between the Company and Goldenway dated 16 August 2024 (as amended and supplemented by the BitTrade Supplemental Deed) in respect of the sale and purchase of the BitTrade Sale Shares;

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## DEFINITIONS

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“BitTrade Group”	BitTrade and its subsidiaries;
“BitTrade HK”	Bittrade (HK) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of BitTrade as at the Latest Practicable Date;
“BitTrade Purchaser”	the Company;
“BitTrade Sale Shares”	5,210,000 ordinary shares of BitTrade, representing approximately 7.69% of the entire issued share capital of BitTrade;
“BitTrade Supplemental Deed”	the supplemental deed dated 31 December 2024 entered into between the Company and Goldenway to amend and supplement the BitTrade Agreement;
“BitTrade Vendor”	Goldenway;
“BitTrade Wallet”	Bittrade Wallet (HK) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of BitTrade HK as at the Latest Practicable Date;
“Board”	the board of Directors;
“Business Day(s)”	a day on which banks in Hong Kong are open for normal banking business throughout their normal business hours (excluding Saturdays, Sundays, public holidays in Hong Kong or a day on which tropical cyclone warning signal number 8 or above or a black rainstorm warning is in force at any time between 9:00 a.m. and 5:00 p.m. in Hong Kong);
“BVI”	the British Virgin Islands;
“BVI Agreement”	the agreement entered into between the Company and BVI Vendors dated 16 August 2024 (as amended and supplemented by the BVI Supplemental Deed) in respect of the sale and purchase of the BVI Sale Shares;
“BVI Company”	Avenir Asset Holding Limited, a company incorporated in the BVI with limited liability;
“BVI Sale Shares”	49,995 shares of BVI Company, representing the entire issued share capital of BVI Company;

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## DEFINITIONS

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“BVI Supplemental Deed”	the supplemental deed dated 31 December 2024 entered into between the Company and BVI Vendors to amend and supplement the terms of the BVI Agreement;
“BVI Vendors”	collectively, FCCR, Lightning Pay, Sky Fort, Tekne, Vision Leader, Hong Jia, Zhen Partners, HSG, Avenir Investment, Mr. Song, Mr. Hu and Mr. Du;
“Company”	Sinohope Technology Holdings Limited 新火科技控股有限公司, a company incorporated in the BVI with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1611);
“Conditions”	the conditions precedent required for the completion of the Sale and Purchase Agreement as set out in the section headed “Conditions Precedent” in this circular;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules;
“Consideration Shares”	collectively, the Consideration Shares A and the Consideration Shares B;
“Consideration Shares A”	a maximum number of 108,992,786 new Shares to be issued by the Company to the BVI Vendors at completion of the BVI Agreement as settlement of the Consideration for the acquisition of the BVI Sale Shares pursuant to the BVI Agreement;
“Consideration Shares B”	a maximum number of 9,908,988 new Shares to be issued by the Company to Goldenway at completion of the BitTrade Agreement as settlement of the Consideration for the acquisition of the BitTrade Sale Shares pursuant to the BitTrade Agreement;
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Debt Repayment Agreement”	the debt repayment agreement dated 13 March 2024 entered into between Hainan Lepeng and Avenir Cayman as creditors, and BitTrade as debtor;

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## DEFINITIONS

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“Debt Repayment Extension Letter”	the debt repayment extension letter dated 27 January 2025 (with the effective date on 1 January 2025) entered into by Avenir Cayman and BitTrade to, among others, extend the original repayment date under the Debt Repayment Agreement;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened and held to approve, among other things, (i) the Agreements and the transactions contemplated thereunder; (ii) the specific mandate for the issue of the Consideration Shares; (iii) the proposed refreshment of the Scheme Mandate Limit; (iv) the proposed increase of authorised shares of the Company; and (v) the proposed amendments to the Memorandum and Articles of the Company;
“Eligible Participant(s)”	any full-time or part-time employee of the Group, and any Director (including executive, non-executive or independent non-executive Directors) and chief executive officers of the Group;
“Enlarged Group”	the Group enlarged by the Target Group following the Completion;
“Extended Long Stop Date”	31 March 2025 (or such later date as may be agreed between the Parties in writing);
“FCCR”	FCCR Fund, L.P., a limited partnership incorporated under the laws of the Cayman Islands;
“FPG”	Financial Partners Group Co., Ltd. (株式会社 F P G), a company incorporated in Japan with limited liability;
“FSA”	the Financial Services Agency of Japan;
“FTX”	FTX Trading Ltd.;
“Goldenway”	Goldenway Japan Co., Ltd, is a company incorporated in Japan with limited liability. Goldenway is an Independent Third Party as at the Latest Practicable Date;
“Group”	the Company and its subsidiaries;

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## DEFINITIONS

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“Hainan Lepeng”	海南樂朋商務信息諮詢有限公司 (Hainan Lepeng Business Information Consulting Co., Ltd.*), a company incorporated and existing under the laws of the PRC with limited liability, the ultimate beneficial owner of which is Mr. Li;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Jia”	Hong Jia Investment Management Co, Ltd., a company incorporated in the Cayman Islands with limited liability;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HSG”	HSG CV IV HOLDCO, LTD., a company incorporated in the Cayman Islands with limited liability;
“Independent Board Committee”	an independent committee of the Board, comprising all independent non-executive Directors, established for the purpose of making a recommendation to the Independent Shareholders as to whether the terms of Agreements and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole;
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, appointed with the approval of the Independent Board Committee to advise the Independent Board Committee in connection with the Agreements and the transactions contemplated thereunder;
“Independent Shareholder(s)”	Shareholders other than Avenir Investment, Mr. Du, Tekne, Vision Leader, Hong Jia, Zhen Partners, Mr. Hu and their associates who are involved or interested in the Proposed Acquisitions;
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons;
“Issue Price”	HK\$2.18 per Consideration Share;
“JPY”	Japanese yen, the lawful currency of Japan;
“Latest Practicable Date”	11 March 2025, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular;

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## DEFINITIONS

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“Lightening Pay”	Lightening Pay Technology Limited, a company incorporated in the Cayman Islands with limited liability;
“Listing Committee”	the listing committee of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“MEIT”	Ministry of Economy, Trade and Industry of Japan;
“Memorandum”	the memorandum of association of the Company, as amended and restated from time to time;
“M&A”	collectively, the Memorandum and the Articles;
“Mr. Du”	Mr. Du Jun (杜均先生), an executive Director and a substantial shareholder of the Company;
“Mr. Guan”	Mr. Guan Lei (關磊先生);
“Mr. Hu”	Mr. Hu Donghai (胡東海先生);
“Mr. Li”	Mr. Li Lin (李林先生), a non-executive Director;
“Mr. Song”	Mr. Song Ying (宋瑛先生);
“Mr. Zhong”	Mr. Zhong Gengfa (鍾庚發先生);
“Ms. Zhang”	Ms. Zhang Li (張麗女士), an executive Director and a director of BitTrade;
“New M&A”	the amended and restated memorandum and articles of association of the Company, to be adopted by the Company upon the approval of the Shareholders by way of special resolution at the EGM;
“Original Long Stop Date”	31 December 2024 (or such later date as may be agreed between the Parties in writing);
“PRC”	the People’s Republic of China;
“Proposed Acquisitions”	the proposed acquisitions of the BVI Sale Sales and the BitTrade Sale Shares;
“RMB”	Renminbi, the lawful currency of the PRC;



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## DEFINITIONS

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“Scheme Mandate Limit”	the maximum number of Shares which may be allotted and issued upon exercise of all Share Options to be granted under the Share Option Scheme, which shall not in aggregate exceed 10% of the Shares in issue at the date of approval of the refreshed limit by the Shareholders;
“SFC”	the Hong Kong Securities and Futures Commission;
“SFO”	Securities and Futures Ordinance (Cap. 571);
“Share(s)”	ordinary share(s) of nominal value of HK\$0.001 each in the shares of the Company;
“Share Options”	the options granted or to be granted to the Eligible Participants to subscribe for the Shares on terms determined by the Directors pursuant to the Share Option Scheme and for the time being subsisting;
“Share Option Scheme”	the share option scheme adopted by the Company on 27 October 2016, as amended on 17 November 2020, 30 March 2023 and 28 July 2023, and as further amended (and if applicable, approved by the Shareholders) from time to time, and the previous refreshment of the Scheme Mandate Limit of which was approved by the Shareholders on 19 March 2021;
“Shareholder(s)”	holder(s) of the Share(s);
“Sky Fort”	Sky Fort Investments Limited, a company incorporated in the Republic of Seychelles with limited liability;
“Specific Mandate”	the specific mandate to be granted to the Directors by the Independent Shareholders at the EGM to allot and issue the Consideration Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules;
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules;
“Target Group”	BVI Company, BitTrade and their subsidiaries;
“Tekne”	Tekne Private Ventures IX, LP, a limited partnership incorporated under the laws of Delaware;

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## DEFINITIONS

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“Tokai”	Tokai Tokyo Financial Holdings, Inc. (東海東京フィナンシャル・ホールディングス株式会社), a company incorporated in Japan with limited liability;
“US\$” or “USD”	United States dollar, the lawful currency of the United States of America;
“Valuer”	Masterpiece Valuation Advisory Limited, an independent valuer engaged by the Company;
“VASP”	virtual asset service provider;
“Vision Leader”	Vision Leader II Investment Holdings Limited, a company incorporated in the British Virgin Islands with limited liability;
“Zhen Partners”	Zhen Partners Fund I, L.P., a limited partnership incorporated under the laws of the Cayman Islands; and
“%”	per cent.

\* *For identification purposes only*

*For the purpose of this circular, the exchange rates of US\$1.00 = HK\$7.8 and JPY1.00 = US\$0.006681 have been used for currency conversion, where applicable. Such exchange rates are for illustrative purposes and do not constitute representations that any amount in HK\$, USD or JPY have been, could have been or may be converted at such rates.*

*Certain figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as the currency conversion or percentage equivalents may not be an arithmetic sum of such figures. Any discrepancy in any table between totals and sums of amounts listed in this circular is due to rounding.*



**新火科技**  
**SINOHOPE**

**SINOHOPE 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)**

*Non-executive Director:*

Mr. Li Lin (*Chairman*)

*Executive Directors:*

Mr. Du Jun (*Chief Executive Officer*)

Ms. Zhang Li (*Chief Financial Officer*)

*Independent non-executive Directors:*

Mr. Yu Chun Kit

Mr. Yip Wai Ming

Dr. LAM, Lee G., *BBS, JP*

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

Unit 702-3, 7/F

100 Queen's Road Central

Central, Hong Kong

*Registered Office:*

Vistra Corporate Services Centre

Wickhams Cay II

Road Town, Tortola

BVI VG 1110

14 March 2025

*To the Shareholders*

Dear Sirs or Madams,

- (1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED  
TRANSACTIONS INVOLVING ISSUE OF CONSIDERATION  
SHARES UNDER SPECIFIC MANDATE**
- (2) PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT  
UNDER SHARE OPTION SCHEME**
- (3) PROPOSED INCREASE OF AUTHORISED SHARES**
- (4) PROPOSED AMENDMENTS TO MEMORANDUM AND ARTICLES  
OF ASSOCIATION**
- AND**
- (5) NOTICE OF THE EGM**

## **INTRODUCTION**

Reference is made to (i) the Announcement in relation to, among other things, the Proposed Acquisitions involving the allotment and issue of the Consideration Shares under the Specific Mandate, the proposed refreshment of the Scheme Mandate Limit under the Share Option Scheme,

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## LETTER FROM THE BOARD

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the proposed increase of authorised shares of the Company and the proposed amendments to the M&A; and (ii) the announcement dated 31 December 2024 of the Company in relation to the extension of the Original Long Stop Date.

The purpose of this circular is to provide you with information regarding, among other things, (i) further details of the Agreements and the transactions contemplated thereunder, including the Proposed Acquisitions and the issue of the Consideration Shares under the Specific Mandate; (ii) further details of the proposed refreshment of Scheme Mandate Limit; (iii) further details of the proposed increase of authorised shares of the Company; (iv) further details regarding the proposed amendments to the M&A; (v) a letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in respect of the Proposed Acquisitions; (vi) a letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Acquisitions; (vii) financial information of the Group and the Target Group; (viii) a notice of the EGM; and (ix) other information as required to be disclosed under the Listing Rules.

### **(1) THE PROPOSED ACQUISITIONS AND THE AGREEMENTS**

On 16 August 2024 (after trading hours), the Company as BVI Purchaser and FCCR, Lightning Pay, Sky Fort, Tekne, Vision Leader, Hong Jia, Zhen Partners, HSG, Avenir Investment, Mr. Song, Mr. Hu and Mr. Du collectively as BVI Vendors entered into the BVI Agreement, pursuant to which BVI Vendors have conditionally agreed to sell, and the Company has conditionally to acquire the BVI Sale Shares, representing the entire issued share capital of BVI Company, at the consideration of USD30,462,086.38 (equivalent to approximately HK\$237,604,273.76), which shall be satisfied by the allotment and issue of the Consideration Shares A at the issue price of HK\$2.18 per Consideration Share to BVI Vendors (or their nominees) at completion.

On 16 August 2024 (after trading hours), the Company as BitTrade Purchaser and Goldenway as BitTrade Vendor entered into the BitTrade Agreement, pursuant to which Goldenway has conditionally agreed to sell, and the Company has conditionally to acquire the BitTrade Sale Shares, representing approximately 7.69% of the entire issued share capital of the BitTrade, at the consideration of USD2,769,435.22 (equivalent to approximately HK\$21,601,594.72), which shall be satisfied by the allotment and issue of the Consideration Shares B at the issue price of HK\$2.18 per Consideration Share to Goldenway (or its nominees) at completion.

As such, the total consideration for the acquisition of a 92.31% interest in the Target Company is USD33,231,521.60 (equivalent to approximately HK\$259,205,868.48), comprising (i) the consideration for acquisition of the BVI Sale Shares, amounting to USD30,462,086.38 (equivalent to approximately HK\$237,604,273.76); and (ii) the consideration for the acquisition of the BitTrade Sale Shares, amounting to USD2,769,435.22 (equivalent to approximately HK\$21,601,594.72).

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## LETTER FROM THE BOARD

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Immediately after completion, the BVI Company will become a wholly-owned subsidiary of the Company and BitTrade will become an indirect subsidiary of the Company, and the financial results of the BVI Company and the BitTrade will be consolidated in the financial statements of the Group.

Pursuant to the BVI Agreement and the BitTrade Agreement, completion of the Proposed Acquisitions is conditional upon the fulfilment or waiver (if applicable) of all the conditions precedent on or before the Original Long Stop Date (i.e., 31 December 2024 or such later date as may be agreed between the parties in writing). As additional time is required for the fulfillment of certain conditions precedent under the Agreements, on 31 December 2024 (after trading hours), the parties to the respective Agreements entered into the BVI Supplemental Deed and the BitTrade Supplemental Deed pursuant to which the parties agreed to extend the Original Long Stop Date to 31 March 2025 (the “**Extended Long Stop Date**”) or such later date as may be agreed by the parties in writing.

### **Principal terms of the Agreements**

#### **A. The BVI Agreement**

The principal terms and conditions of the BVI Agreement (as amended and supplemented by the BVI Supplemental Deed) are set out below:

#### **Date**

BVI Agreement: 16 August 2024

BVI Supplemental Deed: 31 December 2024

#### **Parties**

- (a) BVI Vendors: FCCR, Lightning Pay, Sky Fort, Tekne, Vision Leader, Hong Jia, Zhen Partners, HSG, Avenir Investment, Mr. Song, Mr. Hu and Mr. Du
- (b) BVI Purchaser: the Company

#### **Subject matter**

Pursuant to the BVI Agreement, BVI Vendors have conditionally agreed to sell, and the Company has conditionally to acquire the BVI Sale Shares, representing the entire issued share capital of BVI Company at the consideration of USD30,462,086.38 (equivalent to approximately HK\$237,604,273.76), which shall be satisfied by the allotment and issue of the Consideration Shares A at the issue price of HK\$2.18 per Consideration Share to BVI Vendors (or their nominees) at completion.

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## LETTER FROM THE BOARD

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### **Consideration**

The consideration for the acquisition of the BVI Sale Shares is USD30,462,086.38 (equivalent to approximately HK\$237,604,273.76), which shall be satisfied by the allotment and issue of the Consideration Shares A, comprising up to 108,992,786 new Shares, to BVI Vendors at the Issue Price of HK\$2.18 per Share at completion.

The consideration was determined after arm's length negotiations between the Company and the BVI Vendors with reference to, among others, (i) the appraised fair value of the Target Group, assessed at approximately USD36,127,000 as at 29 February 2024 as appraised by the Valuer; (ii) the equity value of a 92.31% interest in the Target Company based on the valuation of approximately JPY5,400,000,000 (equivalent to approximately USD36,079,000) as at 29 February 2024; (iii) the historical and anticipated financial performance of the Target Group; (iv) the business prospect of the Target Group; (v) the factors set out in the section headed "Reasons for and benefits of the Proposed Acquisitions" in this circular; and (vi) the outstanding loans balance due to Avenir Cayman as set out in the section headed "Debt repayment transactions subsequently becoming connected" in this circular.

### **Conditions Precedent**

Completion is conditional upon fulfillment of the following conditions:

- (a) the Company being satisfied with the results of the due diligence review (including but not limited to the legal and financial due diligence review) on the Target Group;
- (b) all requisite authorisations, approvals, permissions, agreements, consents and waivers required to be obtained by the BVI Vendors in respect of the entering into of the BVI Agreement and the implementation of the transactions contemplated thereunder having been obtained and remaining in full force and effect, with full compliance of all applicable laws and regulations (including but not limited to the Listing Rules);
- (c) the Listing Committee granting listing of and permission to deal in the Consideration Shares A;
- (d) the representation, warranties and/or undertakings given by the BVI Vendors and Company under the BVI Agreement shall remain true, accurate and not misleading in all material respects throughout the period from the date of the BVI Agreement to the date of completion, and there having been no breach by any party of the BVI Agreement;
- (e) legal opinions issued by local counsel in respect of the due incorporation and valid existence of each member of the Target Group having been obtained;

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## LETTER FROM THE BOARD

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- (f) a valuation report of the BVI Company from an independent professional valuer in form and substance satisfactory to the Company having been obtained;
- (g) the Shareholders having passed the resolution approving the BVI Agreement and the transactions contemplated thereunder (including but not limited to the issue and allotment of the Consideration Shares A (to the BVI Vendors and/or their nominees) under the Specific Mandate) at the EGM;
- (h) the completion of the registration of the New M&A by the BVI Registrar of Corporate Affairs;
- (i) all third party consents, approvals and notices which are required to be obtained by the BVI Vendors pursuant to any applicable laws or agreements involving the BVI Vendors or any Target Group, and in connection with the transactions contemplated under the BVI Agreement having been obtained; and
- (j) there is no material adverse change, or any development likely to involve a material adverse change in the condition, financial or otherwise, or in the operations or prospects of the Target Group.

The Company may at any time waive in whole or in part and conditionally or unconditionally any of the conditions precedent above (save for conditions (b), (c), (g) and (h), which cannot be waived).

As at the Latest Practicable Date, conditions (b), (e) and (f) have been fulfilled.

Each of the BVI Vendors and the Company hereby undertakes to use its best endeavours to procure (so far as it lies within its power so to do) that the above conditions are satisfied as soon as practicable after the signing of the BVI Agreement.

If the above conditions are not satisfied (or waived, as the case may be) on or before the Extended Long Stop Date, the BVI Agreement shall terminate, following which all rights and obligations of the parties shall cease immediately, and no party shall have any obligations and liabilities under the BVI Agreement save for obligations with continuing effect under the BVI Agreement.

### **Completion**

Completion of the BVI Agreement shall take place on the tenth (10th) Business Day immediately following the day of the fulfilment (or waiver, as applicable) of all the conditions precedent above or on such other date as the Company and the BVI Vendors may agree in writing.

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## LETTER FROM THE BOARD

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Immediately following completion, the BVI Company will become a wholly-owned subsidiary of the Company, and the financial results of the BVI Company will be consolidated in the financial statements of the Group.

### **B. The BitTrade Agreement**

The principal terms and conditions of the BitTrade Agreement (as amended and supplemented by the BitTrade Supplemental Deed) are set out below:

#### **Date**

BitTrade Agreement: 16 August 2024

BitTrade Supplemental Deed: 31 December 2024

#### **Parties**

- (a) BitTrade Vendor: Goldenway
- (b) BitTrade Purchaser: the Company

#### **Subject matter**

Pursuant to the BitTrade Agreement, Goldenway has conditionally agreed to sell, and the Company has conditionally agreed to acquire the BitTrade Sale Shares, representing approximately 7.69% of the issued share capital of BitTrade, at the consideration of USD2,769,435.22 (equivalent to approximately HK\$21,601,594.72), which shall be satisfied by the allotment and issue of the Consideration Shares B at the issue price of HK\$2.18 per Consideration Share to Goldenway (or its nominees) at completion.

#### **Consideration**

The consideration for the acquisition of the BitTrade Sale Shares is USD2,769,435.22 (equivalent to approximately HK\$21,601,594.72), which shall be satisfied by the allotment and issue of the Consideration Shares B, comprising up to 9,908,988 new Shares, to Goldenway at the Issue Price of HK\$2.18 per Share at completion.

The consideration was determined after arm's length negotiations between the Company and Goldenway with reference to, among others, (i) the appraised fair value of the Target Group of, assessed at approximately USD36,127,000 as at 29 February 2024, as appraised by the Valuer; (ii) the equity value of a 92.31% interest in the Target Company based on the valuation of approximately JPY5,400,000,000 (equivalent to approximately USD36,079,000) as at 29 February 2024; (iii) the historical and anticipated financial performance of the Target Group; (iv) the business prospect of the



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Target Group; (v) the factors set out in the section headed “Reasons for and benefits of the Proposed Acquisitions” in this circular; and (vi) the outstanding loans balance due to Avenir Cayman as set out in the section headed “Debt repayment transactions subsequently becoming connected” in this circular.

### **Conditions Precedent**

Completion is conditional upon fulfillment of the following conditions:

- (a) the Company being satisfied with the results of the due diligence review (including but not limited to the legal and financial due diligence review) on the Target Group;
- (b) all requisite authorisations, approvals (including but not limited to the approvals granted by METI, FSA and Kanto Local Finance Bureau), permissions, agreements, consents and waivers required to be obtained by Goldenway in respect of the entering into of the BitTrade Agreement and the implementation of the transactions contemplated thereunder having been obtained and remaining in full force and effect, with full compliance of all applicable laws and regulations (including but not limited to the Listing Rules);
- (c) the Listing Committee granting listing of and permission to deal in the Consideration Shares B;
- (d) the representation, warranties and/or undertakings given by Goldenway and Company under the BitTrade Agreement shall remain true, accurate and not misleading in all material respects throughout the period from the date of the BitTrade Agreement to the date of completion, and there having been no breach by any party of the BitTrade Agreement;
- (e) legal opinions issued by local counsel in respect of the due incorporation and valid existence of each companies of the Target Group having been obtained;
- (f) a valuation report of the BitTrade from an independent professional valuer in form and substance satisfactory to the Company having been obtained;
- (g) the Shareholders having passed the resolution approving the BitTrade Agreement and the transactions contemplated thereunder (including but not limited to the issue and allotment of the Consideration Shares B (to Goldenway and/or its nominee) under the Specific Mandate) at the EGM;
- (h) the completion of the registration of the New M&A by the BVI Registrar of Corporate Affairs;

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- (i) all third party consents, approvals and notices which are required to be obtained by Goldenway pursuant to any applicable laws or agreements involving Goldenway or any Target Group, and in connection with the transactions contemplated under the BitTrade Agreement having been obtained; and
- (j) there is no material adverse change, or any development likely to involve a material adverse change in the condition, financial or otherwise, or in the operations or prospects of the Target Group.

The Company may at any time waive in whole or in part and conditionally or unconditionally any of the conditions precedent above (save for conditions (b), (c), (g) and (h), which cannot be waived).

As at the Latest Practicable Date, conditions (b), (e) and (f) have been fulfilled.

Each of the BitTrade Vendor and the Company hereby undertakes to use its best endeavours to procure (so far as it lies within its power so to do) that the above conditions are satisfied as soon as practicable after the signing of the BitTrade Agreement.

If the above conditions are not satisfied (or waived, as the case may be) on or before the Extended Long Stop Date, the BitTrade Agreement shall terminate, following which all rights and obligations of the parties shall cease immediately, and no party shall have any obligations and liabilities under the BitTrade Agreement save for obligations with continuing effect under the BVI Agreement.

### **Completion**

The Company is not obliged to complete the acquisition of the BitTrade Sale Shares unless the acquisition of the BVI Sale Shares is completed simultaneously.

Completion of the BitTrade Agreement shall take place on the tenth (10th) Business Day immediately following the day of the fulfilment (or waiver, as applicable) of all the conditions precedent above or on such other date as the Company and Goldenway may agree in writing.

Immediately following completion, BVI Company will become a wholly-owned subsidiary of the Company and BitTrade will become an indirect subsidiary of the Company, and the financial results of the BVI Company and BitTrade will be consolidated in the financial statements of the Group.

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### THE CONSIDERATION SHARES

The Consideration Shares comprise up to (i) 108,992,786 Consideration Shares A under the BVI Agreement; and (ii) 9,908,988 Consideration Shares B under the BitTrade Agreement, which will be allotted and issued at the Issue Price of HK\$2.18 each, credited as fully paid.

The Issue Price represents:

- (i) a premium of approximately 14.14% to the closing price of HK\$1.91 per Share as quoted on the Stock Exchange on 16 August 2024, being the date of the Agreements;
- (ii) a premium of approximately 14.14% to the average closing price of approximately HK\$1.91 per Share as quoted on the Stock Exchange for the last five (5) Trading Days immediately prior to the date of the Agreements; and
- (iii) a premium of approximately 19.13% to the average closing price of approximately HK\$1.83 per Share as quoted on the Stock Exchange for the last ten (10) Trading Days immediately prior to the date of the Agreements.
- (iv) a premium of approximately 31.33% to the closing price of HK\$1.66 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a premium of approximately 260.33% to the net asset value per share as at 30 September 2024 of approximately HK\$0.605.

The Issue Price was determined with reference to the prevailing market price of the Shares. The Directors consider that the Issue Price is fair and reasonable.

The aggregate nominal value of the Consideration Shares is HK\$118,901.774.

The Consideration Shares in aggregate represent up to (i) approximately 25.48% of the issued Shares as at the Latest Practicable Date; and (ii) approximately 20.31% of the issued Shares as enlarged by the allotment and issue of the Consideration Shares (assuming (i) there is no adjustments to the consideration under the Proposed Acquisitions; and (ii) there will be no other change to the issued shares of the Company from the Latest Practicable Date to the date of completion of the Proposed Acquisitions).

The Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue. The Consideration Shares will be allotted and issued pursuant to the specific mandate to be granted by the Independent Shareholders at the EGM.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

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### INFORMATION OF THE BVI VENDORS

The BVI Company is an investment holding company incorporated in the BVI with limited liability, is owned by BVI Vendors. Each of the BVI Vendors' shareholding interests in the BVI Company as at the Latest Practicable Date and information are set out below:

<b>BVI Vendors</b>	<b><i>Number of shares</i></b>	<b><i>% (approx.)</i></b>	<b>Information</b>
(i) <i>FCCR</i>	66	0.132%	FCCR Fund, L.P., a limited partnership incorporated under the laws of the Cayman Islands, which is managed and operated by its general partner FCCR Fund GP, LLC, whose ultimate beneficial owner is Mr. Charles Reim. FCCR is principally engaged in investment business.
(ii) <i>Lightning Pay</i>	350	0.700%	Lightning Pay Technology Limited is a limited company incorporated under the laws of the Cayman Islands. Mr. Anthony Wong is the ultimate beneficial owner of the entire issued share capital of Lightning Pay. Lightning Pay is principally engaged in investment holding.
(iii) <i>Sky Fort</i>	405	0.810%	Sky Fort Investments Limited, is a limited company incorporated under the laws of the Republic of Seychelles. Mr. Anthony Wong is the ultimate beneficial owner of the entire issued share capital of Sky Fort. Sky Fort is principally engaged in investment holding.
(iv) <i>Tekne</i>	437	0.874%	Tekne Private Ventures IX, LP, a limited partnership incorporated under the laws of Delaware, which is managed and operated by its general partner Tekne Capital Management LLC, whose general partner is Tekne Partners GP LLC. The ultimate beneficial owner of Tekne Partners GP LLC is Mr. Beenet Kothari. Tekne is principally engaged in making private investments.

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<b>BVI Vendors</b>	<b><i>Number of shares</i></b>	<b><i>% (approx.)</i></b>	<b>Information</b>
(v) <i>Vision Leader</i>	983	1.966%	Vision Leader II Investment Holdings Limited, is a limited company incorporated under the laws of the BVI, is an investment holding company. Mr. 戴志康 is the ultimate beneficial owner of the entire issued share capital of Vision Leader. Vision Leader is principally engaged in investment holding.
(vi) <i>Hong Jia</i>	1,277	2.554%	Hong Jia Investment Management Co., Ltd., is a limited company incorporated under the laws of the Cayman Islands. Mr. Chen Weixing is the ultimate beneficial owner of the entire issued share capital of Hong Jia. Hong Jia is principally engaged in investment management, asset management, property management and investment consultancy business.
(vii) <i>Zhen Partners</i>	1,696	3.3923%	Zhen Partners Fund I, L.P., is a limited partnership incorporated under the laws of the Cayman Islands, which is managed and operated by its general partner Zhen Partners Management (MTGP) I, L.P., whose general partner is Zhen Partners Management (TTGP) I, Ltd., an indirect subsidiary of R&H Trust Co. (Singapore) Pte. Limited, being a trustee of Mr. Xu Xiaoping's family trust. Zhen Partners is principally engaged in making venture capital investments.

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<b>BVI Vendors</b>	<i>Number of shares</i>	<i>% (approx.)</i>	<b>Information</b>
<i>(viii) HSG</i>	6,666	13.333%	HSG CV IV HOLDCO, LTD., a limited company incorporated under the laws of the Cayman Islands, is indirectly wholly-owned by Hong Shan Capital Venture Fund IV, L.P., whose general partner is HSG Venture IV Management, L.P. The general partner of HSG Venture IV Management, L.P. is HSG Holding Limited, a wholly-owned subsidiary of SNP China Enterprises Limited. Mr. Nanpeng Shen is the holder of the entire issued share capital of SNP China Enterprises Limited. HSG is principally engaged in making equity investments in private companies.
<i>(ix) Avenir Investment</i>	36,388	72.783%	Avenir Investment Limited, a substantial shareholder of the Company holding 90,990,474 Shares (representing approximately 19.50% of the total issued Shares), is a limited company incorporated under the laws of the BVI. Avenir Investment is principally engaged in investment holding. As such, Avenir Investment is a connected person of the Company. As at the Latest Practicable Date, Avenir Investment is indirectly wholly owned by Mr. Li, a non-executive Director.
<i>(x) Mr. Song</i>	122	0.244%	Mr. Song Ying (宋瑛先生), who primarily engages in investment activities.
<i>(xi) Mr. Hu</i>	759	1.518%	Mr. Hu Donghai (胡東海先生), who primarily engages in investment activities.

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<b>BVI Vendors</b>	<b><i>Number of shares</i></b>	<b><i>% (approx.)</i></b>	<b>Information</b>
<i>(xii) Mr. Du</i>	846	1.692%	Mr. Du, an executive Director and a substantial shareholder of the Company, is interested in 83,682,305 Shares. Mr. Du is the beneficial owner of 80,682,305 Shares and 3,000,000 Share Options which shall entitle him to subscribe for 3,000,000 Shares upon exercise of all such Share Options. As such, Mr. Du is a connected person of the Company under Chapter 14A of the Listing Rules.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiry, as at the Latest Practicable Date, (i) save as Avenir Investment and Mr. Du as disclosed above and save for the shareholdings of Tekne, Vision Leader, Hong Jia, Zhen Partners, Avenir Investment, Mr. Hu and Mr. Du in the Company as disclosed in this circular, other BVI Vendors are Independent Third Parties, and (ii) save that Mr. Anthony Wong is the ultimate beneficial owner of the entire issued share capital of each of Lightning Pay and Sky Fort, the BVI Vendors are not connected with each other.

To the best of the knowledge, information, and belief of the Directors, and having made all reasonable inquiries, approximately 72.783% equity interest in the BVI Company was distributed to Avenir Investment, and approximately 1.692% equity interest in the BVI Company was distributed to Mr. Du by Avenir Asset following the completion of share distribution on 27 December 2023. Prior to such share distribution, on 12 September 2018, the BVI Vendors acquired a 100% shareholding of Avenir Asset (in which Mr. Li and Mr. Du held approximately 72.783% and 1.692% of the issued share capital, respectively and which, at the material time, held approximately a 75% equity interest in the Target Company), for a consideration of approximately USD50,000,000.00.

### **INFORMATION OF GOLDENWAY**

Goldenway is a company incorporated in Japan in 2006 with limited liability. Goldenway operates a trading platform that provides investment advisory, online trading analytics, foreign exchange, and tax returns services, and is a specialist in conducting online over-the-counter derivative transactions for general investors via the Internet. It is currently registered with FSA since 2017, and Ministry of Agriculture, Forestry and Fisheries (MAFF) of Japan, serving local clients as a broker and dealer for a variety of products including foreign exchange (FX) and commodities. To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, Mr. Hao Tang is the ultimate beneficial owner of Goldenway. Goldenway is an Independent Third Party as at the Latest Practicable Date.

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### INFORMATION OF THE COMPANY AND THE GROUP

The Company, being the BVI Purchaser and the BitTrade Purchaser, is an investment holding company incorporated in the BVI, whose Shares are listed on the main board of the Stock Exchange. The Group is principally engaged in the provision of technology solution services, a variety of services in virtual asset ecosystem, such as asset management, trust and custodian businesses and cryptocurrency trading. Cryptocurrency trading has been the major source of revenue of the Group for the year ended 30 September 2024, during which the revenue generated from cryptocurrency trading business was approximately HK\$1,520,345,000 accounting approximately 96.9% of the Group's revenue.

### INFORMATION OF THE TARGET GROUP

The BVI Company is a company incorporated in the BVI with limited liability and is principally engaged in investment holding. As at the Latest Practicable Date, BVI Company indirectly holds approximately 84.62% of the issued share capital of BitTrade.

Avenir Asset is a company incorporated in Singapore with limited liability and is principally engaged in investment holding. As at the Latest Practicable Date, Avenir Asset is directly wholly-owned by BVI Company and directly holds approximately 84.62% of the issued share capital of BitTrade.

BitTrade is a company incorporated in Japan with limited liability in 2016 and is principally engaged in cryptocurrency trading business. In addition, BitTrade is a licensed virtual currency exchange service provider (registered with the Cryptoasset Exchange Service Provider — Director of the Kanto Finance Bureau No.00007\* (暗號資産交換業-關東財務局長第00007號牌照) and Type I Financial Instruments Business – Kanto Local Finance Bureau (FIBO) No.3295\* (第一種金融商品取引業-關東財務局長(金商)第3295號牌照). There is no validity period related to the aforesaid registrations of BitTrade and thus the registrations do not require renewal.

Further, BitTrade has successfully joined three self-regulatory associations being formally recognised by the FSA, including the Japanese Virtual and Crypto assets Exchange Association (“JVCEA”) and Japan Cryptoasset Business Association, which possess the capability to establish and enforce regulations and standards for cryptocurrency exchanges in Japan, and Japan Security Token Offering Association, which facilitates the systematic introduction and advancement of security tokens within Japan. As a member of these associations, BitTrade not only enhances trust and credibility with the public but has also gained access to participate in policy-making discussions and setting industry standards. This access provides BitTrade with insights into potential regulatory changes, enabling BitTrade to swiftly respond to evolving regulatory landscapes.



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BitTrade is also a member of two associations for the Japanese crypto-asset industry including Japan Security Token Association and Fintech Association of Japan. As an active member of these industry associations, BitTrade is well-positioned to stay abreast of the latest industry trends explore business opportunities with other prominent members, thereby strengthening its presence in the Japan cryptocurrency market.

Beyond these business activities, BitTrade also offers provision of support and ancillary services related to virtual currency business. BitTrade primarily acquires clients through the cryptocurrency trading platform and makes profits through virtual currency trading business, being the major source of its income. The revenue recognized from BitTrade's cryptocurrency trading for the year ended 31 March 2024 is JPY14,300,314,000 (approximately HK\$776,106,641), accounting approximately 97.63% of BitTrade's revenue. BitTrade's primary revenue stream, derived from cryptocurrency trading, aligns with the Group's principal source of revenue.

BitTrade HK and BitTrade Wallet are wholly-owned subsidiaries of BitTrade, incorporated on 12 May 2023 and 20 October 2023, respectively. Under the Target Group's business plans, the principal business of BitTrade HK would involve providing virtual asset services in Hong Kong. The principal business of BitTrade Wallet, as a wholly-owned subsidiary of BitTrade HK, would involve providing custodian services for all client assets of the virtual asset trading platform to be operated by BitTrade HK. In order to conduct business providing virtual asset services (including but not limited to operating a virtual asset exchange, distributing virtual asset-related products, offering dealing services, and advisory services), BitTrade HK was required to apply for a VASP license from the SFC under the new licensing regime. An application was submitted but later withdrawn due to substantial costs.

As at the Latest Practicable Date, BitTrade is owned as to approximately 84.62% by Avenir Asset, approximately 7.69% by Goldenway, approximately 3.845% by Tokai and approximately 3.844% by FPG. Tokai is listed on Tokyo Stock Exchange (TYO:8616) and is engaged in the purchase and sale of securities, the brokerage of securities, the underwriting, sale, public offering and private offering of securities, other financial product transaction businesses and financial product-related businesses, as well as the provision of financing and fund management services for clients in overseas markets. FPG is listed on Tokyo Stock Exchange (TYO:7148) and is mainly engaged in fund and financial services business (including but not limited to leasing fund, real estate fund, FinTech, insurance, and mergers and acquisitions) and aviation services business. As at the Latest Practicable Date, the controlling shareholder of FPG is HT Holdings Co., Ltd, holding approximately 27.28% of the issued share capital of FPG.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiry, on 12 September 2018, the BVI Vendors acquired a 100% shareholding in Avenir Asset (which, at the material time, held approximately a 75% equity interest in the Target Company), for a consideration of approximately USD50,000,000.00. Subsequently, between 2018 and 2020, Avenir Asset acquired an additional 9.61% equity interest in BitTrade by making cash

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contribution of approximately USD19,793,537.00, resulting in the total acquisition cost of USD69,793,537.00 and an increase in Avenir Asset's shareholding in the Target Company to approximately 84.62%.

At the Latest Practicable Date, Mr. Guan is a director and authorized representative of BitTrade, the sole director of BitTrade HK, and the sole director of BitTrade Wallet. To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, Mr. Guan is not a shareholder or director of the Company.

### **Potential share repurchase by the Target Company**

As informed by the Target Company, FPG and Tokai are able to request the Target Company, or a third party designated by the Target Company, to repurchase their equity interests in the Target Company in the event that Mr. Li is no longer the ultimate beneficial owner of the Target Company, or if Avenir Investment disposes of more than 50% of the Target Company's shares. The Target Company, FPG and Tokai agreed that, after completion of the Proposed Acquisitions, the Target Company would repurchase FPG's and Tokai's shares in the Target Company for a consideration equivalent to their initial investment costs amounting to JPY1,000,000,000.

### **The Target Company's business model**

The Target Company operates within a single segment: virtual assets ecosystem. The Target Company's business model is primarily focused on the cryptocurrency trading business, with a smaller emphasis on other virtual asset business ("**Other Virtual Asset Business**"), which includes providing services relating to automated cryptocurrency trading, cryptocurrency listing and cryptocurrency wallet.

Regarding the cryptocurrency trading business, the Target Company holds cryptocurrencies before re-selling them to the counterparties, it is primarily responsible for the delivery of the cryptocurrencies to the counterparties and it is exposed to risks arising from fluctuations of the market price and inventory risk of cryptocurrencies before delivery to counterparties and has discretion in setting prices charged to counterparties. The Target Company generates profit margins from purchasing virtual assets at a lower price and subsequently selling them at a relatively higher price.

Regarding the Other Virtual Asset Business, the scope of the Target Company's activities is as follows:

- (a) the Target Company provides automated cryptocurrency trading services through its proprietary platform, offering clients a diverse selection of the most popular cryptocurrencies (i.e. 42 types). Under these arrangements, clients trade among themselves on the platforms where the Target Company merely provides facilitation services to match their trades. Commission fees are derived by calculating a fixed mark-up percentage on each trade transaction amount and are recognised at the time when each trade transaction is completed;

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- (b) the Target Company offers services for listing cryptocurrencies on its cryptocurrency trading platform. The Target Company assists cryptocurrency providers in preparing and submitting cryptocurrency listing applications to JVCEA. Upon obtaining the approval from JVCEA, the Target Company will proceed with submitting another application to FSA on behalf of the cryptocurrency providers. Listing fee income is recognized upon the completion of each application to either JVCEA or FSA; and
- (c) the Target Company charges handling fees from clients when withdrawing deposits or cryptocurrencies from its cryptocurrency trading platform. Handling fee income is recognised at the point in time when the withdrawal is completed.

The Target Company's primary sources of funding include cash flows generated from its operating activities, shareholder equity as well as other borrowings. Once the Target Company achieves profitability, operational net profit and cash inflows are expected to be converted into retained earnings, which will also serve as additional sources of funding.

### **The Target Company's customers and revenue generated model**

The Target Company has cultivated a broad and diverse customer base for its cryptocurrency trading business, comprising high-net-worth individuals and professional investors in Japan, and multinational enterprises and organisations. The Target Company also derives listing fees from multiple global Web3.0 developers and financial institutions that are seeking to list their cryptocurrencies on trading platforms in Japan.

The user base of the Target Company's cryptocurrency trading platform consists of Japanese nationals, foreigners who are residents in Japan, multinational enterprises and financial institutions from around the globe. As of the Latest Practicable Date, the Target Company's cryptocurrency trading platform boasts a significant user base, with approximately 188,800 registered users, of whom more than 117,000 have completed know-your-client verification. These registered users engage in various principal business activities on the platform, including digital currency trading, cryptocurrency listing services, and deposit and withdrawal transactions.

Over the past six months of 30 September 2024, the registered user base has increased by approximately 28,500 users. Overall, the trading platform's user base is showing a continuing upward trend.

Revenue generated by the Target Company from its cryptocurrency trading business is recognised at point in time upon each trade transaction is completed. The sale amounts received from counterparties are recorded as revenue of cryptocurrency trading business on a gross basis and the associated cost as the direct cost.

The revenue from cryptocurrency trading represented: (i) approximately 98.03% of the total revenue for the year ended 31 March 2022 and amounted to approximately 4.62 billion JPY; (ii) approximately 92.78% of the total revenue for the year ended 31 March 2023 and amounted to approximately 4.59 billion JPY; (iii) approximately 97.63% of the total revenue for the year ended

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31 March 2024 and amounted to approximately 14.30 billion JPY; and (iv) approximately 99.05% of the total revenue for the six months ended 30 September 2024 and amounted to approximately 7.80 billion JPY.

The Target Company also derived revenue from its Other Virtual Asset Business, including commission fees from providing cryptocurrency trading services, as well as listing fees and handling fees generated by the Target Company's cryptocurrency trading platform.

The revenue from Other Virtual Asset Business in aggregate amounted to: (i) approximately 92.66 million JPY, accounting for approximately 1.97% of the total revenue for year ended 31 March 2022; (ii) approximately 357.55 million JPY, accounting for approximately 7.22% of the total revenue for the year ended 31 March 2023; (iii) approximately 347.30 million JPY, accounting for approximately 2.37% of the total revenue for the year ended 31 March 2024 and (iv) approximately 74.64 million JPY, accounting for approximately 0.95% of the total revenue for the six months ended 30 September 2024.

As at the Latest Practicable Date, no revenue has been generated from BitTrade HK and BitTrade Wallet.

### **Sales and marketing strategies**

Since the commencement of the Target Company's business in 2016, the Target Company's cryptocurrency trading platform has maintained stable growth and has garnered a strong reputation for its reliable and secure platform in the cryptocurrency market. The Target Company strives to continuously grow our user and client base by word-of-mouth referral and precision marketing.

The Target Company primarily relies on its marketing team to promote its cryptocurrency trading platform to potential users by: (i) arranging online and offline events to increase awareness of the Target Company's brand; (ii) establishing strategic relations with third parties, including financial institutions, industry standard-setting bodies and blockchain companies; and (iii) promoting the Target Company's products and creating product-related strategies to support marketing activities.

To increase user registration, the Target Company has streamlined the client registration and initial trading setup processes, enabling new users to complete their account applications free and swiftly. Additionally, the Target Company has initiated promotion activities such as user referrals, where existing users introduce new clients to register and trade. Upon successful referrals, both new and existing users receive a specific reward.

To encourage trading activities, the Target Company launched different incentive programs on its trading platform from time to time and it does not charge any account maintenance or custody fees. The Target Company's platform also maintains competitive appeal by charging relatively low trading fees on major trading pairs.

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In order to convert registered users into active clients of its cryptocurrency trading business, the Target Company's trading platform allows new registered users to purchase Bitcoin and Ethereum with a minimal initial investment. Additionally, the Target Company offers a prominent one-click ordering feature on its cryptocurrency trading webpage, facilitated by its automated ordering system (自動落單平台). These strategies are designed to facilitate user conversion by creating a favourable trading environment and improving the overall user experience.

### **The Target Company's future business development plan upon completion of the Proposed Acquisitions**

Following the completion of the Proposed Acquisitions, the Target Company will continue to focus on its established business strategies, with the main source of income being the revenue generated from cryptocurrency trading business. The Target Company will also continue to offer cryptocurrency trading services, initial coin offering services and services relating to cryptocurrency wallet to its existing and potential clients.

With support from the Group, the Target Company intends to develop the following new business ventures and expand its product offerings through its cryptocurrency trading platform, aiming to significantly improve its profitability:

- (a) Diversified product composition: Apart from focusing on the current cryptocurrency trading business and providing automated trading services through its cryptocurrency trading platform, the Target Company will use its commercially reasonable efforts to diversify its product composition by adding more attractive trading pairs and implement cryptocurrency derivative trading service, also known as margin trading service.
- (b) Cryptocurrency Funds: Leveraging the Group's experience in establishing and managing cryptocurrency funds, the Target Company intends to explore opportunities in setting up cryptocurrency investment funds in Japan, including but not limited to Bitcoin ETFs.
- (c) RWA/STO: In around mid-2025, the Target Company will offer services relating to tokenization of real world assets (“**RWA**”) and security token offerings (“**STO**”). Tokenization of RWA involves creating digital tokens that are backed by real-world assets, which can then be traded on cryptocurrency trading platforms or used in decentralized finance (DeFi) applications. STO refers to a fundraising mechanism which involves the issue of digital tokens representing ownership or investment in a real-world asset or a company. These digital tokens are considered securities as they embody an investment contract and typically provide financial returns to holders, such as dividends, profit sharing and voting rights. The Target Company believes that offering related services are likely to attract more new and existing clients and unlock new revenue streams.
- (d) Virtual asset trading platform in Hong Kong: After the Proposed Acquisitions, the Company will indirectly hold 92.31% of BitTrade. Therefore, if sufficient resources are available to cover the costs of applying for a VASP license, the Group will consider

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procuring BitTrade HK to resubmit an application to obtain a VASP license in Hong Kong. This would enable the Enlarged Group to explore opportunities to operate a virtual asset trading platform in Hong Kong. As the date of the announcement, the company has not confirmed the expected timeline for the VASP application submission.

Going forward, the Target Company will continue to invest in technology and talents, to maintain its competitive advantages and to facilitate the execution of its future business development plan.

Shareholders should note that the period specified in the estimated timeline is indicative only and may be subject to changes. In the event any special circumstances arise, the Target Company may extend, or make adjustment to, the timeline if it considers appropriate.

### **Due diligence on the Target Group**

The Board has conducted several assessments and due diligence reviews regarding the Proposed Acquisitions in relation to the Target Group from commercial, finance, legal, and human resources perspectives as set out below:

- (i) From a commercial standpoint, the Company has convened several meetings with the management team of the Target Group to delve into its market positioning and competitive landscape. Additionally, the Company has reviewed the historical financial performance of the Target Group to comprehend its future growth and business strategy.
- (ii) From a financial perspective, the Company's representatives have conducted financial and onsite due diligence on the Target Group. In particular, they completed two field trips to the Target Group, during which they had management discussion and analysis with the management of the Target Group and examined the Target Group's key financials to gain detailed understanding of the Target Group's financial position. The Company also conducted internal controls interviews with the Target Group in December 2023 and April 2024, engaged its auditor to perform a review of the Target Group which concluded that the audited historical financial figures are true and fair, and reviewed the valuation report and enquired into the Valuer on the methodology, basis and assumptions adopted therein.
- (iii) From a legal perspective, the Board has reviewed the Target Group's statutory records and licences required for its business and operations. Moreover, the Board has engaged local counsels to provide legal opinions on the due incorporation and valid existence of the Target Group. In addition, the legal due diligence review also includes conducting online and publicly available searches to ascertain the potential liabilities, contingent issues, and legal or contractual obstacles in the Target Group. Furthermore, the Company has obtained confirmations from the BVI Vendors and BitTrade Vendor in March 2024 that there are no restrictions on the share transfer in respect of the Proposed Acquisitions.

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- (iv) From a human resources perspective, the Board has obtained and considered the employees information, staff structure, and payroll information of the Target Group, and has discussed with BitTrade's management to identify potential risks associated with the Proposed Acquisitions.

As at the Latest Practicable Date, the due diligence on the Target Group has been substantially completed by the Company. The Board is satisfied with the results of the above due diligence review on the Target Group and there are no material irregularities based on the due diligence review. Prior to Completion, the Company will continue to conduct certain bringdown searches and due diligence reviews on the assets, liabilities, operations, business, financial and legal affairs, as well as business plans of the Target Group, as and when needed.

### **Potential risks of the Proposed Acquisitions**

The Target Company is primarily engaged in the cryptocurrency trading business, characterized by rapidly evolving technologies, infrastructure, increasing competition, changing regulations, and shifting market demands. Based on current due diligence results and obtained information, it is assessed that the Target Company's business and prospects, in light of encountered or potential risks, include the following:

- (a) *Network interruptions and security breaches* — unexpected network interruptions, security breaches, or computer virus attacks, and failures in the Target Company's database and system could materially affect its business, financial condition, and operational results. The internet-based nature of the business relies heavily on infrastructure performance, reliability, and security. Any failure to maintain these aspects could significantly damage the Target Company's reputation and its ability to retain existing users and attract new ones. Since protecting client's assets is one of the top priorities of the Target Company, it uses cold wallets and implements multi-data center backups for enhanced security.
- (b) *Regulatory compliance* — the Target Company is subject to extensive and evolving Japanese laws and regulatory requirements. The FSA conducts regular inspections and supervision activities over the Target Company's trading systems and operations. Non-compliance may lead to penalties, limitations, or prohibitions on future business activities, or suspension or revocation of licenses and trading rights. Additionally, the Target Company may undergo regulatory examinations, which could harm its reputation and lead to legal, financial, and operational consequences.
- (c) *Market disruptions* — the performance of the cryptocurrency market can significantly impact the trading volume of the Target Company's cryptocurrency trading platform and its cryptocurrency trading business. Factors such as macroeconomic conditions, investor sentiment, and technological advancements influence market dynamics. Market disruptions can directly impact sales and profitability, particularly if market values of cryptocurrencies decline, leading to illiquid markets and lower revenues.



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## LETTER FROM THE BOARD

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- (d) *Intense competition* — the Target Company must continuously monitor rapid blockchain developments, technological developments and evolving industry trends to stay competitive in the cryptocurrency trading platform sector. Despite significant investments in research and development, there is no guarantee of expected returns. To meet client demands for advanced trading facilities and access to wider markets, better trading tools, lower commissions and financing rates, the Target Company has embarked on building such facilities and service enhancements.

To evaluate the associated risks of the Proposed Acquisitions, the Board has completed and will continue to conduct the following assessments:

- (a) conducting comprehensive due diligence to assess the Target Group's financial, operational, legal, and regulatory aspects;
- (b) reviewing the Target Company's compliance with Japanese cryptocurrency regulations, which includes licensing requirements, anti-money laundering procedures, know-your-client policies, and personal data protection regulations;
- (c) performing regular evaluations of the Target Company's historical financial performance, revenue streams, profitability, and growth projections to gauge its financial health and potential for future growth;
- (d) conducting regular reviews of the cryptocurrency market in Japan, analyzing market size, growth trends, and competitive landscape. This included an evaluation of the Target Company's market position, market share, and competitive advantages;
- (e) evaluating the Target Company's technology infrastructure, trading platform, and software systems. This assessment focused on scalability, reliability, performance, and compatibility with emerging technologies and industry standards; and
- (f) developing a comprehensive integration plan to address operational, technological, cultural, and human resources integration challenges, and to identify synergies, cost-saving opportunities, and integration milestones.

With the above assessments and due diligence exercise conducted against the Target Group, having made all reasonable enquiries, the Board is of the view that the Target Group has implemented effective measures to mitigate its risk exposure.

Despite the potential risks associated with the Proposed Acquisitions, the Board believes the terms of the Proposed Acquisitions are fair and reasonable. This assessment is based on several key factors: the Target Group has a proven track record of regulatory compliance, the Target Group's alignment with the Company's long-term strategic objectives, the synergies and growth opportunities the Target Group could offer, the strategies in place for risk mitigation, as well as the industry experts and talents retained by the Target Group. The Board remains optimistic about the synergistic benefits the Proposed Acquisitions could bring to the Group, viewing these advantages



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## LETTER FROM THE BOARD

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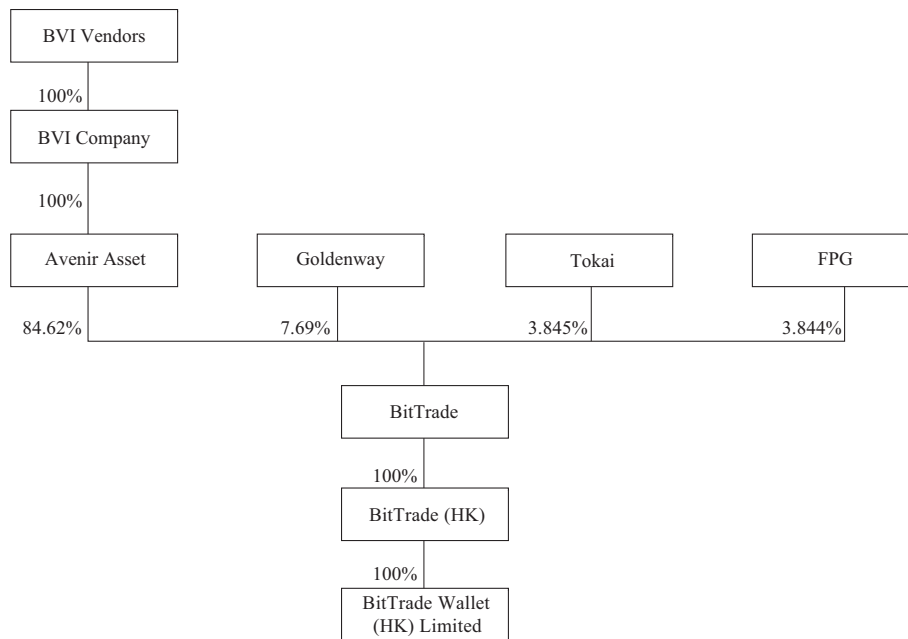
as significantly outweighing the associated risks. The synergistic benefits expected from the Proposed Acquisitions are set out in the sections headed “Reasons for and benefits of the Proposed Acquisitions”.

### INFORMATION OF HAINAN LEPENG AND AVENIR CAYMAN

Hainan Lepeng is a company incorporated and existing under the laws of the PRC with limited liability, the ultimate beneficial owner of which is Mr. Li. It is principally engaged in business information, financial and enterprise management consulting, information technology development and consulting, software services, development and consulting, product and model design, as well as domestic trading and e-commerce.

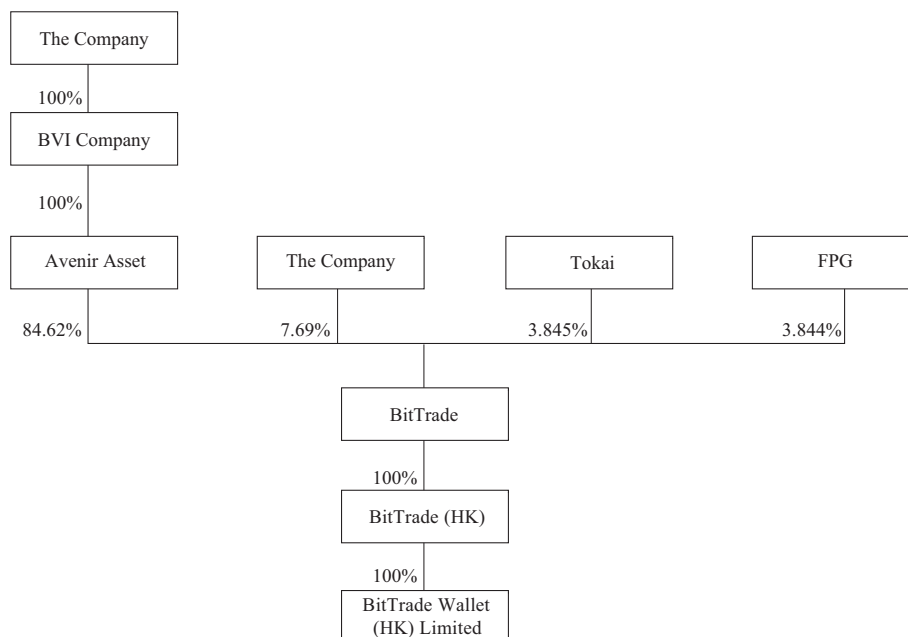
Avenir Cayman is a company incorporated under the laws of the Cayman Islands with limited liability, the ultimate beneficial owner of which is Mr. Li. Avenir Cayman is primarily engaged in investment holding.

A corporate structure chart of BVI Company and BitTrade as at the Latest Practicable Date is set out below:



## LETTER FROM THE BOARD

A corporate structure chart of BVI Company and BitTrade immediately after completion of the Proposed Acquisitions is set out below:



Set out below is the audited consolidated financial information of the BVI Company prepared in accordance with International Financial Reporting Standards for the three years ended 31 March 2022, 2023 and 2024, and for the six months ended 30 September 2024:

	<b>For the year ended 31 March 2022 US\$'000 (audited)</b>	<b>For the year ended 31 March 2023 US\$'000 (audited)</b>	<b>For the year ended 31 March 2024 US\$'000 (audited)</b>	<b>For the six months ended 30 September 2024 US\$'000 (unaudited)</b>
Net assets/(liabilities)	(7,237)	(11,550)	(11,022)	673
Profit/(Loss) before taxation	(4,537)	(3,455)	1,147	(5,236)
Profit/(Loss) after taxation	(4,537)	(3,455)	1,147	(5,236)

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## LETTER FROM THE BOARD

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Set out below is the audited consolidated financial information of BitTrade prepared in accordance with International Financial Reporting Standards for the three years ended 31 March 2022, 2023 and 2024, and for the six months ended 30 September 2024:

	<b>For the year ended 31 March 2022 US\$'000 (audited)</b>	<b>For the year ended 31 March 2023 US\$'000 (audited)</b>	<b>For the year ended 31 March 2024 US\$'000 (audited)</b>	<b>For the six months ended 30 September 2024 US\$'000 (unaudited)</b>
Net assets/(liabilities)	9,682	5,370	5,850	626
Profit/(Loss) before taxation	(4,539)	(3,454)	1,150	(5,236)
Profit/(Loss) after taxation	(4,539)	(3,454)	1,150	(5,236)

### VALUATION OF THE TARGET GROUP

In respect of the Valuer's qualification and independence, the Board had reviewed and enquired into the qualifications and experience of the Valuer in relation to the preparation of the valuation report. To the best of the Directors' knowledge and belief and having made all reasonable enquiries, Mr. Oswald W Y Au, the person in charge of the appraisal, is a member of Hong Kong Institute of Surveyors (General Practice), Associate Member of Australian Property Institute, a Registered Professional Surveyor (General Practice) registered with Surveyors Registration Board and an International Certified Public Accountant, and has over 19 years of experience in financial valuation and property valuation in various regions including but not limited to Hong Kong, the PRC, the U.S., and Asia Pacific region. The Valuer has extensive experience in valuing cryptocurrency assets in Asia Pacific region. The Board also obtained information on the Valuer's track records on experience in financial valuation, cryptocurrency assets valuation and property valuation. As such, the Board is of the view that the Valuer is qualified, experienced and competent in performing the valuation of the Target Group and providing a reliable opinion in respect of the valuation of the Target Group.

The Board also enquired with the Valuer as to its independence from the Group and the parties involved in the Proposed Acquisitions, and understand that the Valuer is independent from the Group, the BVI Vendors, the BitTrade Vendor, the Target Group and their respective associates.

#### ***Valuation Approach and Result***

According to the valuation report prepared by the Valuer, the sum of the fair value of 100% equity interest in the Target Group was USD33,656,000 as at 30 September 2024. Given the valuation date is 30 September 2024, utilizing the financial data from the same period, namely the Last Twelve Months (LTM) revenue of the Target Company (specifically, from 1 October 2023 to 30 September 2024), is deemed appropriate to provide a more up-to-date and accurate representation of the Target Company's current and latest status and condition. In particular, the

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## LETTER FROM THE BOARD

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financial year ended 30 September 2024 is considered to reflect a more normalized revenue stream, better capturing the expected ongoing business performance of the Target Company once these fluctuations have been accounted for. During this period, the cryptocurrency industry experienced a wave of price growth, followed by a period of price stagnation and a subsequent downturn. This pattern more effectively illustrates the inherent volatility of the cryptocurrency market over the course of the year. Additionally, 30 September 2024 serves as the most recent valuation date, providing a more accurate representation of the Target Group's current operational status and estimated value.

### *Guideline Company Method*

	<b>29 February 2024</b>	<b>30 September 2024</b>
Annualized Revenue of the Target Company (JPY'000) <sup>(1)</sup>	13,205,681	16,832,864
Adjusted Median EV/S Multiple <sup>(2)</sup>	<u>0.31x</u>	<u>0.25x</u>
Estimated 100% Enterprise Value of the Target Company (JPY'000) <sup>(6)</sup>	4,093,761	4,239,117
Add: Cash (JPY'000) <sup>(3)</sup>	2,652,789	2,335,975
Add: Net non-operating assets and liabilities of the Target Company (JPY'000) <sup>(3)</sup>	3,787,547	3,376,438
Less: Debts (JPY'000) <sup>(3)</sup>	<u>4,174,678</u>	<u>4,144,156</u>
Adjusted 100% Equity Value of the Target Company (JPY'000) <sup>(6)</sup>	6,400,000	5,807,374
Less: Redeemable Capital Contribution (JPY'000) <sup>(3)</sup>	<u>1,000,000</u>	<u>999,974</u>
Adjusted 92.31% Equity Value of the Target Company (JPY'000)	5,400,000	4,807,400
Add: Net non-operating assets and liabilities of Target Group (JPY'000) <sup>(4)</sup>	<u>7,120</u>	<u>6,693</u>
Adjusted 100% Equity Value of the Target Group (JPY'000)	<u>5,407,120</u>	<u>4,814,093</u>
Exchange Rate (USD/JPY) <sup>(6)</sup>	<u>150</u>	<u>143</u>
100% Equity Value of the Target Group (USD) <sup>(7)</sup>	36,127,000	33,656,000

## LETTER FROM THE BOARD

*Notes:*

- (1) Revenue is referred to the LTM revenue up to the 29 February 2024 financial statement (i.e., from 1 March 2023 to 29 February 2024) and 30 September 2024 financial statement (i.e., from 1 October 2023 to 30 September 2024) of the Target Company, which is obtained as follows:

Annualized Revenue of the Target Company as of 29 February 2024

	<b>For the year ended 31 March 2023</b>		<b>For the eleven months ended 29 February 2024</b>	<b>For the twelve months ended 29 February 2024</b>
	<i>JPY'000</i>	<i>JPY'000</i>	<i>JPY'000</i>	<i>JPY'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
	A	B = A/12	C	D = B + C
Total Revenue	4,949,764	412,480	12,793,201	13,205,681
Duration (Months)	12	1	11	12

Annualized Revenue of the Target Company as of 30 September 2024

	<b>For the six months ended 30 September 2023</b>	<b>For the year ended 31 March 2024</b>	<b>For the six months ended 31 March 2024</b>	<b>For the six months ended 30 September 2024</b>	<b>For the year ended 30 September 2024</b>
	<i>JPY\$'000</i>	<i>JPY\$'000</i>	<i>JPY\$'000</i>	<i>JPY\$'000</i>	<i>JPY\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
	A	B	C = B – A	D	E = C + D
Total Revenue	5,689,284	14,647,614	8,958,330	7,874,534	16,832,864
Duration (Months)	6	12	6	6	12

- (2) Selected EV/S Multiple is based on the median EV/S multiple computed through Guideline Company Method. Cash, net non-operating assets and liabilities and debts based on the 29 February 2024 and 30 September 2024 financial statement of the Target Company. Cash refers to the cash on hand or in banks. The non-operating assets and liabilities include the Target Company's own crypto assets, crypto assets of the Target Company's clients, foreign exchange margin, trust fund and client deposits with mismatched names, etc. These items are unrelated to the Target Company's regular operational activities.
- (3) The debts include the borrowings from an intermediate holding company, Avenir Cayman Holding Limited (“**Avenir Cayman**”), long-term debt, short-term lease obligations and long-term lease obligations, etc. The Target Company entered into several borrowing agreements in cryptocurrencies with Avenir Cayman, resulting in an outstanding amount of JPY3,147,564,121 as of 29 February 2024 and JPY2,822,173,000 as of 30 September 2024. Besides, the Target Company has also entered into a loan agreement with a former fellow subsidiary, Huobi Cayman Holding Limited (formerly known as Huobi Global Limited) (“**Huobi Global**”), amounting to JPY1,000,000,000 for five years from 16 May 2022 to 15 May 2027, thereby representing the long-term debt as of both 29 February 2024 and 30 September 2024. On 1 October 2022, Huobi Global signed a novation agreement with Avenir Cayman, and transferred the rights and obligations of the said long-term debt to Avenir Cayman. As such, there is a total outstanding amount of JPY4,147,564,121 owed to Avenir Cayman as of 29 February 2024 and JPY3,822,173,000 as of 30 September 2024. The amount of total short and long-term lease obligations is approximately JPY27,114,000 as of 29 February 2024 and JPY122,338,000 as of 30 September 2024. The interest payable of the loan from Avenir Cayman is JPY199,645,000 as of 30 September 2024. Accordingly, the total amount of the debts as at 30 September 2024, including the abovementioned items, is JPY4,174,678,000 as of 29 February 2024 and JPY4,144,156,000 as of 30 September 2024. The adjustment from enterprise value to equity value involves adding cash and subtracting debt

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because enterprise value represents a firm's total value, while equity value represents only the shareholders' portion. While enterprise value only reflects a company's core operations, the net non-operating assets and liabilities contribute to a company's total value. Even though net non-operating assets and liabilities are not part of the company's core operations, the investors still benefit from these assets, so they should be included in the final equity value. The amount payable to Hainan Lepeng is directly tied to the Target Company's daily operations, representing the technical service expenses incurred by Hainan Lepeng in assisting with the development of the Target Company's system. As a result, such amount payable has already been included in the initial enterprise value and does not need to be excluded as a non-operating item for adjustment. "Redeemable Capital Contribution" refers to the "Share Repurchase" as disclosed in the announcement dated 16 August 2024 of the Target Company. In the valuation, the redeemable capital contribution is deducted from the 100% equity value of the Target Company to derive the 92.31% equity value attributable to the Target Company.

- (4) The net non-operating assets and liabilities of the Target Group, excluding the net assets of the Target Company, based on the financial statements of the Target Group as of 29 February 2024 and 30 September 2024.
- (5) Exchange Rate based on the spot rate from FactSet as of 29 February 2024 and 30 September 2024.
- (6) Figures may not exactly add up due to rounding.

The valuation was computed based on market approach, adopting the guideline company method which the Valuer has selected eight appropriate comparable public companies based on the comparability of the overall industry sector, taking into account the following selection criteria and basis:

- (a) the primary business of the comparable public companies is cryptocurrency trading and exchanges, with over 50% of their revenues coming from these activities;
- (b) the comparable public companies are listed on exchange markets in developed countries as identified by International Monetary Fund, including but not limited to the United States, Canada, Europe, Hong Kong, Singapore, and Japan, with the over-the-counter market excluded;
- (c) the financial information of the comparable public companies is publicly available; and
- (d) the revenues of the comparable public companies are positive.

The Valuer has considered all the comparable companies listed in developed countries, including but not limited to the United States, Canada, Europe, Hong Kong, Singapore, and Japan. The reason for choosing comparable companies with over 50% of their revenues from cryptocurrency trading and exchanges is to identify businesses primarily engaged in similar activities as the Target Company. Based on the aforementioned selection criteria, there are no listed cryptocurrency trading and exchange-related companies with over 50% of their revenue coming from these activities in Japan, Singapore, or Hong Kong. Selecting listed companies in developed countries due to their strict laws and governance, transparency, and similar accounting standards, will lead to more accurate and reliable evaluations. Comparable companies from over-the-counter markets are not selected due to their lack of transparency, lower regulatory standards, and higher risk compared to listed exchanges. Additionally, companies on over-the-counter markets often have lower liquidity and less reliable financial information, making accurate comparisons difficult.

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Having considered the above selection criteria and bases, besides the selected eight comparable public companies, the Valuer has not considered other comparable companies. The list of selected comparable companies is exhaustive based on the Valuer's research and selection criteria on a best-effort basis. After screening eight comparable companies based on the aforementioned selection criteria, an additional criterion is applied to select the appropriate comparable companies for determining the multiples. In order to enhance the comparability between the selected comparable companies and the Target Company, the size of the sales amount is also taken into account as a determinant factor, as EV/S multiples are used.

The Valuer also noted that the comparable companies hold varying amounts of cryptocurrency assets and have significantly different capital structures. According to the Equity Investments and Equity Valuation chapters of CFA I and II curriculum, enterprise value (EV) is appropriate for comparing firms with substantial variations in capital structure. The rationale for subtracting cash and investments lies in the fact that an acquirer's net price paid for an acquisition target would be reduced by the amount of the target's liquid assets.

The formula for calculating the enterprise value of the comparable companies is as follows:

$$\text{Enterprise Value} = \text{Market Capitalization} - \text{Cryptocurrency Assets} + \text{Debts} - \text{Net Non-operating Assets and Liabilities} - \text{Cash} + \text{Minority Interest} + \text{Preferred Stock}$$

Set out below is the calculation (including the EV/S multiple) and adjustments for the above-mentioned items to arrive at the equity value of the Target Company:

Annualized Revenue of the Target Company	A
Adjusted Median EV/S Multiple of Comparable Companies	B
Estimated 100% Enterprise Value of the Target Company	$C = A \times B$
Add: Cash	D
Add: Net non-operating assets and liabilities (including the Cryptocurrency assets)	E
Less: Debts	F
Estimated 100% Equity Value of the Target Company	$G = C + D + E + F$

In calculating the EV/S multiples of the comparable companies, the Valuer has adjusted for the amounts of cryptocurrency assets held. Similarly, the enterprise value of the Target Company has been adjusted to reflect the value of its cryptocurrency assets held, ensuring an apples-to-apples comparison. When calculating equity value of the Target Company, the Valuer adds back the cryptocurrency assets to account for them. This approach ensures that the valuation is fair, as both the comparable companies and the Target Company are evaluated in the same manner.

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### *Methodology and Assumptions*

The EV/S multiples, along with the enterprise value, market capitalization, other financial indicators and details of the eight selected comparable public companies as of 30 September 2024, are listed in the below table. Adjustments for marketability discount and control premium were made for the differences between the Target Group and the market comparables.



# LETTER FROM THE BOARD

No	Company Name	Listing Location and Exchange Market	Business Description <sup>(1)</sup>	Business Segment <sup>(1)</sup>	Currency	Market Capitalization as of Valuation Date <sup>(1)</sup>	Enterprise Value as of Valuation Date <sup>(1), (3)</sup>	Cryptocurrency assets held <sup>(1)</sup>	Latest NAV <sup>(1), (2)</sup>	LTM EBITDA <sup>(1), (2)</sup>	LTM Net income <sup>(1), (2)</sup>	LTM Sales <sup>(2), (3)</sup>	EVS <sup>(4)</sup>
1	Coinbase Global, Inc.	United States (NASDAQ)	Coinbase Global, Inc. engages in technology and financial infrastructure products and services. It offers crypto-powered technologies including self-custody wallets, decentralized apps and services, and open community engagement platforms.	Transaction Revenue from cryptocurrency trading: 48.9% Subscription and Services Revenue: 45.3% Other Revenue: 5.9%	USD million	44,256.1	39,692.3	269,657.6	8,370.8	1,426.8	1,482.7	4,703.7 (Outlier) <sup>(6)</sup>	8.44x (Outlier) <sup>(6)</sup>
2	Bakkt Holdings, Inc.	United States (NYSE)	Bakkt Holdings, Inc. engages in the intersection of cryptocurrencies, loyalty and rewards, and payments. It also provides a platform to expand payment offerings, create new revenue streams, and increase client loyalty.	Transaction Revenue from cryptocurrency trading: 96.9% Subscription and Services Revenue: 3.1%	USD million	129.4	147.4	974.5	47.8	(90.0)	(68.6)	1,783.8 (Outlier) <sup>(6)</sup>	0.08x (Outlier) <sup>(6)</sup>
3	Goobit Group AB	Sweden (NGM Exchange)	Goobit Group AB engages in the provision of financial transaction activities. It offers cryptocurrency under the BTCX brand.	Cryptocurrency Trading Related: 100.0%	USD million	4.5	4.0	N/A <sup>(6)</sup>	1.8	(0.1)	(0.2)	12.1	0.33x
4	Safello Group AB	Sweden (Nasdaq Stockholm)	Safello Group AB provides payment solutions. It offers direct payment methods and services to buy, sell and store bit coins.	Cryptocurrency Trading Related: 100.0%	USD million	8.4	5.8	0.81	3.6	0.1	0.2	66.3	0.09x
5	Banxa Holdings, Inc.	Canada (TSX)	Banxa Holdings, Inc. operates as a payments service provider for the digital asset space. Its product Plug-and-Play allows access to digital currencies via multiple payment methods.	Sales of Cryptocurrencies: 94.3% Commissions and Spread from Services: 5.4% Integration Revenue: 0.4%	USD million	11.6	18.9	0.3	(3.1)	(1.8)	(6.5)	189.6	0.10x

# LETTER FROM THE BOARD

No	Company Name	Listing Location and Exchange Market	Business Description <sup>(1)</sup>	Business Segment <sup>(1)</sup>	Currency	Market Capitalization as of Valuation Date <sup>(1)</sup>	Enterprise Value as of Valuation Date <sup>(1), (3)</sup>	Cryptocurrency assets held <sup>(1)</sup>	Latest NAV <sup>(1), (2)</sup>	LTM EBITDA <sup>(1), (2)</sup>	LTM Net income <sup>(1), (2)</sup>	LTM Sales <sup>(2), (3)</sup>	EVS <sup>(4)</sup>
6	BIGG Digital Assets Inc.	Canada (CSE)	BIGG Digital Assets, Inc. engages in the development of blockchain technology solutions, search, and data analytics. Its solutions include QLUUE.io and BitRank. It operates through the Blockchain Technology Development and Digital Currency Sales Brokerage segments.	Transaction Revenue from cryptocurrency trading: 76.8% Subscription Revenue: 18.7% Service Revenue: 4.4% Metaverse Studio and Advisory Revenue: 0.1%	USD million	39.8	23.8	86.7	29.0	(8.5)	(6.3)	7.2	3.31x
7	WonderFi Technologies Inc	Canada (TSX)	WonderFi Technologies, Inc. is a technology company, which engages in the creating unified access to digital assets through centralized and decentralized platforms. It operates under the Decentralized Finance (DeFi) and Centralized Finance (CeFi) segments.	Transaction Revenue: 89.6% Payments Revenue: 10.2% Other Revenue: 0.2%	USD million	67.2	31.6	949.8	78.4	4.4	(2.6)	39.5	0.80x
8	Bitcoin Well Inc	Canada (TSX)	Bitcoin Well, Inc. engages in the buy and sell of bitcoin through a bitcoin automated teller machine network and suite of web-based transaction services.	Sales of Cryptocurrency to Clients: 90.2% Arms-length Cryptocurrency exchanges: 9.8%	USD million	8.9	17.0	10.3	(7.5)	(1.1)	(10.4)	49.2	0.35x
9	BitTrade Inc. (the "Target Company")	Japan	The Target Company is principally engaged in the operation of cryptocurrency exchange in Japan.	Cryptocurrency Trading: 99.05% Other Business: 0.95%	USD million	40.6	29.6	36.7	0.6	3.2	2.6	117.7	0.25x
<b>Median<sup>(4)</sup> excluding outlier Before LoMD and Control Premium</b>													
Lack of Marketability Discount ("LoMD") <sup>(5)</sup>													
Control Premium <sup>(5)</sup>													
<b>Median excluding outlier After LoMD and Control Premium</b>													
<b>0.34x</b>													
<b>42.9%</b>													
<b>30.2%</b>													
<b>0.25x</b>													

*Source: FactSet Research Systems Inc. (commonly known as FactSet), annual reports of the comparable companies and audited report of the Target Company. FactSet is a leading American financial data and software company publicly traded on the New York Stock Exchange under the ticker symbol FDS. Recognized as a component of the S&P 500 index since December 2021, FactSet provides integrated financial data, analytical tools, and services to investment professionals across the globe, including portfolio managers, market analysts, and risk managers. Its comprehensive suite of offerings includes business advisory services, data consolidation, advanced market analytics, and portfolio data management, catering to a diverse clientele.*

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## LETTER FROM THE BOARD

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*Notes:*

- (1) Data sourced from FactSet and annual reports of the comparable companies and the Target Company. The enterprise value of the comparable companies is computed based on the market capitalization of the companies and the latest financial data of the comparable companies available as of 30 September 2024.
- (2) Data sourced from FactSet and audited report of the Target Company. Financial indicators of the comparable companies are based on the trailing twelve months financial data of the comparable companies available as of 30 September 2024.
- (3) Exchange Rate based on the spot rate from FactSet as of 30 September 2024.
- (4) Median and average share the same role in understanding the central tendency of a set of numbers. Median, which would not be affected by extreme values, is regarded as a better mid-point measure for skewed number distributions. Hence, median is adopted to derive the result, which we consider to be a more reasonable approach to prevent the outliers from distorting the result.
- (5) Marketability Discount and Control Premium

Lack of Marketability Discount (“**LOMD**”) reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company.

The EV/S multiple adopted in the valuation was calculated from public listed companies, which represents marketable ownership interest. Fair value calculated using such EV/S multiple, therefore, represents the marketable interest. Thus, LOMD was adopted to adjust such marketable interest fair value to non-marketable interest fair value.

The report “Stout Restricted Stock Study Companion Guide (2023 edition)” by Stout Risius Ross, LLC, a reputable research company, suggested a median marketability discount for the 5th quintile of 772 transactions is about 42.9%. The median marketability discount in the 5th quintile has been with reference to because the median market value is similar to the Target Company. A marketability discount of 42.9% is considered appropriate and suitable for this valuation as we understand that the Target Company is a privately held company.

The value of non-marketable interest can be calculated from marketable interest using the following formula:

Fair Value of Non-Marketable Interest = Fair Value of Marketable Interest × (1– LOMD)

Control premium is the amount that a buyer is willing to pay over the minority equity value of the company in order to acquire a controlling interest in that company. The EV/S multiple adopted in the valuation was calculated from public listed companies, which represents minority ownership interest; market value calculated using such EV/S multiple, therefore, represents the minority interest. Thus, control premium was adopted to adjust such minority interest market value to controlling interest market value.

Adjustment for control is made by the application of a control premium to the value of the Target Company’s shares. The report “Control Premium Study: 3rd Quarter 2024” by FactSet Mergerstat, LLC, a reputable research company, suggested a median control premium for the category of Security, Commodity brokers, and services from Finance, Insurance and Real Estate is about 30.2%. Aligning with the Valuation Date, the latest research study from the third quarter of 2024 is applied. A control premium of 30.2% is considered appropriate and suitable for this valuation as we understand that the Company intends to acquire a controlling stake in the Target Company. The control premium is deemed appropriate as it aligns with the industry sector of the Target Company and is consistent with the Valuation Date.

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The value of controlling interest can be calculated from minority interest using the following formula:

Fair Value of Controlling Interest = Fair Value of Minority Interest  $\times$  (1 + Control Premium)

Combining the adjustments on LOMD and control premium:

Adjusted EV/S multiple = EV/S multiple  $\times$  (1 – LOMD)  $\times$  (1 + Control Premium)

- (6) Based on the list of comparable companies, the sales range from a minimum of USD7.2 million to a maximum of USD4,703.7 million. The exceptions that the Valuer considers as outliers are Coinbase Global, Inc. and Bakkt Holdings, Inc. The Valuer further calculated that the standard deviation of the sales of these comparable companies lies outside of the BitTrade Inc.'s sales amount plus or minus 1 standard deviation of sales, hence the Valuer concludes that Coinbase Global, Inc. and Bakkt Holdings, Inc. are outliers. The comparable companies with similar sales sizes to the Target Company are Goobit Group AB, Safello Group AB, Banxa Holdings, Inc., BIGG Digital Assets Inc., WonderFi Technologies Inc, and Bitcoin Well Inc. The median EV/S multiple before LoMD and Control Premium for these six comparable companies is 0.34x.

In selecting the eight comparable companies for the purpose of valuation, the Valuer is of the view that the price-to-earnings ratio is deemed inappropriate for valuation due to the Target Company's fluctuating profit and loss history over the past three years ended 31 March 2022, 2023 and 2024, and the net loss recorded for the six months ended 30 September 2024 and in the first half of 2025, may not be stable and it could exhibit higher fluctuations comparing to revenue due to its business characteristics, rendering earnings-based metrics less reliable. The price-to-book ratio is considered not appropriate for this valuation because book value captures only the tangible assets of a company, and the Target Company is an asset light company.

The price-to-EBITDA ratio has also not been selected for this valuation because, although the Target Company posted positive EBITDA in 2024, it has experienced fluctuating EBITDA history, along with a net loss recorded in the first half of 2025. This rationale aligns with the decision to exclude the price-to-earnings ratio. Therefore, EV/S Ratio is considered appropriate and adopted in this valuation.

The valuation report prepared by the Valuer states, among other things, that:

- (a) in the course of arriving at the opinion of value, the following principal factors have been considered:
- the economic outlook for the region operated by the Target Group and specific competitive environments affecting the industry;
  - the business risks of the Target Group;
  - the comparable companies are engaging in business operations similar to the Target Group;
  - the experience of the management team of the Target Group and support from its shareholders; and
  - the legal and regulatory issues of the industry in general.

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(b) the key assumptions adopted in the valuation include:

- there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Group;
- there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported values, as well as no changes in market conditions after 30 September 2024;
- there will be no significant fluctuations in the cryptocurrency market that could adversely affect the operations and financial position of the Target Group;
- there will be no significant changes in the regulatory environment specifically governing cryptocurrencies, including tax laws, compliance requirements, and regulatory frameworks, that could adversely affect the operations of the Target Group; and
- the liquidity of cryptocurrencies will not experience any significant changes that would adversely affect their prices.

***The Board's view on the fairness and reasonableness of the valuation methodology and assumptions***

The valuation report prepared by the Valuer has been reviewed by the Board to assist the determination of the consideration of the Consideration Shares. The Company's representatives have discussed with the Valuer in respect of the methodology of, bases and assumptions adopted for the valuation to arrive at the valuation of the Target Group. In assessing the fairness and reasonableness of the appraised value of the Target Group, the Board understands that the Valuer had considered three approaches that are generally accepted in business valuation, namely (i) the cost approach, (ii) the income approach and (iii) the market approach.

The Board concur with the Valuer's view that the market approach is the most appropriate valuation approach to determine the value of the Target Group, as it is a commonly accepted valuation method which reflects market expectations for the corresponding industry by considering price multiples of comparable companies derived from market consensus. Since there are sufficient comparable public companies in similar industries and business models as the Target Group, their market values serve as good indicators of the industry of the cryptocurrency trading business. The Board agrees that cost approach is not appropriate because it assumed the assets and liabilities of the Target Group are separable and can be sold separately, and the cost approach is more appropriate for the industry that their assets are highly liquid, like property development and financial institution. The Board also considers that the income approach is inappropriate in the circumstances because if the income approach was adopted, plenty of assumptions would be involved in formulating the financial projection of the Target Group, and the assumptions might not be able to reflect the uncertainties in the future performance of the Target Group. Cryptocurrency

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markets are highly volatile, making the estimation of future cash flows uncertain and reliant on conjecture. Since improper assumptions will impose a significant impact on the fair value, the Board agrees that the income approach is not adopted in this valuation.

Further, the Directors understand from the Valuer that the Valuer had made best efforts to search for and identify appropriate comparable companies through publicly available sources. Having considered the comparable companies selected by the Valuer, the Board understands that the primary business of these comparable companies is cryptocurrency trading and exchanges, with over 50% of their revenues derived from such activity. Therefore, the companies selected have suitably similar characteristics to the Target Group and constitute fair and representative samples. The Board also agrees that using EV/S ratio is appropriate because trading volume and revenue are key indicators that determine the value of companies doing business for cryptocurrency trading and virtual assets trading platform. As the EV/S multiples of comparable companies show a range of values, the Board considers that the adoption of the median of the EV/S multiples is reasonable and appropriate.

Also, the Board considers that ownership interests in closely held private companies are typically less marketable compared to similar interests in publicly listed companies. Consequently, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company. In this regard, the Board concurs with the Valuer's view that it is appropriate to apply a Lack of Marketability Discount adjustment considering that the Target Group is not listed. Furthermore, the control premium adjustment accounts for acquiring a controlling interest in the company. As the EV/S multiple used in the valuation was calculated from publicly listed companies and represent minority ownership interests, the Board believes it is suitable to apply the control premium to account for acquiring a controlling interest in the Target Group.

The Directors concurred with the Valuer's view that the bases, valuation methodology, selection basis of comparable companies, adjustments for lack of marketability and control premium and limiting conditions and assumptions adopted in the Valuation Report are appropriate under the current circumstances. The Directors are of the view that the valuation of 100% equity interest in the Target Group as at 30 September 2024 has been prepared after due and careful enquiry, and after considering the overall virtual asset market condition. The Directors (other than the independent non-executive Directors who will be advised by Gram Capital) consider that such valuation is fair and reasonable.

## LETTER FROM THE BOARD

### EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately following the issue and allotment of the Consideration Shares in full:

Shareholders of the Company	As at the Latest Practicable Date		Number of Consideration Shares to be allotted and issued	Immediately following the allotment and issuance of the Consideration Shares	
	<i>Number of</i>			<i>Number of</i>	
	<i>Shares held</i>	<i>Approx. %</i>		<i>Shares held</i>	<i>Approx. %</i>
Avenir Investment Limited	90,990,474	19.50%	79,328,523	170,318,997	29.09%
HSG CV IV Holdco, Ltd.	0	0%	14,532,371	14,532,371	2.48%
Zhen Partners Fund I,L.P.	8,471,223	1.82%	3,697,405	12,168,628	2.08%
Tekne Private Ventures IX,LP.	1,100,187	0.24%	952,692	2,052,879	0.35%
Vision Leader II Investment Holdings Limited	3,956,779	0.85%	2,143,012	6,099,791	1.04%
Sky Fort Investments Limited	0	0.00%	882,930	882,930	0.15%
Lightning Pay Technology Limited	0	0.00%	763,026	763,026	0.13%
FCCR Fund, L.P.	0	0%	143,885	143,885	0.02%
Hong Jia Investment Management Co., Ltd.	3,188,042	0.68%	2,783,954	5,971,996	1.02%
Du Jun	80,682,305	17.29%	1,844,342	82,526,647	14.10%
Hu Donghai	5,372,142	1.15%	1,654,676	7,026,818	1.20%
Song Ying	0	0%	265,969	265,969	0.05%
Goldenway	0	0.00%	9,908,988	9,908,988	1.69%
ON CHAIN Technology LIMITED	82,300,000	17.64%	0	82,300,000	14.06%
Other Public Shareholders	<u>190,499,513</u>	<u>40.83%</u>	<u>0</u>	<u>190,499,513</u>	<u>32.54%</u>
<b>Total</b>	<b><u>466,560,665</u></b>	<b><u>100%</u></b>	<b><u>118,901,774</u></b>	<b><u>585,462,439</u></b>	<b><u>100%</u></b>

Immediately following the allotment and issuance of the Consideration Shares, the Company will be able to satisfy the minimum public float requirement under Rule 8.08 of the Listing Rules, and there will be no change in control of the Company. Avenir Investment will be interested in an aggregate of 170,318,997 Shares, representing approximately 29.09% of the entire issued shares of the Company and will remain as the single largest shareholder of the Company.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITIONS

The Group principally operates in one business segment, which is providing services in virtual asset ecosystem. This includes: (i) virtual asset management; (ii) virtual asset lending and over-the-counter virtual asset trading business; (iii) virtual asset mining-related business; and (iv) trust and custodian of virtual asset business. Given that the use of virtual currencies around the world has been increasing, largely driven by the growing popularity of blockchain technology and its application across different industries, the Group has been continuously exploring suitable investment opportunities to expand and develop its virtual asset related businesses. Apart from conducting business in virtual asset ecosystem, the Group is also involved in the provision of technology solution services.

Despite price volatility among major virtual currencies in recent years, the Directors maintain that blockchain technology will become prevalent among various sectors. As a result, the directors believe that owning and operating a virtual currency trading platform will be beneficial to the long-term growth of the Group and promote the development of the Group's business. Therefore, the Group has submitted the following applications to the SFC and the Monetary Authority of Singapore respectively: (i) application for licenses to conduct Type 1 (dealing in securities) and Type 7 (providing automated trading services) regulated activities under the SFO as a virtual asset trading platform in Hong Kong; and (ii) application for the Company to be licensed under the Payment Services Act 2019 as a "major payment institution" providing, amongst other things, digital payment token services. However, as these applications have not been approved for 3–4 years while incurring costs from devising a prototype trading platform and attempted trial operations, the Group withdrew the applications in January 2023 and November 2022 respectively.

To further pursue this business direction, the Company continued to explore other ways to commence its virtual currency trading platform in new overseas markets that have well-established regulatory systems ensuring fair competition to enrich its business portfolio. The Directors considered that Japan (where BitTrade is incorporated and operates) is a favorable choice for the Company as the Japanese government has implemented a registration system and provided operational guidelines for virtual currency trading platforms since 2017. Additionally, Japan is known for being one of the most active markets for virtual currency trading globally and the Group can draw insights from the compliance and management practice of the Japanese market to mitigate its business risks.

Following completion of the Proposed Acquisitions, the Company will indirectly hold 92.31% of BitTrade. Therefore, the Company will in turn, through BitTrade, hold 2 licenses to carry on virtual currency trading business in Japan (namely the Cryptoasset Exchange Service Provider — Director of the Kanto Finance Bureau No.00007\* (暗號資産交換業-關東財務局長第00007號牌照) and Type I Financial Instruments Business – Kanto Local Finance Bureau (FIBO) No.3295\* (第一種金融商品取引業-關東財務局長(金商)第3295號牌照), which complements the Company's asset management services and over-the-counter cryptocurrency trading business, and the Group with a good opportunity to tap into the virtual asset trading exchange business. BitTrade is one of the 29 virtual currency trading platform operators registered with the Financial Services Agency of Japan.



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It is also one of the earliest operators to be registered and deals with the second highest number of crypto-assets in Japan at the moment. The Company can also make use of BitTrade's self-developed trading systems which comply with the requirements of the Japanese regulatory authorities. Further, the Proposed Acquisitions would allow the Group to continue utilizing BitTrade's trading platform services for the Group's asset management business following completion of the Proposed Acquisitions. The Group also expects a dynamic growth of the cryptocurrency market in 2024 which will improve BitTrade's transaction volume and profits.

In view of the market trend of the industry, the Directors are of the view that the following benefits will be accrued from the Acquisition and synergy will be created between the principal business of the Target Group and that of the Group:

- (a) Immediately after the completion of the Proposed Acquisitions, the Group will integrate the technological capabilities of BitTrade to enhance its internal systems and software. For instance, the Group will involve a team of qualified developers from BitTrade to assist with writing robust codes using innovative technologies to build an automated cryptocurrency ordering system (自動落單平台) for the Group's cryptocurrency trading business. This system will allow the Group to trade with clients directly and swiftly through its own automated platform. Further, there is no legal impediment or other restrictions for the Group to launch the aforesaid system. Additionally, BitTrade's technological support team will be integrated into the Group, enhancing the Group's capacity to develop its technology solution services.
- (b) The Group is licensed by the SFC to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. Regarding the Group's asset management business, the Group currently uses BitTrade, Coinbase, Hashkey and Bitfinex to conduct cryptocurrency trading on behalf of the funds it manages. BitTrade has always been the preferred platform to conduct trades. However, the Group is not using BitTrade's trading platform for its over-the-counter virtual asset trading business, as the common control within the Group and BitTrade may potentially render such business engagement as connected transactions under the Listing Rules. As of the Latest Practicable Date, the Group has mainly been using Coinbase to conduct its over-the-counter virtual asset trading business. Within one to six months after the completion of the Proposed Acquisitions, the Group will register accounts with BitTrade's cryptocurrency trading platform for conducting its over-the-counter cryptocurrency trading business and continue the use of the platform for its asset management business. BitTrade will be the preferred platform for the Group's over-the-counter cryptocurrency trading business and asset management business, and the Group intends to utilize BitTrade's trading platform provided that the required cryptocurrencies are available on BitTrade's platform and BitTrade's fee structure remains competitive to the Group.
- (c) Within one to six months after the completion of the Proposed Acquisitions, the Group will also be able to expand its market presence in Japan by offering custodian services, Multi-party Computation wallets, technology solutions, and consultancy services.

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BitTrade will market these services to its existing clients in the Japan's financial and corporate sectors. This expansion strategy includes targeted marketing campaigns, localization efforts, and forming partnerships with local businesses and institutions. The Board believes the Proposed Acquisitions will bring deeper market penetration and broaden its client base in the aforementioned sectors.

- (d) BitTrade has established strong business relationships with several banks in Japan, which positions it advantageously for future financial strategies. Within 12 months after the completion of the Proposed Acquisitions, the Group intends to leverage those business relationships to transition its operations from being solely based on HK\$ and US\$ to incorporating a broader, multi-currency approach.
- (e) The Group is considering applying for a VASP licence in HK and utilize the sophisticated systems, goodwill and brand of BitTrade to enter the Hong Kong market. The focus will be on adapting the platform to meet the specific needs and preferences of Hong Kong clients, as well as complying with local regulatory requirements. This expansion aims to capitalize on the growth opportunities in the Hong Kong cryptocurrency market and further diversify the Group's geographic footprint. By integrating the Group's prototype virtual asset trading platform and the experience gained from the trial operations, resources and technologies of BitTrade, the Group is considering the strategy of applying for a VASP licence in HK through BitTrade HK. Currently, the expected timeline for the VASP application has not been determined by the Group, the application will be resubmitted considering Company's resources and the market of Hong Kong.

Shareholders should note that the period specified in the estimated timeline are indicative only and may be subject to changes. In the event any special circumstances arise, the Group may extend, or make adjustment to, the timeline if it is considered appropriate.

The Company recorded a profit before income tax of approximately HK\$56,379,000 for the year ended 30 September 2024, and the Board remains optimistic about the Company's future performance. As at the Latest Practicable Date, the Company has settled all other borrowings, and the Board expects no significant cash outflows in short-term and mid-term. Furthermore, the Company believes that the recovery of cryptocurrency assets arising from the FTX incident, as disclosed in the Company's announcements dated 14 November 2022, 22 February 2024, 24 May 2024 and 4 June 2024, provides additional working capital to support operations of the Enlarged Group following the Proposed Acquisitions.

The Company also possesses specialized expertise in blockchain technology, cryptocurrency markets, regulatory compliance, and software development, and will continue to provide training and development opportunities for existing employees to enhance their understanding of the Japanese market and regulations, as well as the cryptocurrency industry.

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Furthermore, the Company's Board members and senior management possess the relevant skills and expertise to conduct the principal business of the Target Group, particularly in conducting virtual trading business on the Japan-based cryptocurrency platform. Brief biographical details of the Board members and senior management are set out below:

- (i) Mr. Li, the Chairman of the Board and a non-executive Director, founded Huobi Group, one of the world's biggest Bitcoin exchanges and altcoin crypto exchanges and now having offices in Hong Kong, South Korea, Japan and the United States, in 2013. Among other things, Huobi Japan operates a cryptocurrency exchange and primarily focuses on providing bitcoin exchange and digital asset exchange service. Prior to establishing Huobi Group, Mr. Li also worked at Oracle, the world's largest database service company. Mr. Li possesses over 10 years of experience in technology, blockchain and corporate management. As the controlling shareholder and beneficial owner of BitTrade since 28 November 2018, Mr. Li oversees BitTrade's business conducted in Japan and is knowledgeable about the development and updates of the Japanese regulations and compliance issues in the crypto industry, in particular the cryptocurrency platforms;
- (ii) Mr. Du, an executive Director and the Chief Executive Officer of the Company, has served as the co-founder of Huobi Group since November 2013 and was responsible for the strategic planning and management of Huobi Group (including Huobi Japan). During this period, Mr. Du has also served as the co-founder and managing partner of ABCDE Capital (a fund investing in web3 builders) since May 2022, responsible for the strategy planning and management of ABCDE Capital. As a shareholder of BitTrade, Mr. Du oversees BitTrade's business conducted in Japan and keeps abreast of the latest developments in the Japanese laws and regulations on the cryptocurrency platforms based in Japan. Mr. Du also served as an outside director (shagai torishimariyaku 社外取締役) of BitTrade from 1 May 2023 to 3 April 2024. In this role, he was independent of BitTrade's management, providing oversight of the management's decisions, offering independent and objective advice, and representing the interests of BitTrade's shareholders. Furthermore, since 2017, Mr. Du invested in ChainUp, a world-leading provider of a complete suite of blockchain technology solutions for businesses, covering both infrastructure development and ecosystem support, and providing technology solutions to several Japanese cryptocurrency exchanges;
- (iii) Ms. Zhang, an executive Director and the Chief Financial Officer of the Company, held a bachelor's degree and a master's degree in automotive engineering and obtained an EMBA from Peking University in July 2019. Ms. Zhang has extensive knowledge in computer science, programming languages, software engineering marketing, entrepreneurship, and project management. Since 1 February 2022, Ms. Zhang has served as an outside director (shagai torishimariyaku 社外取締役) of BitTrade. She has in-depth knowledge about the operation of BitTrade and the cryptocurrency industry in Japan. As an outside director of BitTrade, Ms. Zhang is independent of BitTrade's management, providing oversight of the management's decisions, offering independent and objective advice, and representing the interests of shareholders;

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- (iv) Mr. Zirong Zhang, the Chief Operation Officer of the Company, has a deep understanding of programming languages, algorithms, and data structures. Mr. Zhang is a senior technical expert and has worked at Alibaba and Ant Group for nearly 10 years, specializing in designing high-performance and highly available distributed systems.

In view of the above, the Board believes that the Company possesses sufficient capabilities and resources to manage and oversee the operations of the Japan-based cryptocurrency platform following the Proposed Acquisitions, with no major changes to the Target Group's operations needed.

Despite the Target Group recorded a loss of approximately JPY799,455,000 for the six months ended 30 September 2024, it recorded contract liabilities of approximately JPY1,774,309,000 for the same period. The amounts of cryptocurrencies received from customers for listing purposes, as prepayments for listing fee income, are classified as contract liabilities until they are received and recognized as revenue upon completion of the rendering of services or being refunded to customers (if the listing is unsuccessful) in accordance with the contractual terms and market practice. Such payments are received in advance by installments in accordance with the completion of milestones as specified in the respective agreements.

As of 30 September 2024, cryptocurrencies with a carrying amount of approximately JPY751 million (recognised as cryptocurrencies under non-current assets) are refundable and subject to a lock-up period ranging from one to twelve months after the listing date of those cryptocurrencies. If the listing is unsuccessful, these amounts will be refunded to customers. Conversely, the majority of the remaining contract liabilities, amounting to approximately JPY0.9 billion (subject to fair value adjustments), represent non-refundable deposits in accordance with contractual terms and market practice. The accountants have confirmed that as these contract liabilities amounting to approximately JPY0.9 billion are non-refundable regardless of the listing outcome at the listing service completion date, they could be recognised as cryptocurrencies and other fiat currencies under current assets and hence as revenue by the Target Group. Given the current progress of token listings and the steady revenue stream, most of the Target Company's listing services are expected to be completed by September 2025, positioning the Target Group for stronger revenue recognition after completion of the Proposed Acquisitions, particularly as the performance obligations are met, contributing to the Target Group's future profitability.

The Target Group's financial performance reflects industry trends and highlights its resilience and growth potential for the following reasons:

- (i) For the year ended 31 March 2024, benefiting from the recovery of the cryptocurrency market and the increase in market transaction volumes, the Target Group recorded a significantly increased revenue, amounting to approximately JPY14,300,314,000. Although the market suffered from a period of stagnation and decline during the six months ended 30 September 2024, the Target Group still achieved a significant increase in revenue in the amount of approximately JPY2,264,777,000 for the six months ended 30 September 2024, compared with the same period in 2023;

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- (ii) Due to the volatile nature and recent price decline in cryptocurrency (including, in particular, Bitcoin and Ethereum), the Target Group recorded significant fair value losses on cryptocurrencies, amounting to approximately JPY85,494,000 for the six months ended 30 September 2024. This contrasts with fair value gains on cryptocurrencies of approximately JPY712,691,000 for the year ended 31 March 2024. Additionally, the Target Group recorded a significant impairment loss on right-of-use assets of approximately JPY100,783,000 for the six months ended 30 September 2024. This aligns with the broader industry trend, as most cryptocurrency exchanges have also reported fair value losses on cryptocurrencies during the same period. For example, Coinbase recorded net fair value losses of USD319,020 on crypto-assets held for investment for the three months ended 30 June 2024 and net fair value losses of USD120,507 for the three months ended 30 September 2024; and
- (iii) The recent decline in the Target Group's gross profits can be attributed to two factors. First, the gross profit ratio of the Target Group's cryptocurrency trading business decreased from approximately 3.32% for the year ended 31 March 2023 to approximately 1.60% for the year ended 31 March 2024, and further decreased to approximately 1.32% for the six months ended 30 September 2024. This reflects the Target Group's proactive pricing strategy to attract new customers during these periods. According to Board Research (a platform that supports self-assessments of supervisory boards based on scientifically validated insights), the average market gross profit ratio of the cryptocurrency trading business in Japan for the current market margin is approximately 2%. As such, the Target Group anticipates potential growth in its gross profit margin in the future. Second, the Target Group recorded a significant decrease in listing fee income for the six months ended 30 September 2024. While the Target Group recorded significant listing fee income of approximately JPY 115,241,000 for the year ended 31 March 2024, listing activity was postponed due to a less active market, resulting in listing fee income of only approximately JPY29,500,000 for the six months ended 30 September 2024. As market conditions improve, listing activity is expected to regain momentum.

Furthermore, the total consideration for the Proposed Acquisitions in the amount of USD33,231,521.60 was determined with reference to, among others and as a core factor, the appraised fair value of the Target Group, assessed at approximately USD36,127,000 as at 29 February 2024. Notably, the total consideration for the Proposed Acquisitions is lower than the appraised fair value of the Target Group as at 29 February 2024. The appraised fair value of the Target Group has decreased between 29 February 2024 and 30 September 2024 due to various factors, including market conditions, financial performance, and business prospects. As of 29 February 2024, the market experienced an upward trend with active trading. However, as of 30 September 2024, the market had been stabilised. Despite the decrease in the appraised fair value of the Target Group, the total consideration for the Proposed Acquisitions is still lower than the appraised fair value of the Target Group of approximately USD33,656,000 as at 30 September 2024. Given the discount relative to the appraised fair value and despite these fluctuations, the

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Board believes this reflects a strategic opportunity to acquire valuable assets at a fair and reasonable price, and the Group can further position itself to benefit from the anticipated recovery and growth in the cryptocurrency market.

### **Impairment loss on provisional goodwill**

As set out in Unaudited Pro Forma Financial Information for the Enlarged Group, Appendix VI to this circular, an impairment assessment of the provisional goodwill was conducted in accordance with HKAS 36 Impairment of Assets and the Group's accounting policy. Based on the assessment, the recoverable amount of the Target Group's cash-generating unit, to which the provisional goodwill and intangible assets are allocated, is lower than the carrying amount of the Target Group. Accordingly, an impairment loss of approximately HK\$8,027,000 on the provisional goodwill should be charged to profit or loss in the Unaudited Pro Forma Financial Information for the Enlarged Group. Such impairment loss on provisional goodwill is primarily attributable to (i) a decrease in the recoverable amount of the Target Group's cash generating unit, resulting from a decrease in the fair value of the Target Group from approximately USD36,127,000 as at 29 February 2024 to approximately USD33,656,000 as at 30 September 2024, and (2) an increase in fair value of considerations due to an increase in the price of Considerations Shares from HK\$2.18 to HK\$2.24 as at 30 September 2024. As of the Latest Practicable Date, the share price of the Consideration Shares was HK\$1.66. Actual impairment loss on goodwill, if any, depends on fair value of net identifiable assets and liabilities of the Target Group, the price of the Consideration Shares at the completion date and the recoverable amount of the Target Group's cash generating unit to be assessed at the end of the reporting period, and shall be different from the said impairment loss on provisional goodwill.

The Directors believe that the application of HKAS 36 Impairment of Assets and the Group's accounting policy, as set out in Unaudited Pro Forma Financial Information for the Enlarged Group, Appendix VI to this circular, is appropriate, considering that the above impairment loss has been compiled for illustrative purposes.

The Directors are of the view that the recognition of the impairment loss on provisional goodwill does not affect the Directors' assessment on the fairness and reasonableness of the terms of the Agreements and the Proposed Acquisitions. For details of the impairment loss on provisional goodwill, please refer to the Unaudited Pro Forma Financial Information for the Enlarged Group, Appendix VI to this circular.



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The Company believes that the Proposed Acquisitions will not result in any fundamental change in the Company's principal business (i.e. over-the-counter virtual asset trading business). The Proposed Acquisitions will diversify the Group's existing operations and business layout, complementing the Group's over-the-counter virtual asset trading business, blockchain multi-party computation wallet business, and asset management business. This expansion is expected to broaden the income stream and maximize returns for the Shareholders, while creating synergies with the Group's existing business. In light of the above, the Directors (excluding the independent non-executive Directors, who will provide their views in the circular after considering the advice from Gram Capital) believe that the terms of the Agreements and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable, and the Proposed Acquisitions are in the interests of the Company and the Shareholders as a whole.

### **FUND RAISING EXERCISE IN THE PRIOR 12-MONTH PERIOD**

On 26 April 2023, the Company and Mr. Du entered into Subscription Agreement I, pursuant to which the parties conditionally agreed that Mr. Du shall subscribe for, and the Company shall allot and issue 74,700,000 Subscription Shares I at the Subscription Price of HK\$2.08 per Subscription Share. The aggregate Subscription Price of all Subscription Shares I is HK\$155,376,000.00 payable by Mr. Du in cash upon completion of Subscription I.

On 26 April 2023, the Company also entered into Subscription Agreement II, with ON CHAIN Technology LIMITED, pursuant to which the Company has conditionally agreed to allot and issue, and On Chain has conditionally agreed to subscribe for, an aggregate of 82,300,000 Subscription Shares II at the Subscription Price of HK\$2.08 per Subscription Share. The aggregate Subscription Price of all Subscription Shares II is HK\$171,184,000.00 payable by On Chain in cash upon completion of Subscription II.

On 10 October 2023, a total of 157,000,000 Subscription Shares have been allotted and issued to Mr. Du and On Chain pursuant to the terms of Subscription Agreement I and Subscription Agreement II, at the Subscription Price of HK\$2.08 per Subscription Share. The net proceeds from each of the Subscriptions, after deduction of related expenses in connection with the Subscriptions, amount to approximately HK\$154.4 million and HK\$170.2 million respectively.

For details of the funds raised on the Subscriptions and the intended use of the proceeds, please refer to the announcements dated 26 April 2023 and 10 October 2023, and the circular dated 6 July 2023 of the Company. Terms defined above would have the same meaning as those defined in the announcement dated 26 April 2023 of the Company.

Save as disclosed above, the Company has not carried out any equity fund raising exercise in the 12-month period immediately preceding the Latest Practicable Date.

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### LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Proposed Acquisitions exceeds 100%, the Proposed Acquisitions constitute a very substantial acquisition for the Company subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, (i) Avenir Investment (which is indirectly wholly owned by Mr. Li, a non-executive Director), a substantial shareholder of the Company holding 90,990,474 Shares (representing approximately 19.50% of the total issued Shares), is interested in approximately 72.783% equity interest in BVI Company. As such, Avenir Investment is a connected person of the Company; and (ii) Mr. Du, an executive Director and a substantial shareholder of the Company, is the beneficial owner of 80,682,305 Shares and 3,000,000 share options of the Company which shall entitle him to subscribe for 3,000,000 Shares upon exercise of all such share options, and is also interested in approximately 1.692% equity interest in BVI Company. As Avenir Investment and Mr. Du are connected persons of the Company, the BVI Agreement and the transactions contemplated thereunder also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Avenir Asset is a directly wholly-owned subsidiary of BVI Company, which is interested in 57,306,800 ordinary shares of BitTrade (representing approximately 84.62% of the total issued shares of BitTrade). As such Avenir Asset is an associate of Avenir Investment and hence a connected person of the Company. Therefore, the BitTrade Agreement and the transactions contemplated thereunder also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Mr. Li is the ultimate beneficial owner holding more than 30% of the entire issued share capital of Avenir Cayman. As such, Avenir Cayman is an associate of Mr. Li and hence a connected person of the Company. Upon completion of the Proposed Acquisitions, BitTrade will become a subsidiary of the Company and its financial results will be consolidated in the Group's financial statements. Therefore, the debt repayment upon completion of the Proposed Acquisitions under the Debt Repayment Agreement (as extended by the Debt Repayment Extension Letter), pursuant to which the Group will be liable for the outstanding debt balance due to Avenir Cayman, will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules upon completion of the Proposed Acquisitions.



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## LETTER FROM THE BOARD

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An Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders on whether the terms of the BVI Agreement, the BitTrade Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the resolutions to be proposed at the EGM to approve the BVI Agreement, the BitTrade Agreement and the transactions contemplated thereunder. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As each of Mr. Li, Mr. Du and Ms. Zhang is deemed or may be perceived to have a material interest in the transactions contemplated under the Proposed Acquisitions, they have abstained from voting on the Board resolutions in connection with the Proposed Acquisitions and the transactions contemplated thereunder. To the best of the knowledge and belief of the Directors having made all reasonable enquiries, save and except for Mr. Li, Mr. Du, Ms. Zhang and their associates, no other Directors have a material interest in the Proposed Acquisitions and the transactions contemplated thereunder and are not required to abstain from voting on the Board resolutions approving the same.

### **DEBT REPAYMENT TRANSACTIONS SUBSEQUENTLY BECOMING CONNECTED**

On 13 March 2024, Hainan Lepeng and Avenir Cayman as creditors and BitTrade as debtor entered into the Debt Repayment Agreement to record the debt repayment transactions. The principal terms and conditions of the Debt Repayment Agreement are set out below:

#### **Parties**

- (i) Hainan Lepeng and Avenir Cayman (as creditors)
- (ii) BitTrade (as debtor)

#### **Original repayment date**

31 December 2024

#### **Original debt amounts to be repaid**

- (i) Repayable to Hainan Lepeng: JPY89,946,000.00 (approximately HK\$4,687,247.96) (being the outstanding amount payable to Hainan Lepeng as at 29 February 2024 with no interest rate)
- (ii) Repayable to Avenir Cayman: JPY4,147,564,121 (approximately HK\$216,137,031.96) (being the outstanding principal amounts and accrued interest on the loans at 2% per annum repayable to Avenir Cayman as at 29 February 2024)

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## LETTER FROM THE BOARD

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As at 30 September 2024, BitTrade had a payable balance of JPY89,946,000.00 (approximately HK\$4,912,850.52) to Hainan Lepeng; and BitTrade had a payable balance of approximately JPY3,822,173,000.00 (approximately HK\$208,767,089.26) to Avenir Cayman.

In November and December 2024, BitTrade made a partial repayment of other borrowings to Avenir Cayman and fully settled the payable balance to Hainan Lepeng. As at the Latest Practicable Date, BitTrade has a borrowings balance to Avenir Cayman amounting to approximately JPY3,844,626,065.00 (approximately HK\$189,501,618.74).

### **Debt Repayment Extension Letter**

On 27 January 2025, BitTrade and Avenir Cayman entered into the Debt Repayment Extension Letter to extend the original repayment date of the outstanding debts due to Avenir Cayman to 1 August 2025. As of the date of the Debt Repayment Extension Letter, there was no remaining outstanding balance to Hainan Lepeng and the remaining repayable balance to Avenir Cayman was approximately JPY3,844,626,065.00 (approximately HK\$189,501,618.74).

### ***Reasons for entering into the Debt Repayment Extension Letter***

The terms of the Debt Repayment Extension Letter, including the extended repayment date, were negotiated on an arm's length basis by BitTrade and Avenir Cayman. The Directors consider the Debt Repayment Extension Letter to be beneficial to the Group as a whole. Taking into account (i) the stability of BitTrade's cash flow; (ii) the intention to maintain a long-term business relationship with the creditors; and (iii) the credit assessments and repayment ability of BitTrade, the Directors consider the terms and conditions of the Debt Repayment Extension Letter are on normal commercial terms, fair and reasonable, and in the best interests of the Company and its Shareholders as a whole.

As part of the due diligence exercise in respect of the Target Group, the Company has engaged in discussions with BitTrade regarding the settlement plan for the outstanding debt balance. Given that (i) the fixed annual interest rate of the outstanding loans due to Avenir Cayman is only 2%, which is below the prevailing market rate, and (ii) recognising that part of the debt proceeds due to Avenir Cayman have been utilised as funds to support BitTrade's operations, BitTrade has decided not to settle the outstanding debt balance due to Avenir Cayman prior to the completion of the Proposed Acquisitions. As at the Latest Practicable Date, there was no unutilised balance of the debt proceeds due to Avenir Cayman.

Following completion, BitTrade will become an indirect subsidiary of the Company and its financial results will be consolidated in the Group's financial statements. Although the Company will be liable for the outstanding debt balance upon completion of the Proposed Acquisitions, it considers the Proposed Acquisitions to be in the interest of the Company and its Shareholders. This is due to the reasons that the Target Group's general working capital is sufficient and capable of

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## LETTER FROM THE BOARD

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settling the outstanding debt balance, and as such, the outstanding debt balance will not have a material adverse impact on the working capital of the Company, as well as the overall factors set out in the section headed “Reasons for and benefits of the Proposed Acquisitions” of this circular.

The amount repayable to Hainan Lepeng was associated with the Target Company’s regular operational activities, specifically technical service fees payable to Hainan Lepeng, and it has not been factored in the valuation. As the outstanding loans balance due to Avenir Cayman is one of the factors considered in arriving at the considerations of the Proposed Acquisitions, and the impact of the outstanding loans balance has been factored into the valuation report by the Valuer when determining the appraised fair value of the Target Group, the outstanding loans balance has already been added to the considerations of the Proposed Acquisitions for the purpose of calculation of the consideration ratio.

As at the Latest Practicable Date, Mr. Li is the ultimate beneficial owner holding more than 30% of the entire issued share capital of Avenir Cayman. As such, Avenir Cayman is an associate of Mr. Li and hence a connected person of the Company. Upon completion of the Proposed Acquisitions, BitTrade will become a non-wholly owned subsidiary of the Company. Yet, the Board considered that as the debt repayment transactions contemplated under the Debt Repayment Agreement and the Debt Repayment Extension Letter are conducted on normal commercial terms or better and are not secured by any assets of the Target Group, such transactions will be fully exempt under Rule 14A.90 of the Listing Rules.

### **FUTURE FINANCING PLANS OF THE TARGET GROUP**

The Target Group finances its business mainly with internal resources, cash revenues generated from operating activities and bank and other borrowings from, among others, related companies and a former fellow subsidiary.

The Target Group has set out the following financing plans to satisfy its future financing needs, in particular, following the settlement of the outstanding loans balance due to Avenir Cayman and the potential repurchase of FPG’s and Tokai’s shares in the Target Company:

- (i) after considering the repayment date of the outstanding debts due to Avenir Cayman has been extended to 1 August 2025, as well as the Target Group’s aggregate cash and cash equivalents (approximately JPY2,335,975,000 as at 30 September 2024) and current portion of cryptocurrencies assets (approximately JPY4,497,786,000 as at 30 September 2024, in which only approximately JPY76,000,000 were in relation to refundable listing fee received by the Target Group in advance, and the majority of these cryptocurrencies amounting to approximately JPY4,421,786,000 are not refundable, exclude cryptocurrencies held for clients, and wholly belong to the Target Group) are higher than the outstanding loan balance due to Avenir Cayman and consideration of the potential repurchase of FPG’s and Tokai’s shares in the Target Company, the Target Group would still have sufficient working capital to satisfy its short to medium term

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## LETTER FROM THE BOARD

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financing needs and to support its operation following the settlement of the outstanding loans balance due to Avenir Cayman and the potential repurchase of FPG's and Tokai's shares in the Target Company;

- (ii) the Target Group is also considering equity and debt financings to raise capital after the Proposed Acquisitions to benefit its medium to long term development; and
- (iii) after the Proposed Acquisitions, the Company would support the working capital requirement of the Target Group through capital injections or by providing loan facilities in the amount of approximately USD10,000,000. In particular, the Company would further support the Target Group's working capital if there is any working capital insufficiency. Albeit the Target Group recorded net current liabilities of approximately JPY608,277,000 as at 30 September 2024, the Target Group would have sufficient working capital to operate its business, as certain contract liabilities amounting to approximately JPY1,000,000,000 had no impact on the Target Group's working capital. Excluding these contract liabilities, the Target Group recorded current assets and current liabilities affecting its cash flow in the amounts of approximately JPY7,478,951,000 and JPY7,087,228,000, respectively, resulting in net current assets of approximately JPY391,723,000.

As at the Latest Practicable Date, the Target Group is still in the course of finalizing its future financing plans. If there is any material change in the Target Group's future financing plans, the Company will publish further announcement(s) to inform its Shareholders, as appropriate.

### **PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT UNDER THE SHARE OPTION SCHEME**

The Share Option Scheme was approved and adopted by the Shareholders on 27 October 2016 and subsequently amended on 17 November 2020, 30 March 2023 and 28 July 2023. Apart from the Share Option Scheme, the Company has no other share option scheme currently in force.

The Share Mandate Limit was refreshed at the 2020 AGM. Under the existing Scheme Mandate Limit, the maximum number of Shares that may be issued upon exercise of all the Share Options granted under the Share Option Scheme shall not exceed 30,742,766 Shares, representing approximately 10% of the then Shares in issue as at refreshment on the date of the 2020 AGM.

## LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company had granted an aggregate of 26,400,000 Share Options to subscribe for up to 26,400,000 Shares, of which 4,342,766 Share Options are available for grant. Details of the outstanding 16,260,000 Share Options as at the Latest Practicable Date are as follows:

Name and/or category of grantees	Date of grant	Exercise price (HK\$)	Share Options		Share Options	Share Options	Share Options	Outstanding
			at 1 October 2023	granted as at the grant date	exercised up to the Latest Practicable Date	forfeited up to the Latest Practicable Date	lapsed up to the Latest Practicable Date	Share Options as at the Latest Practicable Date
Executive Director —								
Mr. Du Jun	16 October 2023	1.89	—	3,000,000	—	—	—	3,000,000
Employee —								
management position	16 October 2023	1.89	—	3,000,000	—	—	—	3,000,000
Employees — other	16 October 2023	1.89	—	19,400,000	(600,000)	—	(9,400,000)	9,400,000
Employees — other	22 August 2024	1.99	—	1,000,000	—	—	(140,000)	860,000
Employees — other	2 July 2020	3.28	53,334	—	—	—	(53,334)	—
			53,334	26,400,000	(600,000)	—	(9,593,334)	16,260,000
Weighted average exercise price			HK\$3.28	HK\$1.89	HK\$1.89	—	HK\$1.90	HK\$1.90

### Proposed refreshment of the Scheme Mandate Limit

The Scheme Mandate Limit may be refreshed by approval of the Shareholders in general meeting provided that the total number of the Shares which may be issued upon exercise of all Share Options and share awards to be granted under the Share Option Scheme and any other share award schemes and/or share option schemes of the Group must not exceed 10% of the relevant class of Shares in issue as at the date of approval of the refreshed limit. Share Options lapsed in accordance with the terms of the Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit to be further refreshed.

In order to provide the Company with more flexibility to provide incentives or rewards to Eligible Participants for their contributions to the Group and/or to enable the Group to recruit and retain high quality personnel and attract human resources that are valuable to the Group, the Board proposes to refresh the Scheme Mandate Limit to 10% of the Shares in issue as at the date of approval by the Shareholders at the EGM. The Directors consider that the refreshment of the Scheme Mandate Limit is in the interest of the Company and the Shareholders as a whole. If the proposed refreshment of Scheme Mandate Limit is approved at the EGM, based on 466,560,665 Shares in issue as at the Latest Practicable Date and assuming that no further Shares are issued and/or repurchased from the Latest Practicable Date up to the date of the EGM, the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme will be 46,656,066 Shares, being approximately 10% of the Shares in issue as at the date of

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## LETTER FROM THE BOARD

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the EGM. For the avoidance of doubt, the 4,342,766 Share Options available for grants as at the Latest Practicable Date shall not be considered as an increment in the refreshed Scheme Mandate Limit.

### Conditions of the proposed refreshment of the Scheme Mandate Limit

The proposed refreshment of the Scheme Mandate Limit is conditional upon:

- (a) the Shareholders passing an ordinary resolution at the EGM to approve the proposed refreshment of the Scheme Mandate Limit; and
- (b) the Listing Committee granting the approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of Share Options that may be granted pursuant to the Share Option Scheme under the proposed refreshment of Scheme Mandate Limit not exceeding 10% of the number of Shares in issue as at the date of approval of the proposed refreshment of Scheme Mandate Limit by the Shareholders.

An application will be made to the Listing Committee for the listing of, and the permission to deal in, the Shares to be issued pursuant to the exercise of the Share Options to be granted under the Share Option Scheme under the refreshed Scheme Mandate Limit.

As of the Latest Practicable Date, the Company does not have any concrete plans to grant further Share Options under the existing Scheme Mandate Limit before the EGM. However, the Board may, from time to time, consider whether to grant any Share Options under the existing Scheme Mandate Limit, and the Company will make further announcement(s) in accordance with the Listing Rules as and when appropriate if further Share Options are granted.

### PROPOSED INCREASE OF AUTHORISED SHARES

As at the Latest Practicable Date, the existing authorised shares of the Company is 500,000,000 Shares of par value HK\$0.001 each, of which 466,560,665 Shares were in issue as at the Latest Practicable Date.

To accommodate the allotment and issue of the Consideration Shares following the completion of the Proposed Acquisitions, the refreshment of the Scheme Mandate Limit and to provide additional flexibility to the Company to issue new Shares for future investments and developments, the Board proposes to increase the authorised shares of the Company from 500,000,000 Shares to 700,000,000 Shares by the creation of an additional 200,000,000 new Shares. Such new Shares, upon issued and fully paid, shall rank *pari passu* in all respects with the Shares.

The proposed increase of authorised shares of the Company is conditional upon the approval of the Shareholders by way of an ordinary resolution at the EGM.

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## LETTER FROM THE BOARD

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### PROPOSED AMENDMENTS TO MEMORANDUM AND ARTICLES OF ASSOCIATION

Reference is made to the Announcement dated 16 August 2024. On 16 August 2024, the Board has announced that it proposes to amend the existing M&A and to adopt the New M&A in substitution for, and to the exclusion of, the existing M&A for the proposed increase of authorised shares of the Company.

In view of the proposed increase of authorised shares of the Company, the Board proposes to make certain amendments to the existing M&A (“**Proposed Amendments**”) by way of adoption of the New M&A. Details of the Proposed Amendments are set out in Appendix VIII to this circular.

Save for the Proposed Amendments, other provisions in the existing M&A remain unchanged.

The Proposed Amendments and the adoption of the New M&A are subject to Shareholders’ approval by way of special resolution at the forthcoming EGM.

The legal advisers to the Company as to Hong Kong laws and BVI laws have respectively confirmed that the Proposed Amendments comply with the requirements of the Listing Rules and do not violate the applicable laws of the BVI. The Company also confirms that there is nothing unusual about the Proposed Amendments for the BVI company listed on the Stock Exchange.

The New M&A are prepared and written in English. As such, any Chinese translation shall be for reference only. In the event of any inconsistency, the English version shall prevail. After the Proposed Amendments come into effect, the full text of the New M&A will be published on the websites of the Stock Exchange and the Company in due course.

### BOARD APPROVAL

To the best of the knowledge and belief of the Directors having made all reasonable enquiries, no Directors have a material interest in (i) the proposed refreshment of the Scheme Mandate Limit; (ii) the proposed increase of authorised shares of the Company; and (iii) the proposed amendments to the M&A are not required to abstain from voting on the relevant Board resolutions.

### EGM

The Company will convene the EGM to be held at Unit 702–703, 7/F, 100 Queen’s Road Central, Hong Kong on Monday, 31 March 2025 at 10:30 a.m. for the purpose of considering, and if thought fit, (i) the Agreements and the transactions contemplated thereunder; (ii) the Specific Mandate for the allotment and issue of the Consideration Shares; (iii) the proposed refreshment of the Scheme Mandate Limit; (iv) proposed increase of authorised shares of the Company; and (v) proposed amendments to the M&A.

The notice of the EGM, as set out on pages EGM-1 to EGM-5 of this circular, is also available at the respective websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<http://www.sinohope.com/>). A form of proxy for use at the EGM is enclosed with this circular and is also published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). Whether or not you



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## LETTER FROM THE BOARD

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intend to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible but in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at the EGM and at any adjournment thereof if you so wish and, in such event, the form of proxy shall be deemed to be revoked.

Any Shareholders or their respective associates with a material interest in the Proposed Acquisitions, the BVI Agreement, the BitTrade Agreement and the transactions contemplated thereunder shall abstain from voting at the EGM. To the best of the knowledge and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, save and except for Avenir Investment, Mr. Du, Tekne, Vision leader, Hong Jia, Zhen Partners, Mr. Hu and their associates, no other Shareholder has a material interest in the Proposed Acquisitions.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Shareholders has a material interest in the matters relating to the proposed refreshment of the Scheme Mandate Limit, the proposed increase of authorised shares of the Company and the proposed amendments to the M&A and is required to abstain from voting on the resolutions approving the same at the EGM.

### RECOMMENDATION

Having considered the above, the Board (excluding Mr. Li, Mr. Du and Ms. Zhang but including the Independent Board Committee having taking into account the recommendations of Gram Capital) consider that the Agreements and the transactions contemplated thereunder are on normal commercial terms, are fair and reasonable, and that the entering into the Agreements is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (excluding Mr. Li, Mr. Du and Ms. Zhang but including the Independent Board Committee having taking into account the recommendations of Gram Capital) recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Agreements and the transactions contemplated thereunder.

The Directors also recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the proposed refreshment of the Scheme Mandate Limit, the proposed increase of authorised shares of the Company and the proposed amendments to the M&A.

### CLOSURE OF REGISTER OF MEMBERS

To ascertain the Shareholders who are entitled to attend and vote at the EGM, the register of members of the Company will be closed from 26 March 2025 to 31 March 2025, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the entitlement to attend and vote at the EGM, all transfer of Shares accompanied by the relevant share



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## LETTER FROM THE BOARD

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certificates must be lodged with the Company's branch registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 25 March 2025.

### VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting must be taken by poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, the chairman of the EGM will demand a poll for each and every resolution put forward to be voted at the EGM. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

### RESPONSIBILITY STATEMENT

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

### GENERAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee to the Independent Shareholders as set out on pages 64 to 65 of this circular, the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders as set out on pages 66 to 88 of this circular. Your attention is also drawn to the additional information set out in the appendices to this circular and the notice of the EGM.

**Shareholders and potential investors of the Company should note that completion of the Proposed Acquisitions is subject to the satisfaction of the conditions precedent as set out in the Agreements. Therefore, the Proposed Acquisitions may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.**

Yours faithfully

By order of the Board

**SINOHOPE TECHNOLOGY HOLDINGS LIMITED**

**Du Jun**

*Executive Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter from the Independent Board Committee setting out its advice and recommendation to the Independent Shareholders in relation to the Proposed Acquisitions and the transactions contemplated thereunder.*



### SINOHOPE 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)**

14 March 2025

*To the Independent Shareholders*

Dear Sir or Madam,

- (1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED  
TRANSACTIONS INVOLVING ISSUE OF CONSIDERATION  
SHARES UNDER SPECIFIC MANDATE**
- (2) PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT  
UNDER SHARE OPTION SCHEME**
- (3) PROPOSED INCREASE OF AUTHORISED SHARES**
- (4) PROPOSED AMENDMENTS TO MEMORANDUM AND ARTICLES  
OF ASSOCIATION  
AND**
- (5) NOTICE OF THE EGM**

We refer to the circular dated 14 March 2025 of the Company (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, terms and expressions defined in the Circular have the same meanings herein.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to (i) whether the terms of the Agreements and the Proposed Acquisitions (including the issue of the Consideration Shares under the Specific Mandate) are fair and reasonable; and (ii) whether the Proposed Acquisitions are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Independent Shareholders as a whole.

Gram Capital has been appointed by the Company as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in this regard. We wish to draw your attention to (i) Letter from the Board set out on pages 9 to 63 of the Circular; (ii) the letter

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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from Gram Capital as set out on pages 66 to 88 of the Circular, which contains its recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Proposed Acquisitions and the transactions contemplated thereunder, as well as the principal factors and reasons considered by Gram Capital in arriving at its recommendation; and (iii) the additional information as set out in the Appendices to the Circular.

After taking into account the factors and reasons considered by Gram Capital and its conclusion and advice, we consider that (i) the terms of the Agreements and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned; and (ii) the Proposed Acquisitions are in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favor of the resolutions to be proposed at the EGM to approve the Agreements and the transactions contemplated thereunder.

Yours faithfully,

**For and on behalf of the Independent Board Committee of  
Sinohope Technology Holdings Limited**

**Mr. Yu Chun Kit**  
*Independent non-executive  
Director*

**Mr. Yip Wai Ming**  
*Independent non-executive  
Director*

**Dr. LAM, Lee G., BBS, JP**  
*Independent non-executive  
Director*

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## LETTER FROM GRAM CAPITAL

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*Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Acquisitions for the purpose of inclusion in this circular.*



Room 1209, 12/F.  
Nan Fung Tower  
88 Connaught Road Central/  
173 Des Voeux Road Central  
Hong Kong

14 March 2025

*To: The Independent Board Committee and the Independent Shareholders of  
Sinohope Technology Holdings Limited*

Dear Sir/Madam,

### **VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITION OF BVI SALE SHARES AND BITTRADE SALE SHARES**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Acquisitions, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 14 March 2025 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

With reference to the Board Letter, on 16 August 2024 (the “**Agreement Date**”):

- (1) The Company (as purchaser) and FCCR, Lightning Pay, Sky Fort, Tekne, Vision Leader, Hong Jia, Zhen Partners, HSG, Avenir Investment, Mr. Song, Mr. Hu and Mr. Du (collectively as BVI Vendors) entered into the BVI Agreement, pursuant to which BVI Vendors have conditionally agreed to sell, and the Company has conditionally to acquire the BVI Sale Shares, representing the entire issued share capital of BVI Company, at the consideration of US\$30,462,086.38 (equivalent to approximately HK\$237,604,273.76), which shall be satisfied by the allotment and issue of the Consideration Shares A at the Issue Price of HK\$2.18 per Consideration Share to BVI Vendors (or their nominees) at completion.

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## LETTER FROM GRAM CAPITAL

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- (2) The Company (as purchaser) and Goldenway (as BitTrade Vendor) entered into the BitTrade Agreement, pursuant to which Goldenway has conditionally agreed to sell, and the Company has conditionally to acquire the BitTrade Sale Shares, representing approximately 7.69% of the entire issued share capital of the BitTrade, at the consideration of US\$2,769,435.22 (equivalent to approximately HK\$21,601,594.72), which shall be satisfied by the allotment and issue of the Consideration Shares B at the Issue Price of HK\$2.18 per Consideration Share to Goldenway (or its nominees) at completion.

With reference to the Board Letter, the Proposed Acquisitions constitute very substantial acquisition and connected transactions for the Company under Chapter 14 and Chapter 14A of the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

The Independent Board Committee comprising Mr. Yu Chun Kit, Mr. Yip Wai Ming and Dr. LAM, Lee G., BBS, JP (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Proposed Acquisitions are on normal commercial terms and are fair and reasonable; (ii) whether the Proposed Acquisitions are conducted in the ordinary and usual course of the business of the Group and are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Proposed Acquisitions at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as independent financial adviser in respect of the Company's (i) connected transaction as set out in the Company's circular dated 6 July 2023; and (ii) continuing connected transaction as set out in the Company's circular dated 9 August 2024. Save for the aforesaid engagements, there was no other service provided by Gram Capital to the Company relating to any transaction of the Company with executed agreement during the past two years immediately preceding the Latest Practicable Date. Notwithstanding the aforesaid engagements, we were not aware of any relationship or interest between Gram Capital and the Company or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as a hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Having considered the above and that (i) none of the circumstances as set out under the Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid past engagements were only independent financial adviser engagements and would not affect our independence to act as the Independent Financial Adviser, we are of the view that we are independent to act as the Independent Financial Adviser.

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## LETTER FROM GRAM CAPITAL

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### BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Proposed Acquisitions. We consider that we have taken sufficient and necessary steps to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

We have not made any independent evaluation or appraisal of the assets and liabilities of the BVI Company, BitTrade or their subsidiaries, and we have not been furnished with any such evaluation or appraisal, save as and except for the valuation report on the Target Group as at 29 February 2024 as contained in Appendix VII to the Circular (the "**Previous Valuation Report**") and the valuation report on the Target Group as at 30 September 2024 as contained in Appendix VIIA to the Circular (the "**Latest Valuation Report**"). The Previous Valuation Report and the Latest Valuation Report were prepared by Masterpiece Valuation Advisory Limited (i.e. the Valuer), an independent valuer. Since we are not experts in the valuation of assets or business, we have relied solely upon the Latest Valuation Report for the market value of the Target Group as at 30 September 2024.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the BVI Vendors, the BitTrade Vendor, the BVI Company or their respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the

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## LETTER FROM GRAM CAPITAL

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Proposed Acquisitions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Proposed Acquisitions, we have taken into consideration the following principal factors and reasons:

#### Information on the Group

With reference to the Board Letter, the Company is an investment holding company incorporated in the BVI, whose Shares are listed on the main board of the Stock Exchange. The Group is principally engaged in the provision of technology solution services, a variety of services in virtual asset ecosystem, such as asset management, trust and custodian businesses and cryptocurrency trading.

Set out below are the consolidated financial information of the Group for the two years ended 30 September 2024 as extracted from the Company's annual report for the year ended 30 September 2024 (the "2024 Annual Report"):

	<b>For the year ended 30 September 2024</b>	<b>For the year ended 30 September 2023</b>	<b>Year-on- year change</b>
	<i>(audited)</i>	<i>(audited)</i>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Revenue from continuing operations	1,569,387	2,833,569	(44.61)
— <i>Cryptocurrency trading business</i>	<i>1,520,345</i>	<i>2,810,576</i>	<i>(45.91)</i>
— <i>Other business</i>	<i>49,042</i>	<i>22,993</i>	<i>113.29</i>
Gross profit from continuing operations	44,224	10,389	325.68
Profit/(loss) for the year attributable to owners of the Company from continuing operations	54,322	(275,959)	N/A

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## LETTER FROM GRAM CAPITAL

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As depicted from the table above, the Group's revenue from continuing operations was approximately HK\$1,569.4 million for the year ended 30 September 2024 (“**Listco FY2023/24**”), representing a decrease of approximately 44.61% as compared to that for the year ended 30 September 2023 (“**Listco FY2022/23**”), mainly attributable to decrease in the Group's revenue from cryptocurrency trading business. Despite the aforesaid decrease in revenue from continuing operations, the Group's gross profit from continuing operations for Listco FY2023/24 increased by approximately 325.68% as compared to that for Listco FY2022/23. As advised by the Directors, the aforesaid increase in the Group's gross profit was mainly attributable to the Company's enhanced control over transaction cost estimation for each cryptocurrency trade and increase in revenue from other business.

The profit attributable to owners of the Company from continuing operations was approximately HK\$54.3 million for Listco FY2023/24 as compared to loss attributable to owners of the Company from continuing operations of approximately HK\$276.0 million for Listco FY2022/23. With reference to 2024 Annual Report, such turnaround was mainly due to (i) increased gross profit; (ii) increase in fair value gains on cryptocurrencies; (iii) reversal of impairment loss on other assets for Listco FY2023/24; and (iv) decreased administrative expenses.

With reference to 2024 Annual Report, for the purposes of providing customers with more professional one-stop virtual asset services experience and establishing a leading profile of the Group in the financial technical services industry of Web 3.0 in Asia-pacific region and across the globe, the Group will focus its business on three core aspects, namely comprehensive deepening of compliant asset management business, innovative development of multi-party computation one-stop custody products, and the expansion of compliant virtual asset exchange.

### **Information on the BVI Vendors**

Details of the BVI Vendors are set out under the section headed “INFORMATION OF THE BVI VENDORS” of the Board Letter. With reference to the Board Letter:

- (i) Avenir Investment (being one of the BVI Vendors) is a substantial Shareholder and is indirectly wholly owned by Mr. Li, a non-executive Director. Avenir Investment is a connected person of the Company.
- (ii) Mr. Du (being one of the BVI Vendors) is a substantial Shareholder and an executive Director.
- (iii) To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiry, save as Avenir Investment and Mr. Du, other BVI Vendors are independent third parties of the Company.



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## LETTER FROM GRAM CAPITAL

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### **Information on Goldenway**

Details of Goldenway are set out under the section headed “INFORMATION OF GOLDENWAY” of the Board Letter. With reference to the Board Letter, to the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, Goldenway is an independent third party of the Company.

### **Information of the Target Group**

#### *Members of the Target Group*

With reference to the Board Letter:

- (i) The BVI Company is a company incorporated in the BVI with limited liability and is principally engaged in investment holding. The BVI Company directly holds 100% equity interest in Avenir Asset and indirectly holds (through Avenir Asset) approximately 84.62% of the issued share capital of BitTrade.
- (ii) Avenir Asset is a company incorporated in Singapore with limited liability and is principally engaged in investment holding. As at the Latest Practicable Date, Avenir Asset is directly wholly-owned by BVI Company and directly holds approximately 84.62% of the issued share capital of BitTrade.
- (iii) BitTrade is a company incorporated in Japan with limited liability in 2016 and is principally engaged in virtual currency trading business. BitTrade is owned as to approximately 84.62% by Avenir Asset, approximately 7.69% by Goldenway, approximately 3.845% by Tokai and 3.844% by FPG.
- (iv) BitTrade HK and BitTrade Wallet are wholly-owned subsidiaries of BitTrade, incorporated on 12 May 2023 and 20 October 2023, respectively.

#### *Business*

With reference to the Board Letter:

- (i) BitTrade is a company incorporated in Japan with limited liability in 2016 and is principally engaged in cryptocurrency trading business. In addition, BitTrade is a licensed virtual currency exchange service provider (registered with the Cryptoasset Exchange Service Provider — Director of the Kanto Finance Bureau No.00007\* (暗號資産交換業—關東財務局長第00007號牌照) and Type I Financial Instruments Business — Kanto Local Finance Bureau (FIBO) No.3295\* (第一種金融商品取引業—關東財務局長(金商)第3295號牌照)).
- (ii) BitTrade has successfully joined three self-regulatory associations being formally recognised by the FSA, including JVCEA, Japan Cryptoasset Business Association and Japan Security Token Offering Association.

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## LETTER FROM GRAM CAPITAL

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- (iii) BitTrade is also a member of two associations for the Japanese crypto-asset industry including Japan Security Token Association and Fintech Association of Japan.
- (iv) BitTrade's business model is primarily focused on cryptocurrency trading business, with a smaller emphasis on the Other Virtual Asset Business which includes providing services relating to automated cryptocurrency trading, cryptocurrency listing and cryptocurrency wallet.
- (v) Regarding the cryptocurrency trading business, BitTrade holds cryptocurrencies before re-selling them to the counterparties, it is primarily responsible for the delivery of the cryptocurrencies to the counterparties and it is exposed to risks arising from fluctuations of the market price and inventory risk of cryptocurrencies before delivery to counterparties and has discretion in setting prices charged to counterparties. BitTrade generates profit margins from purchasing virtual assets at a lower price and subsequently selling them at a relatively higher price.
- (vi) Regarding the Other Virtual Asset Business, the scope of BitTrade includes: (a) providing automated cryptocurrency trading services through its proprietary platform, offering clients a diverse selection of the most popular cryptocurrencies; (b) providing services for listing cryptocurrencies on its cryptocurrency trading platform; and (c) charging handling fees from clients when withdrawing deposits or cryptocurrencies from its cryptocurrency trading platform.
- (vii) Under the Target Group's business plans, the principal business of (a) BitTrade HK would involve providing virtual asset services in Hong Kong; and (b) BitTrade Wallet would involve providing custodian services for all client assets of the virtual asset trading platform to be operated by BitTrade HK.

Further details of the Target Group are set out under the section headed "INFORMATION OF THE TARGET GROUP" of the Board Letter.

## LETTER FROM GRAM CAPITAL

### *Financial information*

Set out below is the audited consolidated financial information of the Target Group prepared in accordance with Hong Kong Financial Reporting Standards for the three years ended 31 March 2024 and the six months ended 30 September 2024 (with comparative figures for corresponding period in 2023), as extracted from the accountants' report of the Target Group as set out in Appendix III to the Circular:

	For the year ended 31 March 2022 ("Target FY2021/22") <i>(audited)</i> JPY'000	For the year ended 31 March 2023 ("Target FY2022/23") <i>(audited)</i> JPY'000	For the year ended 31 March 2024 ("Target FY2023/24") <i>(audited)</i> JPY'000	For the six months ended 30 September 2023 ("Target 1H2023/24") <i>(unaudited)</i> JPY'000	For the six months ended 30 September 2024 ("Target 1H2024/25") <i>(audited)</i> JPY'000
Revenue	4,713,816	4,949,764	14,647,614	5,689,284	7,874,534
— <i>Cryptocurrency trading business</i>	4,621,159	4,592,216	14,300,314	5,535,115	7,799,892
— <i>Other business</i>	92,657	357,548	347,300	154,169	74,642
Gross profit	186,928	508,440	575,712	255,084	177,762
(Loss)/profit attributable to the owners of the BVI Company	(473,050)	(432,319)	153,845	(238,916)	(737,954)
	<b>As at 31 March 2022</b> <i>(audited)</i> JPY'000	<b>As at 31 March 2023</b> <i>(audited)</i> JPY'000	<b>As at 31 March 2024</b> <i>(audited)</i> JPY'000		<b>As at 30 September 2024</b> <i>(audited)</i> JPY'000
Total (deficits)/equity attributable to owners of the BVI Company	(716,704)	(1,480,834)	(1,629,864)		195,062

As depicted from the above table, the Target Group's revenue increased from approximately JPY4,714 million Target FY2021/22 to approximately JPY4,950 million for Target FY2022/23, and to approximately JPY14,648 million for Target FY2023/24. With reference to the "MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP" as contained in Appendix V to the Circular (the "Target MD&A"), (i) the aforesaid increase in the Target Group's revenue for Target FY2022/23 was mainly due to increase in listing fee income; and (ii) the aforesaid increase in the Target Group's revenue for Target FY2023/24 was mainly driven by significant increase of revenue from cryptocurrency trading business due to active market in Target

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FY2023/24 and increase in the Target Group's customer base. The active market and increase in the Target Group's customer base also led to increase in the Target Group's revenue from Target 1H2023/24 to Target 1H2024/25.

As depicted from the above table, the Target Group's gross profit increased from approximately JPY187 million for Target FY2021/22 to approximately JPY508 million for Target FY2022/23, and to approximately JPY576 million for Target FY2023/24. With reference to the Target MD&A and as confirmed by the Directors, (i) the aforesaid increase in the Target Group's gross profit for Target FY2022/23 was mainly due to increase in revenue from other business; and (ii) the aforesaid increase in the Target Group's gross profit for Target FY2023/24 was mainly due to increase in revenue from cryptocurrency trading business. The Target Group's gross profit decreased from approximately JPY255.1 million for Target 1H2023/24 to approximately JPY178 million for Target 1H2024/25. With reference to the Target MD&A, such decrease was mainly due to decrease in the Target Group's revenue from other business.

As depicted from the above table, (i) the loss attributable to the owners of the BVI Company was approximately JPY473 million for Target FY2021/22 and approximately JPY432 million for Target FY2022/23; and (ii) the profit attributable to the owners of the BVI Company was approximately JPY154 million for Target FY2023/24. With reference to the Target MD&A, such turnaround in Target FY2023/24 was mainly due to change from net fair value losses to net fair value gains on cryptocurrencies as partially offset by increase in administrative expenses. The loss attributable to the owners of the BVI Company increased from approximately JPY239 million for Target 1H2023/24 to approximately JPY738 million for Target 1H2024/25. The aforesaid increase in loss attributable to the owners of the BVI Company was mainly due to (i) decrease in net other income and gains; (ii) impairment loss on right-of-use assets for Target 1H2024/25; and (iii) increase in administrative expenses.

### **Reasons for and benefits of the Proposed Acquisitions**

Detailed reasons for and benefits of the Proposed Acquisitions were set out under the section headed "REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITIONS" of the Board Letter. With reference to the Board Letter:

- (i) Immediately after the completion of the Proposed Acquisitions, the Group will integrate the technological capabilities of BitTrade to enhance its internal systems and software. For instance, the Group will involve a team of qualified developers from BitTrade to assist with writing robust codes using innovative technologies to build an automated cryptocurrency ordering system for the Group's cryptocurrency trading business. This system will allow the Group to trade with clients directly and swiftly through its own automated platform. Further, there is no legal impediment or other restrictions for the Group to launch the aforesaid system. Additionally, BitTrade's technological support team will be integrated into the Group, enhancing the Group's capacity to develop its technology solution services.

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## LETTER FROM GRAM CAPITAL

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- (ii) The Group is licensed by the SFC to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. Regarding the Group's asset management business, the Group currently uses BitTrade's cryptocurrency trading platform, Coinbase, Hashkey and Bitfinex to conduct cryptocurrency trading on behalf of the funds it manages. BitTrade has always been the preferred platform to conduct trades. However, the Group is not using BitTrade's trading platform for its over-the-counter virtual asset trading business, as the common control within the Group and BitTrade may potentially render such business engagement as connected transactions under the Listing Rules. As of the Latest Practicable Date, the Group has mainly been using Coinbase to conduct its over-the-counter virtual asset trading business. Within 1 to 6 months after the completion of the Proposed Acquisitions, the Group will register accounts with BitTrade's cryptocurrency trading platform for conducting its over-the-counter cryptocurrency trading business and continue the use of the platform for its asset management business. BitTrade's cryptocurrency trading platform will be the preferred platform for the Group's over-the-counter cryptocurrency trading business and asset management business, and the Group intends to utilize BitTrade's cryptocurrency trading platform provided that the required cryptocurrencies are available on BitTrade's cryptocurrency platform and BitTrade's fee structure remains competitive to the Group.
- (iii) Despite price volatility among major virtual currencies in recent years, the Directors maintain that blockchain technology will become prevalent among various sectors. As a result, the Directors believe that owning and operating a virtual currency trading platform will be beneficial to the long-term growth of the Group and promote the development of the Group's business. Therefore, the Group has submitted the following applications to the SFC and the Monetary Authority of Singapore respectively: (a) application for licenses to conduct Type 1 (dealing in securities) and Type 7 (providing automated trading services) regulated activities under the SFO as a virtual asset trading platform in Hong Kong; and (b) application for the Company to be licensed under the Payment Services Act 2019 as a "major payment institution" providing, amongst other things, digital payment token services. However, as these applications have not been approved for 3–4 years while incurring costs from attempted operations, the Group withdrew the applications in January 2023 and November 2022 respectively.
- (iv) To further pursue this business direction, the Company continued to explore other ways to commence its virtual currency trading platform in new overseas markets that have well-established regulatory systems ensuring fair competition to enrich its business portfolio. The Directors considered that Japan (where BitTrade is incorporated and operates) is a favorable choice for the Company as the Japanese government has implemented a registration system and provided operational guidelines for virtual currency trading platforms since 2017. Additionally, Japan is known for being one of the most active markets for virtual currency trading globally and the Group can draw insights from the compliance and management practice of the Japanese market to mitigate its business risks.

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## LETTER FROM GRAM CAPITAL

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As illustrated under the section headed “Information on the Group” above, we noted that the Group’s revenue from cryptocurrency trading business accounted for approximately 99.2% and approximately 96.9% of the Group’s total revenue from continuing operations for Listco FY2022/23 and Listco FY2023/24 respectively.

Given the above, we consider that the Proposed Acquisitions will facilitate the Group’s business development and are in-line with the Group’s principal business and development strategy.

### *Industrial overview*

As aforementioned, BitTrade’s business model is primarily focused on cryptocurrency trading business, with a smaller emphasis on the Other Virtual Asset Business which includes providing services relating to automated cryptocurrency trading, cryptocurrency listing and cryptocurrency wallet. The Target Group’s revenue generated from cryptocurrency trading business accounted for approximately 98%, 93%, 98% and 99% of the Target Group’s total revenue for Target FY2021/22, Target FY2022/23, Target FY2023/24 and Target 1H2024/25 respectively. With reference to the Board Letter, the user base of BitTrade’s cryptocurrency trading platform consists of Japanese nationals, foreigners who are residents in Japan, multinational enterprises and financial institutions from around the globe.

Performance of both the cryptocurrency trading business and the Other Virtual Asset Business is closely related to market activity level and development of cryptocurrencies market. Accordingly, we conducted research through the internet for statistics and information regarding the cryptocurrencies market.

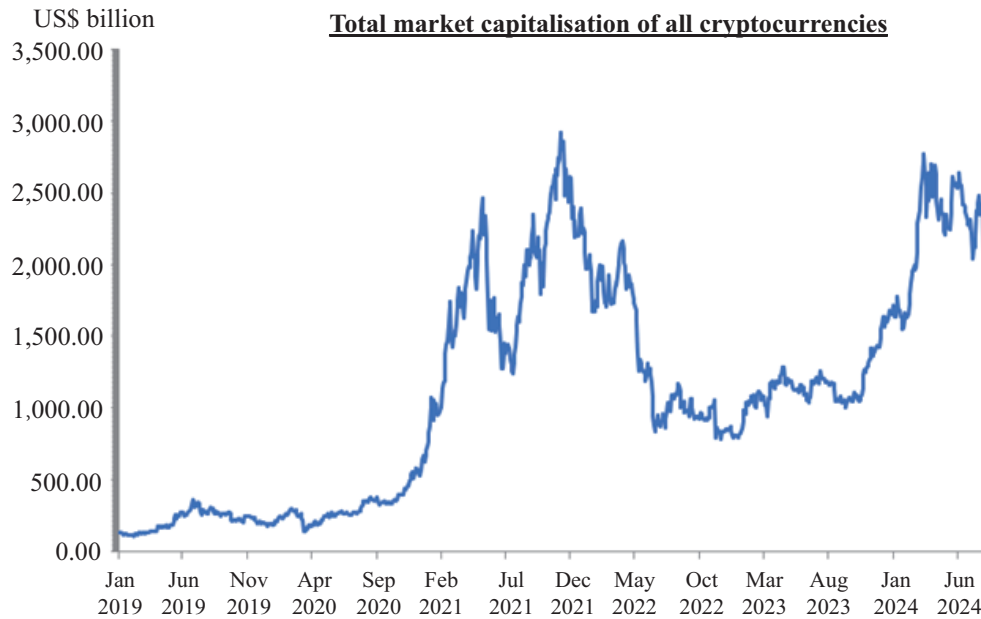
We conducted research through the internet and found certain statistics regarding the cryptocurrencies market from CoinMarketCap. According to CoinMarketCap’s website (<https://coinmarketcap.com>), CoinMarketCap was founded in May 2013 and is a highly referenced price-tracking website for cryptoassets in the growing cryptocurrency space. Data and statistics published by CoinMarketCap are cited by media, institutions and government authorities such as Consumer News and Business Channel (CNBC), Bloomberg, Financial Times, MIT (Massachusetts Institute of Technology) Digital Currency Initiative, the United States Department of Treasury and the Hong Kong Monetary Authority.

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## LETTER FROM GRAM CAPITAL

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Set out below are the total market capitalisation of all cryptocurrencies from January 2019 to August 2024 (up to the Agreement Date), according to the data published by CoinMarketCap:



*Source: The CoinMarketCap's website*

As illustrated above, the total market capitalisation of all cryptocurrencies fluctuated between approximately US\$111.66 billion to approximately US\$383.38 billion from January 2019 to August 2020. Thereafter, the total market capitalisation of all cryptocurrencies (i) surged significantly and reached its peak of approximately US\$2,919.71 billion in November 2021; (ii) dropped to and reached US\$788.14 billion in November 2022; (iii) rebounded to approximately US\$2,724.37 billion in March 2024; and (iv) stayed above US\$2,000 billion during most of the days in August 2024 (up to the Agreement Date). The level of total market capitalisation of all cryptocurrencies in August 2024 (up to the Agreement Date) was substantially higher than that in January 2019.

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## LETTER FROM GRAM CAPITAL

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Set out below are the total trading volume (on a 24-hour spot basis) of all cryptocurrencies from January 2019 to August 2024 (up to the Agreement Date), according to the data published by CoinMarketCap:



*Source: The CoinMarketCap's website*

As illustrated above, the total trading volume (on a 24-hour spot basis) of all cryptocurrencies (i) formed an increasing trend (with significant fluctuations) from approximately US\$13.34 billion in January 2019 to approximately US\$308.04 billion in April 2021; (ii) formed an decreasing trend (with significant fluctuations) from US\$308.04 billion in April 2021 to approximately US\$30.22 billion in January 2024; (iii) after a significant surge in March 2024, dropped to a level below US\$150 billion from April 2024; and (iv) stayed above US\$50 billion during most of the days in August 2024 (up to the Agreement Date). The level of total trading volume (on a 24-hour spot basis) of all cryptocurrencies in August 2024 (up to the Agreement Date) was substantially higher than that in January 2019.

We also noted from a report titled “Navigating the Institutional Adoption of Cryptoassets” published by KPMG in April 2023 that (i) growing regulatory clarity in the blockchain and crypto-asset industry will continue to provide support for institutional adoption of crypto-asset; (ii) over the past few years, traditional institutions and corporations have increased their presence in the crypto-asset system. Several institutional firms have begun to offer institutional and limited retail access to crypto-asset products to allow crypto-asset exposure; and (iii) crypto-asset have emerged as an investable alternative asset class, with new product offerings from traditional financial service providers and growing allocations by institutional investors.



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## LETTER FROM GRAM CAPITAL

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In respect of the cryptocurrency market of Japan, we noted from a report titled “Navigating the Global Crypto Landscape with PwC: 2024 Outlook” published by PricewaterhouseCoopers in December 2023 that (i) Japan is a jurisdiction that have established a comprehensive cryptocurrency regulation in terms of four regimes of specific legislations/regulations (being (a) regulatory framework; (b) licensing/registration; (c) travel rule; and (d) stablecoins); (ii) the Japanese government has indicated Web 3.0 as one of the key pillars for the growth of the Japanese economy; (iii) in 2021, the Japanese government established the digital agency, which is actively researching digital asset use cases; (iv) the MEIT has also established a Web 3.0 advancement initiative aimed at moving the digital asset economy forward; and (v) in April 2023, the Liberal Democratic Party (as the ruling party) of Japan published a Web 3.0 white paper to demonstrate its continued commitment to Web 3.0.

We also noted from a report titled “Japan Cryptocurrency Market Size & Outlook, 2024–2030” published by Grand View Research that (i) the Japan cryptocurrency exchange platform market generated revenue of US\$2,710.2 million in 2023 and is expected to reach US\$17,029.9 million by 2030; (ii) the Japan market is expected to grow at a compound annual growth rate of approximately 30% from 2024 to 2030; and (iii) in Asia Pacific, Japan cryptocurrency exchange platform market is projected to lead the regional market in terms of revenue in 2030. According to Grand View Research’s website, Grand View Research, founded in 2014 with over 500 analysts, is an India and United States based market research and consulting company registered in the State of California and headquartered in San Francisco, the United States. It provides syndicated research reports, customised research reports, and consulting services. Its database features thousands of statistics and in-depth analysis on 46 industries in 25 major countries worldwide, it is used by the world’s renowned academic institutions and Fortune 500 companies and cited by media such as Consumer News and Business Channel (CNBC), British Broadcasting Corporation (BBC) and the Guardian).

### ***Conclusion***

Having considered:

- (i) that the Proposed Acquisitions are in-line with the Group’s principal business and development strategy; and
- (ii) the overall development trend of the global cryptocurrency market and Japanese policies that are favourable to development of cryptocurrency business in Japan,

we are of the view that although the Proposed Acquisitions are not conducted in the ordinary and usual course of business of the Company, they are in the interests of the Company and its Shareholders as a whole.

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## LETTER FROM GRAM CAPITAL

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### Principal terms of the Proposed Acquisitions

Summarised below are the principal terms of the Proposed Acquisitions under the Agreements, details of which are set out in the Board Letter.

	<b>BVI Agreement</b>	<b>BitTrade Agreement</b>
<b>Date</b>	16 August 2024	16 August 2024
<b>Parties</b>	The Company and the BVI Vendors	The Company and Goldenway
<b>Subject matter</b>	Pursuant to the BVI Agreement, BVI Vendors have conditionally agreed to sell, and the Company has conditionally to acquire the BVI Sale Shares, representing the entire issued share capital of BVI Company.	Pursuant to the BitTrade Agreement, Goldenway has conditionally agreed to sell, and the Company has conditionally to acquire the BitTrade Sale Shares, representing approximately 7.69% of the issued share capital of BitTrade.
<b>Consideration</b>	The consideration for the acquisition of the BVI Sale Shares is US\$30,462,086.38 (equivalent to approximately HK\$237,604,273.76) (the “ <b>BVI Consideration</b> ”), which shall be satisfied by the allotment and issue of the Consideration Shares A, comprising up to 108,992,786 new Shares, to BVI Vendors at the Issue Price of HK\$2.18 per Share at completion.	The consideration for the acquisition of the BitTrade Sale Shares is US\$2,769,435.22 (equivalent to approximately HK\$21,601,594.72) (the “ <b>BitTrade Consideration</b> ”), which shall be satisfied by the allotment and issue of the Consideration Shares B, comprising up to 9,908,988 new Shares, to Goldenway at the Issue Price of HK\$2.18 per Share at completion.

### *The considerations*

With reference to the Board Letter, the BVI Consideration and the BitTrade Consideration were determined with reference to the factors as set out under the sub-sections headed “A. The BVI Agreement” and “B. The BitTrade Agreement” of the Board Letter.

### *The Latest Valuation Report*

According to the Latest Valuation Report, the 100% equity value of the Target Group was approximately US\$33,656,000 as at 30 September 2024 (the “**Latest Valuation**”). The sum of the BVI Consideration and the BitTrade Consideration is US\$33,231,521.60, representing a discount of approximately 1.26% to the Latest Valuation.

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## LETTER FROM GRAM CAPITAL

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For our due diligence purpose, we reviewed and enquired into (i) the terms of engagement of the Valuer with the Company; (ii) the Valuer's qualification in relation to the preparation of the Latest Valuation Report; and (iii) the steps and due diligence measures taken by the Valuer for conducting the Latest Valuation. From the mandate letter and other relevant information provided by the Valuer and based on our interview with them, we were satisfied with the terms of engagement of the Valuer as well as their qualification for preparation of the Latest Valuation Report. The Valuer also confirmed that they are independent to the Group, the BVI Vendors, Goldenway and the Target Group.

With reference to the Latest Valuation Report:

- (i) There are generally three accepted approaches, namely the cost approach, the income approach and the market approach.
- (ii) Cost approach is not appropriate in the Latest Valuation as it assumed the assets and liabilities of the BitTrade Group are separable and can be sold separately. This methodology is more appropriate for the industry that their assets are highly liquid, like property development and financial institution. Thus, cost approach is not adopted in the Latest Valuation.
- (iii) Income approach is also considered inappropriate as plenty of assumptions were involved in formulating the financial projection of BitTrade Group, and the assumptions might not be able to reflect the uncertainties in the future performance of BitTrade Group. Cryptocurrency markets are highly volatile, making the estimation of future cash flows uncertain and reliant on conjecture. Since improper assumptions will impose significant impact on the fair value, income approach is not adopted in the Latest Valuation.
- (iv) Fair value arrived from market approach reflects the market expectations over the corresponding industry as the price multiples of the comparable companies were arrived from market consensus. Since there are sufficient public companies in similar nature and business to that of the Target Group, their market values are good indicators of the industry. Therefore, market approach has been adopted in the Latest Valuation.

We further reviewed and enquired into the Valuer on the methodologies adopted and the basis and assumptions adopted in the Latest Valuation Report in order for us to understand the Latest Valuation Report.

Under market approach, the Valuer adopted the guideline public company method in conducting the Latest Valuation. We noted that the Valuer selected the comparable companies (i) that are listed on exchange markets in developed countries; (ii) with more than 50% of their revenue from cryptocurrency trading and exchanges; and (iii) recorded positive revenue for the latest financial years. Based on the aforesaid criteria, the Valuer identified 8 comparable companies (the "**Comparable Companies**"). As the selection criteria enable the Valuer to (i) identify

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companies that mainly engage in similar business activity of the Target Group; and (ii) collect sufficient data which are publicly available for the Valuer to conduct the Latest Valuation, we do not doubt the selection criteria adopted by the Valuer.

Based on our independent research, we noted that the Comparable Companies (i) principally operate in the cryptocurrency trading and exchanges industry with over 50% of their respective revenue derived from such activity based on the annual report of these comparable companies; (ii) are listed on the Nasdaq Stock Market LLC, the New York Stock Exchange, the Toronto Stock Exchange, Nordic Growth Market or the Stockholm Stock Exchange; and (iii) recorded positive revenue for the latest financial years. As such, we consider these comparable companies are fair and representative.

The Valuer applied the multiples of enterprise value-to-sales (“**EV/S**”) for the purpose of arriving at the Latest Valuation. According to the Latest Valuation Report, (i) the Valuer also considered other common pricing multiples, such as price-to-earnings ratio, price-to-book ratio and price-to-earnings before interest, tax, depreciation and amortization (“**EBITDA**”) ratio; (ii) the price-to-earnings ratio is deemed inappropriate due to the Target Group’s fluctuating profit and loss history over the past three years ended 31 March 2022, 2023 and 2024 and the net loss recorded for Target 1H2024/25, rendering earnings-based metrics less reliable; (iii) the price-to-book ratio is considered not appropriate as book value captures only the tangible assets of a company. A company’s intangible assets as well as company-specific competencies and advantages are not captured in the price-to-book ratio; and (iv) the price-to-EBITDA ratio has not been selected given that, although the Target Group posted positive EBITDA for Target FY2023/24, it has experienced a fluctuating EBITDA history, along with a net loss recorded for Target 1H2024/25. This rationale aligns with the decision to exclude the price-to-earnings ratio and therefore, EV/S is considered appropriate and adopted.

We noted that the Valuer adopted the BitTrade’s revenue for the twelve months ended 30 September 2024 (being the latest twelve months up to the valuation date of 30 September 2024 (the “**LTM Revenue**”). As confirmed by the Valuer, adoption of LTM Revenue is deemed appropriate to provide a more up-to-date and accurate representation of the BitTrade’s current and latest status and condition. In particular, the twelve months ended 30 September 2024 is considered to reflect a more normalized revenue stream, better capturing the expected ongoing business performance of the BitTrade once these fluctuations have been accounted for. During this period, the cryptocurrency industry experienced a wave of price growth, followed by a period of price stagnation and a subsequent downturn. This pattern more effectively illustrates the inherent volatility of the cryptocurrency market over the course of the year.

After the Valuer computed the EV/S of the Comparable Companies, the Valuer applied (i) the control premium of 30.2% to reflect amount that a buyer is willing to pay over the minority equity value of the company in order to acquire a controlling interest in that company; and (ii) LOMD of 42.9% to reflect the fact that there is no ready market for shares in a closely held company to arrive at the adjusted EV/S.

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As discussed with the Valuer:

- (i) The control premium of 30.2% was adopted based on the 3rd Quarter 2024 edition of Control Premium Study published by FactSet Mergerstat, LLC, an investment research firm founded in 1995 to deliver content, analytics and flexible technology to help more than 216,000 users, according to its website (<https://www.factset.com/>). Given that the shares of Comparable Companies represent minority ownership interest and the Proposed Acquisitions represent the acquisitions of the controlling interest in the Target Group, we are of the view that the adoption of control premium is reasonable.
- (ii) The LOMD of 42.9% was adopted based on the 2023 edition of the Stout Restricted Stock Study Companion Guide published by Stout Risius Ross, LLC, a global investment bank and advisory firm specializing in corporate finance, transaction advisory, valuation, financial disputes, claims, and investigations, which serves a range of clients, from public corporations to privately held companies in numerous industries, according to its website ([www.stout.com](http://www.stout.com)). Given that Comparable Companies are all listed public companies and the BVI Company is a privately held company, we are of the view that the adoption of LOMD is reasonable.

During our discussion with the Valuer, we did not identify any major factor which caused us to doubt the fairness and reasonableness of the methodology, principal bases, assumptions and parameters adopted for the Latest Valuation Report.

Having considered our independent work performed on the Latest Valuation Report as set out above and that the sum of the BVI Consideration and the BitTrade Consideration is US\$33,231,521.60, representing a discount of approximately 1.26% to the Latest Valuation of US\$33,656,000, we are of the view that the BVI Consideration and the BitTrade Consideration is fair and reasonable.

We noticed that in determining the BVI Consideration and the BitTrade Consideration, the Company made reference to, amongst others, the previous valuation of the Target Group as at 29 February 2024 (i.e. US\$36,127,000) (the “**Previous Valuation**”) as appraised by the Valuer, details of which are set out in the Previous Valuation Report. The Latest Valuation as at 30 September 2024 is less than the Previous Valuation as at 29 February 2024. Based on the information provided by the Valuer, (i) the Valuer adopted the same methodology, bases and assumptions in arriving both the Previous Valuation and the Latest Valuation; and (ii) differences among parameters of the Previous Valuation and the Latest Valuation were mainly due to adoption of updated data. Having also taken into account that the sum of the BVI Consideration and the BitTrade Consideration represents a discount of approximately 1.26% to the Latest Valuation as at 30 September 2024, we considered that the difference between the Previous Valuation and the Latest Valuation did not affect our assessment on the fairness and reasonableness of the BVI Consideration and the BitTrade Consideration.

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### *The Issue Price*

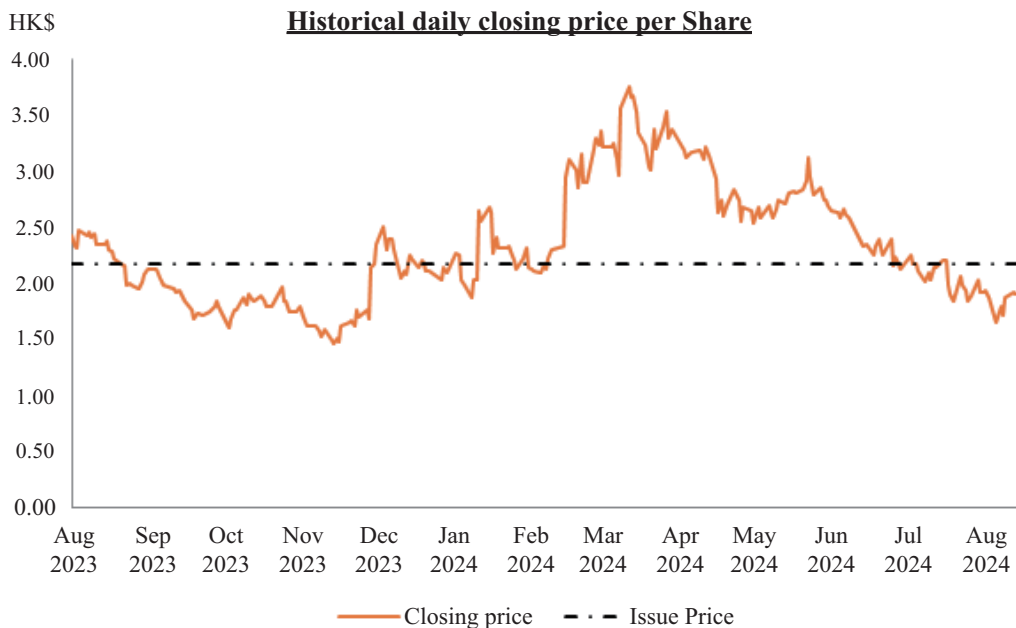
The Issue Price of HK\$2.18 per Consideration Share represents:

- (i) a premium of approximately 14.14% over the closing price of HK\$1.91 per Share as quoted on the Stock Exchange on 16 August 2024, being the Agreement Date (the “**LTD Premium**”);
- (ii) a premium of approximately 14.14% over the average of the closing price of HK\$1.91 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Agreement Date (the “**5-days Premium**”); and
- (iii) a premium of approximately 31.33% over the closing price of HK\$1.66 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

In order to assess the fairness and reasonableness of the Issue Price, we performed the following assessments.

### *Share price performance*

In order to assess the fairness and reasonableness of the Issue Price, we reviewed the daily closing prices of the Shares as quoted on the Stock Exchange from 1 August 2023 up to and including the Agreement Date (the “**Review Period**”), being a period of approximately one year up to and including the Agreement Date. The daily closing prices of the Shares during the Review Period are illustrated as follows:



*Source: The Stock Exchange's website*

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During the Review Period, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK\$1.47 recorded on 14 November 2023 and HK\$3.75 recorded on 11 March 2024. The Issue Price of HK\$2.18 is within the range of the lowest and highest closing prices of Shares during the Review Period.

During the Review Period, the closing price of the Shares decreased from HK\$2.43 on 1 August 2023 to the lowest price of HK\$1.47 on 14 November 2023. Subsequently, the closing price of Shares surged to the highest price of HK\$3.75 on 11 March 2024. Thereafter, the closing price of the Shares formed a general downward trend and reached HK\$1.91 on the Agreement Date.

### *Comparable transactions*

As part of our analysis, we further identified transactions involving acquisition of equity interest in unlisted target company by way of issue of consideration shares (the “**Comparable Transactions**”) which were announced by companies listed on the Stock Exchange during the period from 2 May 2024 up to the Agreement Date (being an approximate three-month period up to and including the Agreement Date). To the best of our knowledge and as far as we are aware of, we found 10 transactions which met the said criteria and they are exhaustive as far as we are aware of.

Shareholders should note that the businesses, operations and prospects of the Company are not the same as the subject companies of the Comparable Transactions and we have not conducted any independent verification with regard to the businesses and operations of such companies.

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Company name (stock code)	Date of announcement	Involving connected transaction?	Premium/ (discount) of the issue price over/to the closing price per share on the last trading day prior to/on the date of agreement (%)	Premium/ (discount) of the issue price over/to the closing price per share for the five trading days prior to date of agreement (%)	Dilution effect to shareholding of the existing public shareholders (%)
Hans Group Holdings Limited (formerly known as Hans Energy Company Limited) (554)	24 May 2024	No	99.03 ( <i>Note</i> )	103.61 ( <i>Note</i> )	1.99
Huili Resources (Group) Limited (1303)	25 June 2024	No	(12.73)	(15.79)	1.70
Future World Holdings Limited (572)	26 June 2024	No	Nil	2.94	7.62
Future World Holdings Limited (572)	26 June 2024	No	Nil	2.94	0.54
China Health Group Limited (673)	7 July 2024	No	(14.89)	(15.25)	9.00
SY Holdings Group Limited (6069)	9 July 2024	No	0.64	1.82	2.81
Qian Xun Technology Limited (formerly known as Ruicheng (China) Media Group Limited) (1640)	24 July 2024	No	(17.81)	(20.00)	7.50
ESR GROUP LIMITED (1821)	26 July 2024	No	Nil	(1.52)	0.39
Capital Realm Financial Holdings Group Limited (204)	31 July 2024	No	(9.62)	(2.69)	12.69
Wanguo Gold Group Limited (3939)	9 August 2024	Yes	7.98	12.03	2.80
<b>Maximum (excluding outlier)</b>			7.98	12.03	
<b>Minimum (excluding outlier)</b>			(17.81)	(20.00)	
<b>Average (excluding outlier)</b>			(5.16)	(3.95)	
<b>The Proposed Acquisitions</b>		Yes	14.14	14.14	7.31

*Source: The Stock Exchange's website*

*Note:* The premiums of relevant transaction were exceptionally high and considered to be outliers.

We noted from the above table that (i) the issue prices of the Comparable Transactions (excluding outlier) ranged from a discount of approximately 17.81% to a premium of approximately 7.98% with an average discount of approximately 5.16% to the respective closing prices of the shares on the last trading day prior to/on the date of agreement (the “**LTD Discount/Premium Market Range**”); and (ii) the issue prices of the Comparable Transactions (excluding outlier) ranged from a discount of approximately 20.00% to a premium of approximately 12.03% with



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average discount of approximately 3.95% to the respective closing prices of the shares for the five trading days prior to date of agreement (the “**5-Days Discount/Premium Market Range**”). The LTD Premium of approximately 14.14% is higher than the LTD Discount/Premium Market Range and the 5-days Premium of approximately 14.14% is higher the 5-Days Discount/Premium Market Range.

Having also considered that the Issue Price of HK\$2.18 is within the range of the lowest and highest closing prices of Shares during the Review Period, we consider the Issue Price of HK\$2.18 to be fair and reasonable.

Taking into account the principal terms of the Proposed Acquisitions as set out above, we consider that the terms of the Proposed Acquisitions are fair and reasonable.

### **Possible dilution effect on the shareholding interests of the existing public Shareholders**

As depicted by the table under the section headed “EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY” of the Board Letter, upon completion of the Proposed Acquisitions, the shareholding interests of the existing public Shareholders would be diluted by approximately 8.29 percent points. Nonetheless, in view of (i) the reasons for and benefits of the Proposed Acquisitions; and (ii) the terms of the Proposed Acquisitions being fair and reasonable, we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

### **Financial effects in relation to the Proposed Acquisitions**

With reference to the Board Letter, following completion of the Proposed Acquisitions, the BVI Company will become a wholly-owned subsidiary of the Company and BitTrade will become an indirect non-wholly-owned subsidiary of the Company (the Company will indirectly hold 92.31% equity interest of BitTrade). The financial results of the BVI Company and BitTrade will be consolidated in the financial statements of the Group.

With reference to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix VI to the Circular (the “**Pro Forma FI**”),

- (i) The unaudited consolidated total assets and total liabilities of the Group as at 30 September 2024 were approximately HK\$461.1 million and approximately HK\$179.2 million respectively. The unaudited consolidated total assets and total liabilities of the Enlarged Group as at 30 September 2024 would be approximately HK\$1,165.1 million and approximately HK\$628.8 million respectively as if the Proposed Acquisitions had taken place on 30 September 2024.
- (ii) The profit attributable to owners of the Company from continuing operations was approximately HK\$54.3 million for Listco FY2023/24. The unaudited profit attributable to owners of the Company for Listco FY2023/24 would be approximately HK\$50.9 million as if the Proposed Acquisitions had taken place on 1 October 2023.

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(iii) An impairment loss on goodwill of approximately HK\$8 million was made under the Proforma FI, details of which are set out in Note 6 to the Pro Forma FI.

It should be noted that the aforementioned analysis is for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon completion of the Proposed Acquisitions. Accordingly, the above information contained in the Pro Forma FI did not affect our assessment on the Proposed Acquisitions.

### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Proposed Acquisitions are on normal commercial terms and are fair and reasonable; and (ii) although the Proposed Acquisitions are not conducted in the ordinary and usual course of the business of the Company, they are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Proposed Acquisitions and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,  
For and on behalf of  
**Gram Capital Limited**  
**Graham Lam**  
*Managing Director*

*Note:* Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has around 30 years of experience in investment banking industry.

\* *For identification purposes only*

## 1. RESPONSIBILITY STATEMENT

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

## 2. SHARES OF THE COMPANY

The authorised and issued shares of the Company (a) as at the Latest Practicable Date; and (b) immediately upon the increase in authorised shares of the Company and the issue and allotment of all of the Consideration Shares, was/will be as follows:

### (a) As at the Latest Practicable Date

<i>Authorised shares:</i>	<i>Par value per Share (HK\$)</i>	<i>Total nominal value (HK\$)</i>
<u>500,000,000 Shares</u>	0.001	<u>500,000</u>

<i>Issued and fully paid or credited as fully paid shares:</i>	<i>Par value per Share (HK\$)</i>	<i>Total nominal value (HK\$)</i>
<u>466,560,665 Shares</u>	0.001	<u>466,560.665</u>

### (b) Immediately upon the increase of authorised shares and the issue and allotment of the Consideration Shares

<i>Authorised shares:</i>	<i>Par value per Share (HK\$)</i>	<i>Total nominal value (HK\$)</i>
<u>700,000,000 Shares</u>	0.001	<u>700,000</u>

<i>Issued and fully paid or credited as fully paid shares:</i>	<i>Par value per Share (HK\$)</i>	<i>Total nominal value (HK\$)</i>
<u>585,462,439 Shares</u>	0.001	<u>585,462.439</u>

### 3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there is no material adverse change in the financial or trading position of the Group since 30 September 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up.

### 4. DISCLOSURE OF INTERESTS

#### Directors and chief executive

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executives of the Company 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) which (i) would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) contained in the Listing Rules, were as follows:

Name of Director	Capacity in which Shares were held	Number of the Shares (L) (Note 2)	Approximate percentage of the Shares to total issued Shares	Number of the underlying shares involved (L) (Note 2)	Total number of Shares and underlying shares involved (L) (Note 2)	Approximate Percentage of total number of Shares and underlying shares to total issued Shares
Mr. Li Lin (“Mr. Li”)	Interest of controlled corporation (Note 1)	90,990,474	19.50%	—	90,990,474	19.50%
Mr. Du Jun (“Mr. Du”) (Note 3)	Beneficial owner	80,682,305	17.29%	3,000,000	83,682,305	17.94%

*Notes:*

- Mr. Li is the non-executive director of the Company. Mr. Li indirectly holds 100% interest in the total issued shares of Avenir Investment Limited. Therefore, Mr. Li is deemed to be interested in the shares held by Avenir Investment Limited for the purpose of Part XV of the SFO.
- The letter “L” denotes the long position in the Shares.
- Mr. Du is an executive Director and chief executive officer of the Company. Mr. Du is the beneficial owner of 80,682,305 Shares and 3,000,000 Share Options of the Company which shall entitle him to subscribe for 3,000,000 Shares upon exercise of all such Share Options. Hence, Mr. Du is deemed to be interested in 83,682,305 Shares for the purpose of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### **Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying in Shares and Securities of the Company**

As at the Latest Practicable Date, to the best knowledge of the Directors and the senior management of the Company, the following are the persons (other than the Directors or chief executive of the Company whose interests are disclosed above), who had interests or short positions in the shares and underlying shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

<b>Name of Shareholders</b>	<b>Capacity in which Shares were held</b>	<b>Number of Shares (L) (Note 3)</b>	<b>Approximate percentage of the issued shares</b>
Avenir Investment Holdings Limited	Interest in controlled corporation (Note 1)	90,990,474	19.50%
Avenir View Limited	Interest in controlled corporation (Note 1)	90,990,474	19.50%
Avenir Investment Limited	Beneficial owner (Note 1)	90,990,474	19.50%
Mr. Zhong	Interest of controlled corporation (Note 2)	82,300,000	17.64%
ON CHAIN Technology Limited	Beneficial owner (Note 2)	82,300,000	17.64%

*Notes:*

1. Avenir Investment Limited holds 90,990,474 Shares, representing approximately 19.50% of the total issued shares of the Company. Avenir Investment Limited is a wholly-owned subsidiary of Avenir View Limited, whose sole shareholder is Avenir Investment Holdings Limited, and hence each of Avenir View Limited and Avenir Investment Holdings Limited is deemed to be interested in 90,990,474 Shares held by Avenir Investment Limited for the purpose of Part XV of the SFO.
2. Mr. Zhong holds 100% interest in the total issued share capital of ON CHAIN Technology LIMITED. Therefore, Mr. Zhong is deemed to be interested in the shares held by ON CHAIN Technology LIMITED for the purpose of Part XV of the SFO.
3. The letter "L" denotes the long position in the Shares.

As at the Latest Practicable Date, Mr. Li is a director of each of Avenir Investment Holdings Limited, Avenir View Limited and Avenir Investment Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other Directors who was a director or employee of a company which had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, and no other person has any interest or short position which shall be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

## 5. COMPETING BUSINESS

As at the Latest Practicable Date, Mr. Du has indirect shareholding interest in ChainUp Pte. Ltd. (“**Chainup**”), the businesses of Chainup involve the provision of technology solution services to clients in relation to the operation of the virtual asset trading platform, and such businesses (apart from the Group’s businesses), compete or are likely to compete, either directly or indirectly, with the principal businesses of the Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or, so far as it is known to them, any of their respective associates, was interested in any business which competes or is likely to compete either directly or indirectly with the Group’s business as required to be disclosed pursuant to the Listing Rules.

## 6. POTENTIAL OR OUTSTANDING LITIGATIONS

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance, and no litigation or claim of material importance was pending or threatened against any member of the Group.

## 7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contract or appointment letter with the Company or any other member of the Group save for those expiring or determinable by the relevant employer within one year without payment of compensation, other than statutory compensation.

## 8. DIRECTORS’ INTEREST IN ASSETS OR CONTRACTS

The following sets out two Director’s direct or indirect interest in contracts or arrangement subsisting at the Latest Practicable Date:

- (a) Sinohope Asset Management (Hong Kong) Limited (“**Sinohope Asset Management**”), an indirect wholly-owned subsidiary of the Company, entered into an asset management services framework agreement (the “**Framework Agreement I**”) with Mr. Li dated 11 July 2024, pursuant to which Sinohope Asset Management will provide asset management services to the existing funds (which is the collective investment scheme(s) where Sinohope Asset Management acts as the investment manager and Mr. Li’s associates have subscribed for limited partnership interests or participating shares as at 11 July 2024) (“**Existing Funds I**”) and the other funds, in which Mr. Li and/or his

associates have subscribed or will from time to time subscribe for participating shares, limited partnership interests or other interests, for a term of three years commencing retrospectively from the 1 October 2023 to 30 September 2026 (both days inclusive), conditional upon the Independent Shareholders' approval at an extraordinary general meeting having been obtained; and

- (b) Sinohope Asset Management entered into an asset management services framework agreement (the “**Framework Agreement II**”) with Mr. Du dated 11 July 2024, pursuant to which Sinohope Asset Management will provide asset management services to the existing funds (which is the collective investment scheme(s) where Sinohope Asset Management acts as the investment manager and Mr. Du's associates have subscribed for limited partnership interests or participating shares as at 11 July 2024) (“**Existing Funds II**”) and the other funds, in which Mr. Du and/or his associates have subscribed or will from time to time subscribe for participating shares, limited partnership interests or other interests, for a term of three years commencing retrospectively from the 1 October 2023 to 30 September 2026 (both days inclusive), conditional upon the Independent Shareholders' approval at an extraordinary general meeting having been obtained.

For details regarding the Framework Agreement I and Framework Agreement II, please refer to the Company's announcement dated 11 July 2024.

Save for the Agreements, the BVI Supplemental Deed and the BitTrade Supplemental Deed under which Mr. Li, Mr. Du and Ms. Zhang have a material interest in the transactions contemplated therein, as at the Latest Practicable Date, so far as the Directors are aware, none of the Directors of the Company had any direct or indirect interest in any asset which has since 30 September 2024 (being the date to which the latest published audited financial statements of the Company were made up), up to the Latest Practicable Date, been acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group.

Save as disclosed above and save for the Agreements, the BVI Supplemental Deed and the BitTrade Supplemental Deed under which Mr. Li, Mr. Du and Ms. Zhang have a material interest in the transactions contemplated therein, as at the Latest Practicable Date, none of the Directors are materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

**9. EXPERT AND CONSENT**

The following are the qualifications of the experts whom had given their opinion or advice contained or referred to in this circular:

<b>Name</b>	<b>Qualification</b>
Masterpiece Valuation Advisory Limited	Independent valuer
Gram Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Moore CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, the above experts have confirmed that:

- (a) They have given and have not withdrawn their written consent to the issue of this circular with the inclusion of the letters and references to their names, in the form and context in which the names appear;
- (b) They did not have any shareholding 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 in any member of the Group; and
- (c) did not have any direct or indirect interest in any assets which had been since 30 September 2024 (the date to which the latest published audited consolidated financial statements of the Company were made up), acquired, disposed of by, or leased to any member of the Group or were proposed to be acquired or disposed of by, or leased to any member of the Group.

**10. MATERIAL CONTRACTS**

The following contracts (not being contracts entered into in the ordinary course of business of the Group) have been entered into by the members of the Group within two years immediately preceding the Latest Practicable Date, which are, or may be, material:

- (a) the sale and purchase agreement dated 23 March 2023 entered into between the Company, as the vendor and Wechain Technology Limited, as the purchaser, in relation to the disposal of the Company's investor options and the 299,043 shares in Animoca Brands Corporation Limited (as the target company), in the consideration of US\$809,000 (equivalent to approximately HK\$6,310,000). Please refer to the Company's announcements dated 23 March 2023 and 12 April 2023 for further details of this agreement;



- (b) the sale and purchase agreement dated 24 March 2023 entered into between the Company as the vendor and New Wave Capital Limited as the purchaser, in relation to the disposal of the entire issued share capital of the (i) Pantene Industrial Co. Limited, (ii) Pantronics International Holdings Limited, (iii) Panjet Service Company Limited, (iv) Grace Harvest Corporation Limited, (v) Panjet (Int'l) Limited, and (vi) Pantronics (Int'l) Limited at the consideration of HK\$115,000,308.00. Please refer to the Company's announcements dated 24 March 2023, 19 April 2023 and the circular dated 25 May 2023 of the Company for further details for this agreement;
- (c) the subscription agreement dated 26 April 2023 entered into between the Company, as the issuer and Mr. Du Jun, as the subscriber, in relation to the subscription of 74,700,000 subscription shares in the aggregate subscription price of HK\$155,376,000.00. Please refer to the Company's announcements dated 26 April 2023, 18 May 2023, 16 June 2023 and the circular dated 5 July 2023 of the Company for further details of this agreement;
- (d) the subscription agreement dated 26 April 2023 entered into between the Company, as the issuer and ON CHAIN Technology LIMITED, as the subscriber, in relation to the subscription of 82,300,000 subscription shares in the aggregate subscription price of HK\$171,184,000.00 which was completed on 10 October 2023. Please refer to the Company's announcements dated 26 April 2023, 18 May 2023, 16 June 2023 and 10 October 2023 and the circular dated 5 July 2023 of the Company for further details of this agreement;
- (e) the sale and purchase agreement dated 25 August 2023 entered into between the Company as the vendor and Avenir Cayman as the purchaser, in relation to the disposal of the Solutions Sale Shares and the assignment of the Solutions Sale Debt at the consideration of HK\$205,706,355.00. Please refer to the Company's announcements dated 25 August 2023, 15 September 2023, 16 October 2023 and the circular dated 16 November 2023 of the Company for further details for this agreement;
- (f) the sale and purchase agreement dated 25 August 2023 entered into between Sinohope Digital Service Limited (formerly known as New Huo Digital Limited), a direct wholly owned subsidiary of the Company, as the vendor and Avenir Cayman as the purchaser, in relation to the disposal of the HBTPower Sale Shares and the assignment of the HBTPower Sale Debt at the consideration of USD6,624,740.00 (equivalent to approximately HK\$52,002,023.00). Please refer to the Company's announcements dated 25 August 2023, 15 September 2023, 16 October 2023 and the circular dated 16 November 2023 of the Company for further details for this agreement; and
- (g) the sale and purchase agreement dated 24 May 2024 entered into between Hbit, as the vendor and Ceratosaurus Investors, L.L.C. as the purchaser, in relation to the disposal of the Hbit's rights, title and interest in and to its customer entitlement claim in the amount of not less than US\$18,089,136.25, against FTX at a consideration of US\$19,500,088.87

(equivalent to approximately HK\$152,219,643.73). Please refer to the Company's announcements dated 14 November 2022, 22 February 2024, 24 May 2024 and 4 June 2024.

## **11. GENERAL**

- (a) The registered office of the Company is located at Vistra Corporate Services Centre, Wickhams Cay II Road Town, Tortola BVI VG 1110.
- (b) The head office and principal place of business of the Company in Hong Kong is at Unit 702- 3, 7/F, 100 Queen's Road Central, Central, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (d) The company secretary of the Company is Ms. Peng Sisi. She is a member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. She has over 10 years of experience in the company secretarial field.
- (e) In the event of inconsistency, the English text of this circular shall prevail over its Chinese text.

## **12. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<http://www.sinohope.com/>) for a period of not less than 14 days before the date of the EGM and will also be available for inspection at the EGM:

- (a) the Agreements;
- (b) the BVI Supplemental Deed;
- (c) the BitTrade Supplemental Deed;
- (d) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in pages 64 to 65 of this circular;
- (e) the letter from Gram Capital, the text of which is set out in pages 66 to 88 of this circular;
- (f) the written consents referred to in the paragraph headed "9. EXPERT AND CONSENT" in this appendix;
- (g) the material contracts referred to in the paragraph headed "10. MATERIAL CONTRACTS" in this Appendix;

- (h) the annual reports of the Company for the three financial years ended 30 September 2022, 2023 and 2024;
- (i) the accountants' reports on the Target Group and the BitTrade Group issued by Moore CPA Limited, the text of which is set out in Appendices III and IIIA to this circular;
- (j) The report on the unaudited pro forma financial information of the Enlarged Group issued by Moore CPA Limited, the text of which is set out in Appendix VI to this circular; and
- (k) the Valuation Reports prepared by the Valuer, the text of which is set out in Appendices VII and VIIA to this circular.

## 1. SUMMARY OF THE FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements for each of the three years ended 30 September 2022, 2023 and 2024 of the Company together with relevant notes thereto are disclosed in the following documents which have been published on both the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.sinohope.com/>), please refer to the hyperlinks as stated below:

- pages 101 to 208 of the annual report of the Company for the year ended 30 September 2022 published on 26 January 2023.

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0126/2023012600387.pdf>

- pages 100 to 207 of the annual report of the Company for the year ended 30 September 2023 published on 29 January 2024.

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0129/2024012900639.pdf>

- pages 93 to 183 of the annual report of the Company for the year ended 30 September 2024 published on 24 January 2025.

<https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0124/2025012400509.pdf>

## 2. STATEMENT OF INDEBTEDNESS

As at the close of business on 28 February 2025, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had the following outstanding borrowings of approximately HK\$175.57 million.

	<b>Company</b> <i>HK\$'000</i>	<b>Target</b> <b>Company</b> <i>HK\$'000</i>	<b>Enlarged</b> <b>Group</b> <i>HK\$'000</i>
Other borrowings at FVTPL from a related company — unsecured and unguaranteed	—	114,915	114,915
Loan from a related company — unsecured and unguaranteed	—	51,970	51,970
Lease liabilities — secured by rental deposits paid and unguaranteed	3,753	4,933	8,686

Moreover, the Enlarged Group, FPG and Tokai agreed that, after completion of the Proposed Acquisitions, the Target Company would repurchase FPG's and Tokai's shares in the Target Company for a consideration equivalent to their initial investment costs amounting to JPY1,000,000,000 (equivalents to approximately HK\$51,970,000).

Save as aforesaid, and apart from intra-group liabilities and normal trade payables in the normal course of business, at the close of business on 28 February 2025, the Enlarged Group did not have any debt securities issued and outstanding or agreed to be issued, any authorised or otherwise created but unissued, term loans, other borrowings, indebtedness in nature of borrowings including bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other contingent liabilities.

To the best knowledge of the Directors, having made all reasonable enquiries, there has not been any material change in the indebtedness, contingent liabilities and commitments of the Group since 28 February 2025 and up to the Latest Practicable Date.

### **3. WORKING CAPITAL**

The Directors, after due and careful consideration, are of the opinion that, in the absence of unforeseeable circumstances and after taking into account the Enlarged Group's internal resources and available credit facilities, the Enlarged Group has sufficient working capital for its requirements for at least twelve months from the date of this circular.

### **4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, save as disclosed in the annual report of the Company for the year ended 30 September 2024 and the section headed "Material Adverse Change" set out in Appendix I to this circular, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 September 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up.

### **5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

The Group is principally engaged in the provision of technology solution services focused on delivering innovative, comprehensive solutions in Web 3 industry across the Asia-Pacific region and globally and a varieties of services in virtual asset ecosystem, such as asset management, trust and custodian business, virtual asset mining-related business, and cryptocurrency trading. The Group is based in Hong Kong and has the first-mover advantage in terms of compliance.

The Directors maintain that blockchain technology will become prevalent among various sectors. As a result, the directors believe that owning and operating a virtual currency trading platform will be beneficial to the long-term growth of the Group and promote the development of the Group's business.

To further pursue this business direction, the Company continued to explore other ways to commence its virtual currency trading platform in new overseas markets that have well-established regulatory systems ensuring fair competition to enrich its business portfolio. The Directors considered that Target Company is a favorable choice for the Group as the Japanese government has implemented a registration system and provided operational guidelines for virtual currency

trading platforms since 2017. Additionally, Japan is known for being one of the most active markets for virtual currency trading globally and the Group can draw insights from the compliance and management practice of the Japanese market to mitigate its business risks.

The Company believes that the Proposed Acquisitions will not result in any fundamental change in the Company's principal business (i.e. over-the-counter virtual asset trading business). The Company also believes that the Proposed Acquisitions will diversify the Group's existing operations and business layout, complementing the Group's over-the-counter virtual asset trading business, blockchain multi-party computation wallet business, and asset management business. This expansion aims to broaden the income stream and maximize returns for the Shareholders, while creating synergies with the Group's existing business. For details of the benefits of the Proposed Acquisitions to the Group, please refer to the section headed "REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITIONS" in this circular.

In this regard, the Directors consider that the Acquisition is in line with the Group's business strategy and it represents an attractive investment opportunity of the Group to expand in the business with growth potential.

The following is the text of a report received from the independent reporting accountants of the Company, Moore CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

**Moore CPA Limited**

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**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SINOHOPE TECHNOLOGY HOLDINGS LIMITED****Introduction**

We report on the historical financial information of Avenir Asset Holding Limited (the “**BVI Company**”) and its subsidiaries (together, the “**Target Group**”) set out on pages III-4 to III-66, which comprises the consolidated statements of financial position as at 31 March 2022, 2023 and 2024 and 30 September 2024, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three years ended 31 March 2022, 2023 and 2024 and the six months ended 30 September 2024 (the “**Relevant Periods**”) and material accounting policy information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages III-4 to III-66 forms an integral part of this report, which has been prepared for inclusion in the circular of Sinohope Technology Holdings Limited (the “**Company**”) dated 14 March 2025 (the “**Circular**”) in connection with the proposed acquisition of the BVI Company by the Company.

**Director's responsibility for the Historical Financial Information**

The director of the BVI Company is responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the director of the BVI Company determine is necessary to enable the preparation of the Underlying Financial Statements that is free from material misstatement, whether due to fraud or error.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public

Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director of the BVI Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Group's financial position as at 31 March 2022, 2023 and 2024 and 30 September 2024 and of the Target Group's consolidated financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

### **Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information of the Target Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 September 2023 and other explanatory information (the “**Stub Period Comparative Financial Information**”). The sole director of the BVI Company is responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.



A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

*Adjustments*

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

*Dividends*

We refer to note 8 to the Historical Financial Information which states that no dividends have been paid by the Target Group in respect of the Relevant Periods.

*Underlying Financial Statements*

The consolidated financial statements of the Target Group for the Relevant Periods (the "Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the sole director of the BVI Company in accordance with the accounting policies that conform with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

**Moore CPA Limited**

*Certified Public Accountants*

**Chan King Keung**

Practising Certificate Number: P06057

Hong Kong, 14 March 2025

## I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

## Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information is presented in Japanese Yen ("JPY") and all values are rounded to the nearest thousand (JPY'000) except when otherwise indicated.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 March			Six months ended	
		2022 JPY'000	2023 JPY'000	2024 JPY'000	30 September 2023 JPY'000 (Unaudited)	30 September 2024 JPY'000
Revenue	4					
Cryptocurrency trading business		4,621,159	4,592,216	14,300,314	5,535,115	7,799,892
Other business		92,657	357,548	347,300	95,423	74,642
		4,713,816	4,949,764	14,647,614	5,630,538	7,874,534
Cost of services cryptocurrency trading business		(4,526,888)	(4,441,324)	(14,071,902)	(5,434,200)	(7,696,772)
Gross profits		186,928	508,440	575,712	196,338	177,762
Other income and gains/(losses), net	5	150,741	222,065	117,920	100,618	8,628
Fair value gains/(losses) on cryptocurrencies, net		97,286	(308,288)	712,691	(21,174)	(85,494)
Impairment loss on property, plant and equipment		(1,616)	(9,725)	(1,454)	—	(1,142)
Impairment loss on intangible assets		(97,520)	—	(10,880)	—	—
Impairment loss on right-of-use assets		(22,825)	(85,409)	—	—	(100,783)
Selling and marketing expenses		(153,577)	(99,494)	(195,251)	(105,817)	(127,134)
Administrative expenses		(646,584)	(601,537)	(947,744)	(445,507)	(623,468)
Finance costs	6	(25,334)	(94,394)	(84,292)	(42,032)	(47,824)
(Loss)/profit before income tax	7	(512,501)	(468,342)	166,702	(317,574)	(799,455)
Income tax expense	10	—	—	—	—	—
(Loss)/profit for the years/period		<u>(512,501)</u>	<u>(468,342)</u>	<u>166,702</u>	<u>(317,574)</u>	<u>(799,455)</u>
<b>(Loss)/profit for the years/ period attributable to:</b>						
Owners of the Company		(473,050)	(432,319)	153,845	(293,143)	(737,954)
Non-controlling interests		(39,451)	(36,023)	12,857	(24,431)	(61,501)
		<u>(512,501)</u>	<u>(468,342)</u>	<u>166,702</u>	<u>(317,574)</u>	<u>(799,455)</u>

	Year ended 31 March			Six months ended	
	2022	2023	2024	30 September 2023	30 September 2024
Notes	JPY'000	JPY'000	JPY'000	JPY'000	JPY'000
(Loss)/profit for the years/period	(512,501)	(468,342)	166,702	(317,574)	(799,455)
Other comprehensive income					
<i>Item that may be reclassified</i>					
<i>subsequently to profit or loss:</i>					
Exchange differences arising on the translation of financial statements of foreign operations	<u>(198,105)</u>	<u>(180,977)</u>	<u>(310,439)</u>	<u>(276,047)</u>	<u>500,392</u>
Total comprehensive (loss)/income for the years/period	<u>(710,606)</u>	<u>(649,319)</u>	<u>(143,737)</u>	<u>(593,621)</u>	<u>(299,063)</u>
<b>Total comprehensive (loss)/income for the years/period attributable to:</b>					
Owners of the Company	(671,155)	(613,296)	(156,594)	(569,190)	(237,562)
Non-controlling interests	<u>(39,451)</u>	<u>(36,023)</u>	<u>12,857</u>	<u>(24,431)</u>	<u>(61,501)</u>
	<u>(710,606)</u>	<u>(649,319)</u>	<u>(143,737)</u>	<u>(593,621)</u>	<u>(299,063)</u>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 March			As at
		2022	2023	2024	30 September
		JPY'000	JPY'000	JPY'000	2024
					JPY'000
<b>ASSETS AND LIABILITIES</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11	—	—	—	—
Intangible assets	12	—	—	—	—
Right-of-use assets	21	—	—	—	—
Cryptocurrencies	13	—	—	—	750,818
Deposits	14	27,914	13,901	13,901	13,901
		<u>27,914</u>	<u>13,901</u>	<u>13,901</u>	<u>13,901</u>
		<u>27,914</u>	<u>13,901</u>	<u>13,901</u>	<u>764,719</u>
<b>Current assets</b>					
Cryptocurrencies	13	6,902,189	2,863,350	4,126,342	4,497,786
Trade and other receivables	14	327,291	295,543	828,515	638,080
Amounts due from related companies	15	—	12,361	—	—
Amounts due from shareholders	15	—	—	7,564	7,110
Cash and cash equivalents, and other deposits	16	2,897,767	2,773,868	2,662,779	2,335,975
		<u>10,127,247</u>	<u>5,945,122</u>	<u>7,625,200</u>	<u>7,478,951</u>
<b>Current liabilities</b>					
Trade and other payables	17	160,194	241,595	1,068,395	1,331,240
Contract liabilities	18	—	5,320	135,461	1,774,309
Amounts due to a former fellow subsidiary	15	2,062,413	2,243,472	2,559,808	—
Amounts due to related companies	15	92,159	90,946	93,499	93,358
Borrowings	19	7,626,717	3,818,715	4,423,403	3,822,173
Redeemable capital contributions	20	999,974	999,974	999,974	999,974
Lease liabilities	21	71,140	64,267	21,709	66,174
		<u>11,012,597</u>	<u>7,464,289</u>	<u>9,302,249</u>	<u>8,087,228</u>
<b>Net current liabilities</b>		<u>(885,350)</u>	<u>(1,519,167)</u>	<u>(1,677,049)</u>	<u>(608,277)</u>
<b>Total assets less current liabilities</b>		<u>(857,436)</u>	<u>(1,505,266)</u>	<u>(1,663,148)</u>	<u>156,442</u>
<b>Non-current liabilities</b>					
Provisions for reinstatement cost		22,781	4,498	4,498	4,499
Lease liabilities	21	1,937	21,709	—	56,164
		<u>24,718</u>	<u>26,207</u>	<u>4,498</u>	<u>60,663</u>
<b>Net (liabilities)/assets</b>		<u>(882,154)</u>	<u>(1,531,473)</u>	<u>(1,667,646)</u>	<u>95,779</u>

	<i>Notes</i>	As at 31 March		As at 30 September	
		2022 <i>JPY'000</i>	2023 <i>JPY'000</i>	2024 <i>JPY'000</i>	2024 <i>JPY'000</i>
<b>EQUITY</b>					
Share capital	23	—	—	7,564	7,564
(Deficits)/reserves		<u>(716,704)</u>	<u>(1,480,834)</u>	<u>(1,637,428)</u>	<u>187,498</u>
<b>Total (deficits)/equity attributable to owner of the Company</b>		<b>(716,704)</b>	<b>(1,480,834)</b>	<b>(1,629,864)</b>	<b>195,062</b>
Non-controlling interests		<u>(165,450)</u>	<u>(50,639)</u>	<u>(37,782)</u>	<u>(99,283)</u>
<b>Total (deficit)/equity</b>		<b><u>(882,154)</u></b>	<b><u>(1,531,473)</u></b>	<b><u>(1,667,646)</u></b>	<b><u>95,779</u></b>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital JPY'000	Redeemable capital contributions JPY'000 (Note 20)	Capital reserve JPY'000	Translation reserve JPY'000	Accumulated losses JPY'000	Attributable to owners of the Company JPY'000	Non- controlling interest JPY'000	Total JPY'000
<b>At 1 April 2021</b>	—	(999,974)	2,210,925	287,219	(1,543,719)	(45,549)	(125,999)	(171,548)
Exchange differences arising on the translation of financial statements of foreign operations	—	—	—	(198,105)	—	(198,105)	—	(198,105)
Loss for the year	—	—	—	—	(473,050)	(473,050)	(39,451)	(512,501)
Total comprehensive loss	—	—	—	(198,105)	(473,050)	(671,155)	(39,451)	(710,606)
<b>At 31 March and 1 April 2022</b>	—	(999,974)	2,210,925	89,114	(2,016,769)	(716,704)	(165,450)	(882,154)
Reduction of capital by offsetting the accumulated losses	—	—	—	—	(150,834)	(150,834)	150,834	—
Transaction with owners	—	—	—	—	(150,834)	(150,834)	150,834	—
Exchange differences arising on the translation of financial statements of foreign operations	—	—	—	(180,977)	—	(180,977)	—	(180,977)
Loss for the year	—	—	—	—	(432,319)	(432,319)	(36,023)	(468,342)
Total comprehensive loss	—	—	—	(180,977)	(432,319)	(613,296)	(36,023)	(649,319)
<b>At 31 March and 1 April 2023</b>	—	(999,974)	2,210,925	(91,863)	(2,599,922)	(1,480,834)	(50,639)	(1,531,473)
Issuance of shares due to Restructuring (note 1)	7,564	—	—	—	—	7,564	—	7,564
Transaction with owners	7,564	—	—	—	—	7,564	—	7,564
Exchange differences arising on the translation of financial statements of foreign operations	—	—	—	(310,439)	—	(310,439)	—	(310,439)
Profit for the year	—	—	—	—	153,845	153,845	12,857	166,702
Total comprehensive loss	—	—	—	(310,439)	153,845	(156,594)	12,857	(143,737)

	Share capital JPY'000	Redeemable capital contributions JPY'000 (Note 20)	Capital reserve JPY'000	Translation reserve JPY'000	Accumulated losses JPY'000	Attributable to owners of the Company JPY'000	Non- controlling interest JPY'000	Total JPY'000
<b>At 31 March and 1 April 2024</b>	7,564	(999,974)	2,210,925	(402,302)	(2,446,077)	(1,629,864)	(37,782)	(1,667,646)
Derecognition of amount due to a former fellow subsidiary	—	—	2,062,488	—	—	2,062,488	—	2,062,488
Transaction with owners	—	—	2,062,488	—	—	2,062,488	—	2,062,488
Exchange differences arising on the translation of financial statements of foreign operations	—	—	—	500,392	—	500,392	—	500,392
Loss for the period	—	—	—	—	(737,954)	(737,954)	(61,501)	(799,455)
Total comprehensive loss	—	—	—	500,392	(737,954)	(237,562)	(61,501)	(299,063)
<b>At 30 September 2024</b>	<u>7,564</u>	<u>(999,974)</u>	<u>4,273,413</u>	<u>98,090</u>	<u>(3,184,031)</u>	<u>195,062</u>	<u>(99,283)</u>	<u>95,779</u>
<b>(Unaudited)</b>								
<b>At 1 April 2023</b>	—	(999,974)	2,210,925	(91,863)	(2,599,922)	(1,480,834)	(50,639)	(1,531,473)
Exchange differences arising on the translation of financial statements of foreign operations	—	—	—	(276,047)	—	(276,047)	—	(276,047)
Loss for the period	—	—	—	—	(293,143)	(293,143)	(24,431)	(317,574)
Total comprehensive loss	—	—	—	(276,047)	(293,143)	(569,190)	(24,431)	(593,621)
<b>At 30 September 2023</b>	<u>—</u>	<u>(999,974)</u>	<u>2,210,925</u>	<u>(367,910)</u>	<u>(2,893,065)</u>	<u>(2,050,024)</u>	<u>(75,070)</u>	<u>(2,125,094)</u>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 March			Six months ended	
		2022	2023	2024	30 September 2023	30 September 2024
		JPY'000	JPY'000	JPY'000	JPY'000	JPY'000
					(Unaudited)	
<b>Cash flows from operating activities</b>						
(Loss)/profit before income tax		(512,501)	(468,342)	166,702	(317,574)	(799,455)
Adjustments for:						
Interest income		(121)	(10)	(79)	(11)	(153)
Interest expense on lease liabilities	6	2,784	1,834	1,133	727	526
Interest expense on other borrowings at FVTPL	6	22,550	73,236	54,296	29,500	33,582
Interest expense on loan from a related company	6	—	17,534	20,046	10,028	10,000
Interest expense on customer cryptocurrencies deposits at FVTPL	6	—	1,790	8,817	1,777	3,716
Depreciation of property, plant and equipment	11	1,176	875	247	1,136	147
Depreciation of intangible assets	12	—	—	7,969	—	—
Depreciation of right-of-use assets	21	—	42,705	—	—	32,455
Effect on early termination of lease	21	—	(12,477)	—	—	—
Impairment loss on property, plant and equipment	11	1,616	9,725	1,454	—	1,142
Impairment loss on intangible assets	12	97,520	—	10,880	—	—
Impairment loss on right-of-use assets	21	22,825	85,409	—	—	100,783
Fair value (gains)/losses on cryptocurrencies, net		(97,286)	308,288	(712,692)	21,174	85,494
Provision for re-instatement cost		—	4,497	—	—	—
Operating (loss)/profit before working capital changes		(461,437)	65,064	(441,227)	(253,243)	(531,763)
Decrease/(increase) in cryptocurrencies		4,174,339	1,272,678	1,228,765	334,623	(4,086,125)
(Increase)/decrease in trade receivables		(99,106)	(14,770)	(430,462)	(92,276)	47,926
Increase in prepayment, deposit & other receivables		(119,463)	(8,069)	(8,895)	(44,617)	(125,124)
Increase in loan receivable measured at FVTPL		—	—	—	(15,034)	—
Increase in trade payables		—	1,122	74,427	53,286	—
Increase in contract liabilities		—	5,320	130,142	53,427	4,080,923
(Decrease)/increase in accruals, provisions and other payables		(32,840)	86,009	743,948	67,204	368,927
Net cash generated from/(used in) operating activities		<u>3,461,493</u>	<u>1,407,354</u>	<u>1,296,698</u>	<u>103,370</u>	<u>(245,236)</u>



	Notes	Year ended 31 March			Six months ended	
		2022	2023	2024	30 September 2023	30 September 2024
		JPY'000	JPY'000	JPY'000	JPY'000	JPY'000
						(Unaudited)
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	11	(2,792)	(10,600)	(1,701)	(18,842)	(1,289)
Purchase of intangible assets	12	(97,520)	—	(18,911)	—	—
Decrease/(increase) in cash deposits at other financial institutions	16	3,645	(200,315)	178,681	(103,430)	346,766
Interest received on bank deposits and bank balances		121	10	79	4	153
Net cash (used from)/generated from investing activities		<u>(96,546)</u>	<u>(210,905)</u>	<u>158,148</u>	<u>(122,268)</u>	<u>345,630</u>
<b>Cash flow from financing activities</b>						
Advance to related companies		(66,593)	(12,361)	—	—	—
Decrease/(increase) in amounts due from related companies		25,990	—	12,361	(1,061)	—
Increase/(decrease) in amounts due to related companies		91,058	(1,213)	2,553	62,795	—
Repayments of principal portion of lease liabilities		(128,521)	(102,738)	(64,267)	(31,973)	(32,609)
Repayments of interest portion of lease liabilities		(2,784)	(1,834)	(1,133)	(727)	(526)
Proceeds from other borrowings at FVTPL		74,240	1,050,631	—	197,010	—
Repayment of other borrowings at FVTPL		(3,716,819)	(2,360,663)	(1,253,610)	(176,275)	—
Interest paid on other borrowings at FVTPL		(22,526)	(75,026)	(63,112)	(31,277)	(37,297)
Interest paid on a loan from a related company		—	(17,534)	(20,046)	(10,028)	(10,000)
Net cash (used in)/generated from financing activities		<u>(3,745,955)</u>	<u>(1,520,738)</u>	<u>(1,387,254)</u>	<u>8,464</u>	<u>(80,432)</u>
Net (decrease)/increase in cash and cash equivalents		(381,008)	(324,289)	67,592	(10,434)	19,962
Cash and cash equivalents at the beginning of reporting period		2,753,930	2,372,596	2,048,382	2,048,382	2,115,974
Effect of foreign exchange rate changes, net		(326)	75	—	—	—
Cash and cash equivalents at the end of reporting period		<u>2,372,596</u>	<u>2,048,382</u>	<u>2,115,974</u>	<u>2,037,948</u>	<u>2,135,936</u>
<b>Analysis of cash and cash equivalents</b>						
Cash at banks and in hand	16	2,313,418	2,048,270	2,005,742	2,037,948	2,081,610
Cash at other cryptocurrencies trading platform	16	59,178	112	110,232	—	54,326
Cash and cash equivalents at the end of reporting period		<u>2,372,596</u>	<u>2,048,382</u>	<u>2,115,974</u>	<u>2,037,948</u>	<u>2,135,936</u>

**MAJOR NON-CASH TRANSACTIONS**

During the Relevant Periods, the Target Group had following major non-cash transactions:

- (i) during the years ended 31 March 2022 and 2023 and the period ended 30 September 2024, additions to right-of-use assets and lease liabilities of JPY22,825,000, JPY128,114,000 and JPY133,238,000 respectively, in respect of the lease arrangements for the leased office properties (note 21);
- (ii) during the year ended 31 March 2023, transfer of Tether (“USDT”) equivalents to JPY1,000,000,000 from other borrowings at FVTPL to loan from a related company denominated in JPY.
- (iii) during the period ended 30 September 2024, a waiver of amount due to a former fellow subsidiary amounting to JPY2,062,488,000.

## II. NOTES TO HISTORICAL FINANCIAL INFORMATION

### 1. General information

Avenir Asset Holding Limited (the “**BVI Company**”) was incorporated in BVI under the BVI Business Act with limited liability on 27 December 2023. The address of BVI Company’s registered office and principal place of business is Vistra Corporate Service Centre, Wickhams Cay II, Road Town, Tortola, VG110, British Virgin Islands.

BVI Company is principally engaged in investment holding while the Company and its subsidiaries (“**Target Group**”) is principally engaged in the operation of cryptocurrency exchange in Japan.

In the opinion of the sole director of BVI Company, the immediate holding company of BVI Company was Avenir Investment Limited, a company incorporated and in the BVI with limited liability, the ultimate controlling party was Mr. Li Lin (李林) (“**Mr. Li**” or “**Controlling Shareholder**”).

Pursuant to a group restructuring (the “**Restructuring**”), BVI Company was incorporated on 27 December 2023 with fully paid initial shares capital of US\$49,995 (equivalent to JPY7,564,000). On 29 February 2024, Avenir Cayman Holding Limited (“**Avenir Cayman**”), in which Mr. Li held approximately 72.78% equity interests, transferred 100% equity interests in Avenir Assets Investment Pte. Ltd. (“**Avenir Assets**”) with consideration of US\$1 to BVI Company. Accordingly, Avenir Asset has since become a subsidiary of BVI Company and BVI Company became the holding company of the companies now comprising the Target Group.

As both BVI Company and Avenir Asset are investment holding companies controlled by the Controlling Shareholder before and after the acquisition and the control is not transitory, the acquisition has been regarded as a reverse acquisition by analogy to these consolidated financial statements, which represents a continuation of the consolidated financial statements of the legal subsidiary (accounting acquirer — BitTrade Inc. and its subsidiaries), the assets and liabilities of which are recognised and measured at their pre-combination carrying amounts. Therefore, there is no adjustment in connection with the fair value of identifiable assets and liabilities of the Target Group included in these consolidated financial statements.

The assets and liabilities of the combining entities are combined at the carrying amounts previously recognised in the respectively Controlling Shareholder’s financial information. The consolidated statements of comprehensive income and cash flows include the results and cash flows of each of the combining entities from the earliest date presented or since the date when combining entities first came under common control, where this is a shorter period, regardless of the date of common control combination. The amounts in the consolidated statements of financial position are presented as if the entities had been combined at the earliest balance sheet date presented or when they first came under common control, whichever is later.

As at the end of this report, the BVI Company had direct interests in the following subsidiaries:

Company name	Place of incorporation	Date of incorporation	Particulars of issued/paid-in capital	Percentage of equity directly attributable to the BVI Company		Principal activities
				Direct	Indirect	
Avenir Assets	Singapore	13 April 2018	SGD1	100%	—	Investment holding
BitTrade Inc. (“ <b>BitTrade</b> ”)	Japan	12 September 2016	JPY100,000	—	84.61%	Operation of cryptocurrency exchange in Japan
Bittrade (HK) Limited ( <i>note</i> )	Hong Kong	12 May 2023	HK\$73,374,693	—	100%	Inactive
Bittrade Wallet (HK) Limited ( <i>note</i> )	Hong Kong	20 October 2023	HK\$10,000	—	100%	Inactive

*Note:* The statutory financial statements of the subsidiaries for the period ended 30 September 2024 have not been issued as they are not yet due for issuance as at the date of this report.

## 2. MATERIAL ACCOUNTING POLICY INFORMATION

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years/periods presented, unless otherwise stated.

### 2.1 Basis of preparation

The Historical Financial Information of the BVI Company and its subsidiaries (collectively “**Target Group**”) has been prepared in accordance with all applicable HKFRSs which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA.

All HKFRSs effective for the accounting period commencing from 1 April 2024, together with the relevant transitional provisions, have been early adopted by the Target Group in the preparation of the Historical Financial Information throughout the Relevant Period.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared under the historical cost basis except for cryptocurrencies, trade receivables at fair value through profit or loss (“**FVTPL**”), contract liabilities at FVTPL, other borrowings at FVTPL and redeemable capital contributions. The measurement bases are fully described in the accounting policies below.

The preparation of the Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Target Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 3.

#### *New or amended HKFRSs that have been issued but are not yet effective*

New standards and amendments to existing standards that have been issued but not effective and have not been early adopted by the Target Group during the Relevant Periods are as follows:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards — Volume 11 <sup>3</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>2</sup>
HKFRS 18	Presentation and Disclosure in Financial Statements <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2026.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2027.

The sole director of the BVI Company anticipate that the application of all other new and amendments to HKFRSs will to have no material impact on the consolidated financial statements of the Target Group in the foreseeable future.

## 2.2 Subsidiaries

A subsidiary is an investee over which the Target Group is able to exercise control. The Target Group controls an investee if all three of the following elements are present: power over the investee; exposure, or rights, to variable returns from the investee; and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the BVI Company's statement of financial position, interests in subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Target Group on the basis of dividends received and receivable at the end of the reporting period.

## 2.3 Foreign currency translation

Items included in the Historical Financial Information of the Target Group are measured using the currency of the primary economic environment in which the Target Group operates (the "functional currency"). The Historical Financial Information are presented in JPY, which is the BVI Company's functional and presentational currency.

## 2.4 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Target Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Target Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Target Group performs; or
- does not create an asset with an alternative use to the Target Group and the Target Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Target Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Target Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

### *Principal versus agent*

When another party is involved in providing goods or services to a customer, the Target Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Target Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Target Group is an agent).

The Target Group is a principal if it controls the specified good or service before that good or service is transferred to a customer. When the Target Group acts as a principal, it recognises revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred. The Target Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party and revenue is recognised on a net basis.

Indicators taken into account by management of the Target Group to determine whether the Target Group acts as a principal or an agent include, but are not limited to, the following:

- (a) whether the entity is primarily responsible for fulfilling the promise to provide the specified good or service;
- (b) whether the entity has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer (for example, if the customer has a right of return); and
- (c) whether the entity has discretion in establishing the price for the specified good or service, indicating that the entity has the ability to direct the use of that good or service and obtain substantially all of the remaining benefits.

***Contract liabilities at amortised cost***

A contract liability at amortised cost represents the Target Group's obligations to transfer goods or services to a customer for which the Target Group has received consideration (or an amount of consideration is due) from the customer.

***Contract liabilities at FVTPL***

A contract liability at FVPTL represents the Target Group's obligations to transfer goods or services to a customer for which the Target Group has received cryptocurrencies as consideration from the customer. Cryptocurrencies from customer are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at fair value of relevant cryptocurrencies received, which align with the fact that cryptocurrencies inventories are non-financial assets measured at fair value less costs to sell.

***Performance obligation and timing of recognition***

(i) *Cryptocurrency trading*

The Target Group trades cryptocurrencies on its own trading platform. Transaction price is derived by unit price of cryptocurrencies and transaction volume. Cryptocurrency trading is recognised at point in time upon each trade transaction is completed. Counterparties are generally required to prefund their accounts prior to trade cryptocurrency with in Target Group.

The sale amounts received from counterparties are recorded as revenue on a gross basis and the associated cost as cost of revenues, as the Target Group is the principal in the trading transaction. The Target Group has concluded it is the principal because it controls the cryptocurrencies before delivery to the counterparties, it is primarily responsible for the delivery of the cryptocurrencies to the counterparties, it is exposed to risks arising from fluctuations of the market price and inventory risk of cryptocurrencies before delivery to counterparties and has discretion in setting prices charged to counterparties.

(ii) *Commission fee income from provision of cryptocurrency trading service*

The Target Group provides automated cryptocurrencies trading services through its online trading platforms to its customers. Under the arrangements, customers trade among themselves on the platforms where the Target Group merely provides facilitation services to match their trades. Commission fees are derived by calculating a fixed mark-up percentage on each trade transaction amount and are recognised at the time when each trade transaction is completed. Customers are generally required to prefund their accounts prior to purchase cryptocurrency in Target Group's trading platforms.

(iii) *Income from provision of provision of technology solution service*

Revenue from rendering of service is recognised at a point in time when the service obligation is satisfied for one-time service. The normal credit period is 30 days upon rendered service.

(iv) *Listing fee income*

The Target Group provides listing services to cryptocurrency issuers for listing their cryptocurrencies on the Target Group's cryptocurrency trading platform. Listing fee income is recognised at the time when completed application to relevant authorities and successfully listed on its own trading platform. Payments are received in advance by installments in accordance to the completion of milestones as specified in the agreements. The Target Group has no enforceable right to payment for performance completed to date. A contract liability is recognised for receipt in advance for listing service in which revenue has yet been recognised.

(v) *Handling fee income*

The Target Group charges handling fees from customers when withdrawing fiat currency or cryptocurrencies from wallet. Handling fee income is recognised at point in time upon withdrawal is completed and charged from the amount of withdrawal.

(vi) *Interest income*

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**2.5 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment net of expected residual value over their estimated useful lives, using the straight-line, at the following rates per annum:

Leasehold improvement	5–10 years or over the lease terms, whichever shorter
Tools, furniture and fixtures	3–5 years
Computer software	5 years

The estimated useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of the reporting period.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

## 2.6 Financial instruments

### (i) *Financial assets*

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

#### *Debt instruments*

Subsequent measurement of debt instruments depends on the Target Group's business model for managing the asset and the cash flow characteristics of the asset. The measurement categories into which the Target Group classifies its debt instruments are as follows:

**Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

**FVTPL:** Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

### (ii) *Impairment loss on financial assets*

The Target Group recognises loss allowances for expected credit loss ("ECL") on trade and other receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases:



- (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Target Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Target Group in accordance with the contract and all the cash flows that the Target Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Target Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Target Group has established a provision matrix that is based on the Target Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Target Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Target Group's historical experience and informed credit assessment and including forward-looking information.

The Target Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Target Group considers a financial asset to be credit-impaired when: (1) the debtor is unlikely to pay its credit obligations to the Target Group in full, without recourse by the Target Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

#### *Write-off*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Target Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Target Group's procedures for recovery of amounts due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

#### **(iii) *Financial liabilities***

The Target Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

#### *Financial liabilities at FVTPL*

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

#### *Financial liabilities at amortised cost*

Financial liabilities at amortised cost including trade and other payables, amounts due to related companies and loan from a related company, and lease liabilities are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

#### **(iv) *Effective interest method***

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

#### **(v) *Equity instruments***

Equity instruments issued by the Target Group are recorded at the proceeds received, net of direct issue costs.

#### **(vi) *Derecognition***

The Target Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Target Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

## **2.7 Redeemable capital contributions**

The Target Group entered into two share subscription agreements with two independent investors, pursuant to which, these investors agreed to make cash investments to a subsidiary to subscribe the shares of the subsidiary.

Capital contributions are classified as financial liabilities or equity in accordance with the substance of the share subscription agreements and the definitions of a financial liability and an equity instrument.

Capital contributions are classified as equity if they are non-redeemable by the Target Group or redeemable only at the Target Group's option. Dividends on redeemable capital contributions classified as equity are recognised as distributions within equity.

The Target Group recognised the financial instruments issued to investors as financial liabilities, because not all triggering events mentioned in the share subscription agreements are within the control of the Target Group and these financial instruments did not meet the definition of equity for the Target Group. The financial liabilities are measured at the higher amount expected to be paid to the investors upon redemption or liquidation, on a present value basis, which is assumed to be at the dates of issuance and at the end of each reporting period. Any changes in the carrying amount of the financial liabilities would be recorded in "changes in carrying amount of redeemable capital contributions".

Redeemable capital contributions are classified as non-current liabilities or current liabilities depending on whether the investors can demand the Target Group to redeem the shares at least 12 months after the end of the reporting period or not.

## **2.8 Derivatives**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

The Target Group's forward exchange derivative contracts are held for trading and have been settled on a daily basis. Changes in the fair value of any derivative are recognised immediately in profit or loss and included in "other income and gain/(loss), net". Trading derivatives are classified as a current asset or liability.

## **2.9 Cryptocurrency payables to customers at FVTPL/Other borrowings at FVTPL**

Cryptocurrencies borrowed from counterparties are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at fair value of relevant cryptocurrencies borrowed, which align with the fact that cryptocurrencies inventories are non-financial assets measured at fair value less costs to sell.

## **2.10 Cryptocurrencies**

The Target Group trades cryptocurrencies, by purchasing cryptocurrencies with a view to their resale in the near future, and generating a profit from fluctuations in the prices, the Target Group applies the guidance in HKAS 2 for commodity broker-traders and measures the cryptocurrencies at fair value less costs to sell. The Target Group considers that there are no significant "costs to sell" the virtual assets and hence the measurement of virtual assets is based on their fair values with changes in fair values recognised in profit or loss in the period of the changes.

### 2.11 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash in hand, at banks, other financial institutions and other cryptocurrencies trading platforms, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

### 2.12 Provisions and contingent liabilities

Provisions are recognised when the Target Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle that obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the sole director's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### 2.13 Impairment of assets (other than financial assets)

At the end of the reporting period, the Target Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount unless the relevant asset is carried at a revalued amount under the Target Group's accounting policy. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflect current market assessment of time value of money and the risk specific to the asset. An impairment loss is recognised as an expense immediately.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately.

### 2.14 Taxation

Taxation represents the sum of the tax paid or currently payable and deferred tax. The tax currently paid and payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred income tax is provided on temporary differences arising on interests in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Target Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

## 2.15 Leases

### *The Target Group as a lessee*

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Target Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on a straight-line basis over the lease term.

### *Right-of-use asset*

The right-of-use asset initially recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Target Group measures the right-of-use assets applying the cost model. Under the cost model, the Target Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. The right-of-use asset is depreciated over the shorter of the asset's estimated useful life and the lease term on a straight-line basis.

### *Lease liability*

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Target Group uses the Target Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Target Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

#### **2.16 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax from the proceeds.

#### **2.17 Retirement benefits costs**

Payments to the defined contribution retirement plans are charged as expenses when employees have rendered service entitling them to contributions.

The employees of the Target Group which operates in Japan are required to participate in the employee's welfare pension insurance programme operated by the local government institution. Under the programme, the employer and employees are each required to make contributions at rates specified in the rules. The subsidiaries have no further payment obligations once the contributions have been paid. The contributions are charged to profit or loss when they become payable.

#### **2.18 Related parties**

- (a) A person or a close member of that person's family is related to the Target Group if that person:
  - (i) has control or joint control over the Target Group;
  - (ii) has significant influence over the Target Group; or
  - (iii) is a member of key management personnel of the Target Group or the BVI Company's parent.
- (b) An entity is related to the Target Group if any of the following conditions applies:
  - (i) The entity and the Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Target Group or an entity related to the Target Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the Target Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Target Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### **Accounting for cryptocurrencies**

HKFRSs do not specifically address accounting for cryptocurrencies. Accordingly, for the preparation of the consolidated financial statements, management needs to apply judgement in determining appropriate accounting policies based on the facts and circumstances of the Target Group's holding of cryptocurrencies. The Target Group trades cryptocurrencies in cryptocurrency exchange, by purchasing cryptocurrencies with a view to their resale in the near future, and generating a profit from fluctuations in the prices, the Target Group applies the guidance in HKAS 2 for commodity broker-traders and measures the cryptocurrencies at fair value less costs to sell. The Target Group considers that there are no significant "costs to sell" virtual assets and hence the measurement of virtual assets is based on their fair values with changes in fair values recognized in profit or loss in the period of the changes.

The sale amounts received from counterparties are recorded as revenue on a gross basis and the associated cost as cost of revenues, as the Target Group is the principal in the trading transaction. The Target Group has concluded it is the principal because it controls the cryptocurrencies before delivery to the counterparties, it is primarily responsible for the delivery of the cryptocurrencies to the counterparties, it is exposed to risks arising from fluctuations of the market price and inventory risk of cryptocurrencies before delivery to counterparties, and has discretion in setting prices charged to counterparties.

Furthermore, in determining fair values, management needs to apply judgement to identify the relevant available markets, and to consider accessibility to and activity within those markets in order to identify the principal cryptocurrency markets for the Target Group.





(i) *Information about geographical area*

As the Target Group's major operations and non-current assets are located in Japan, no further geographical segment information is provided.

(ii) *Information about major customers*

The Target Group mainly trade crypto currency with retail customers on its own cryptocurrency exchange. The Target Group had no customer from whom the revenue raised individually accounted for more than 10% of the Target Group's total revenue during the Relevant Periods.

## 5. OTHER INCOME AND GAINS/(LOSSES), NET

	Year ended 31 March			Six months ended	
	2022	2023	2024	30 September 2023	30 September 2024
	JPY'000	JPY'000	JPY'000	JPY'000	JPY'000
				(Unaudited)	
Interest income	121	10	79	11	153
Exchange gains/(losses), net	2,735	1,784	(7,382)	(6,048)	(482)
Income arising from hard forks/airdrop of cryptocurrencies held	46,436	5,544	3,093	3,093	24,746
Sundry income	4,733	2,928	818	139	977
Gains/(losses) on derivatives contracts, net	96,716	199,322	121,312	103,423	(16,766)
Gain on lease modification	—	12,477	—	—	—
	<u>150,741</u>	<u>222,065</u>	<u>117,920</u>	<u>100,618</u>	<u>8,628</u>

## 6. FINANCE COSTS

	Year ended 31 March			Six months ended	
	2022	2023	2024	30 September 2023	30 September 2024
	JPY'000	JPY'000	JPY'000	JPY'000	JPY'000
				(Unaudited)	
Interest expense on other borrowings at FVTPL ( <i>note 19</i> )	22,550	73,236	54,296	29,500	33,582
Interest expense on cryptocurrencies payables to customers at FVTPL ( <i>note 17(b)</i> )	—	1,790	8,817	1,777	3,716
Interest expense on loan from a related company	—	17,534	20,046	10,028	10,000
Interest expense on lease liabilities	<u>2,784</u>	<u>1,834</u>	<u>1,133</u>	<u>727</u>	<u>526</u>
	<u>25,334</u>	<u>94,394</u>	<u>84,292</u>	<u>42,032</u>	<u>47,824</u>

## 7. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is stated after charging the followings:

	Year ended 31 March			Six months ended	
	2022	2023	2024	30 September 2023	30 September 2024
	JPY'000	JPY'000	JPY'000	JPY'000	JPY'000
				(Unaudited)	
<b>(Loss)/profit before income tax is arrived at after charging:</b>					
Advertisement expenses	151,686	98,868	192,749	104,888	114,764
Auditors' remuneration	18,750	21,250	40,500	13,000	19,125
Cost of inventories recognised as expenses — cryptocurrency trading business	4,526,888	4,441,324	14,071,902	5,434,200	7,696,772
Directors' emoluments	79,940	101,410	99,510	50,080	56,200
Depreciation of property, plant and equipment ( <i>note 11</i> )	1,176	875	247	13	147
Amortisation of intangible assets ( <i>note 12</i> )	—	—	7,969	1,123	—
Depreciation of right-of-use assets ( <i>note 21(a)</i> )	—	42,705	—	—	32,455
Short-term lease expenses ( <i>note 21(a)</i> )	1,265	80	—	—	—
System usage and maintenance expenses	42,380	107,635	359,849	143,451	177,030
Provision for impairment loss on property, plant and equipment ( <i>note 11</i> )	1,616	9,725	1,454	—	1,142
Provision for impairment loss on intangible assets ( <i>note 12</i> )	97,520	—	10,880	—	—
Provision for impairment loss on right-of-use assets ( <i>note 21(a)</i> )	22,825	85,409	—	—	100,783
<b>Employee benefit expenses (including directors' emoluments)</b>					
— Staff salaries, allowances and welfare	356,328	295,596	325,255	156,296	171,587
— Provident fund contributions	44,104	33,448	34,791	17,066	20,322
Total staff costs, including directors' emoluments	<u>400,432</u>	<u>329,044</u>	<u>360,046</u>	<u>173,362</u>	<u>191,909</u>

**8. DIVIDENDS**

No dividend was paid or declared by the BVI Company during the Relevant Periods.

**9. DIRECTOR'S EMOLUMENTS****(a) Director's remuneration**

There was no director remuneration paid by the Target Group during the Relevant Periods.

The sole director has not waived or agreed to waive any emoluments and there were no emoluments paid by the Target Group to the sole director as an inducement to join or upon joining the Target Group or as compensation for loss of office.

**(b) Five highest paid individuals**

The five individuals with the highest emoluments in the Target Group for the years ended 31 March 2022, 2023 and 2024 and periods ended 30 September 2023 and 30 September 2024 are as follows:

	Year ended 31 March			Six months ended	
	2022	2023	2024	30 September 2023	30 September 2024
	JPY'000	JPY'000	JPY'000	JPY'000	JPY'000
				(Unaudited)	
Salaries, allowances and other benefits	83,955	85,080	86,947	43,483	57,551
Bonus	5,450	6,412	5,486	1,792	29,766
Retirement benefit scheme contribution	8,680	8,744	8,899	4,303	6,016
	<u>98,085</u>	<u>100,236</u>	<u>101,332</u>	<u>49,479</u>	<u>93,333</u>

Their emoluments were within the following bands:

	Year ended 31 March			Six months ended	
	2022	2023	2024	30 September 2023	30 September 2024
	Number of individuals	Number of individuals	Number of individuals	Number of individuals	Number of individuals
Nil to HK\$1,000,000	1	2	2	5	2
HK\$1,000,001 to HK\$1,500,000	3	2	3	—	2
HK\$1,500,001 to HK\$2,000,000	<u>1</u>	<u>1</u>	<u>—</u>	<u>—</u>	<u>1</u>

**10. INCOME TAX EXPENSE**

Japan corporate income tax has been calculated on the estimated assessable profit for the Relevant Periods at the rates of taxation prevailing in Japan in which a subsidiary operates. No provision for Japan corporate income tax has been made for Relevant Periods as the subsidiary incurred losses for Relevant Periods.

The domestic statutory tax rate of Japan is 23.2%, 15%, 15%, 15% and 15% of the estimated assessable profits for the years ended 31 March 2022, 2023 and 2024 and periods ended 30 September 2023 and 30 September 2024, respectively.

During the year ended 31 March 2023, the capital reduction (note 23) caused the paid-in capital of the subsidiary to be less than JPY100 million. Under Japan Corporate Income Tax Law, the subsidiary became eligible for a lower tax rate at 15% on the first JPY8 million of assessable profits and 23.2% on the remaining assessable profits.

No provision for Hong Kong Profits Tax has been made for the Relevant Periods as the subsidiaries did not generate any assessable profits arising in Hong Kong during the Relevant Periods.

Hong Kong profits tax is calculated at the rate of 16.5% on the estimated assessable profits for the year, except for the first HK\$2,000,000 of a qualified entity's assessable profit which is calculated at 8.25%.

The reconciliation between income tax expense and accounting loss at applicable tax rates is as follows:

	Year ended 31 March			Six months ended	
	2022	2023	2024	30 September 2023	30 September 2024
	JPY'000	JPY'000	JPY'000	JPY'000	JPY'000
(Loss)/profit before income tax	(512,501)	(468,432)	166,702	(317,574)	(799,455)
Tax calculated at applicable Japan corporate income tax rate	(118,900)	(70,265)	25,005	(47,636)	(119,918)
Tax effect of non-deductible expenses	5,663	13,757	9,413	10,830	1,558
Tax effect of temporary difference not recognised	(5,565)	(6,990)	(15,089)	(4,966)	13,742
Tax effect of different tax rate applicable to subsidiaries operating in the other jurisdiction	—	—	(620)	(262)	(51)
Tax effect of tax losses not recognised	118,802	63,498	—	42,034	104,669
Utilisation of tax losses not previously recognised	—	—	(18,709)	—	—
Income tax expenses	—	—	—	—	—

#### 11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements JPY'000	Furniture, fixtures and equipment JPY'000	Total JPY'000
<b>Cost</b>			
At 1 April 2021	18,663	6,261	24,924
Addition	—	2,792	2,792
<b>At 31 March and 1 April 2022</b>	18,663	9,053	27,716
Addition	8,995	1,605	10,600
Disposals	(18,663)	—	(18,663)
<b>At 31 March and 1 April 2023</b>	8,995	10,658	19,653
Addition	—	1,701	1,701

	Leasehold improvements <i>JPY'000</i>	Furniture, fixtures and equipment <i>JPY'000</i>	Total <i>JPY'000</i>
<b>At 31 March and 1 April 2024</b>	8,995	12,359	21,354
Addition	—	1,289	1,289
<b>At 30 September 2024</b>	<u>8,995</u>	<u>13,648</u>	<u>22,643</u>
<b>Accumulated depreciation</b>			
<b>At 1 April 2021</b>	(2,273)	(3,202)	(5,475)
Provided for the year	—	(1,176)	(1,176)
<b>At 31 March and 1 April 2022</b>	(2,273)	(4,378)	(6,651)
Provided for the year	(414)	(461)	(875)
Reversal upon disposals	2,273	—	2,273
<b>At 31 March and 1 April 2023</b>	(414)	(4,839)	(5,253)
Provided for the year	—	(247)	(247)
<b>At 31 March and 1 April 2024</b>	(414)	(5,086)	(5,500)
Provided for the period	—	(147)	(147)
<b>At 30 September 2024</b>	<u>(414)</u>	<u>(5,233)</u>	<u>(5,647)</u>
<b>Accumulated impairment</b>			
<b>At 1 April 2021</b>	(16,390)	(3,059)	(19,449)
Provided for the year	—	(1,616)	(1,616)
<b>At 31 March and 1 April 2022</b>	(16,390)	(4,675)	(21,065)
Provided for the year	(8,581)	(1,144)	(9,725)
Reversal upon disposals	16,390	—	16,390
<b>At 31 March and 1 April 2023</b>	(8,581)	(5,819)	(14,400)
Provided for the year	—	(1,454)	(1,454)
<b>At 31 March and 1 April 2024</b>	(8,581)	(7,273)	(15,854)
Provided for the period	—	(1,142)	(1,142)
<b>At 30 September 2024</b>	<u>(8,581)</u>	<u>(8,415)</u>	<u>(16,996)</u>
<b>Carrying values</b>			
<b>At 30 September 2024</b>	<u>—</u>	<u>—</u>	<u>—</u>
<b>At 31 March 2024</b>	<u>—</u>	<u>—</u>	<u>—</u>
<b>At 31 March 2023</b>	<u>—</u>	<u>—</u>	<u>—</u>
<b>At 31 March 2022</b>	<u>—</u>	<u>—</u>	<u>—</u>

**Impairment testing of property, plant and equipment, intangible assets and right-of-use assets**

The Target Group recorded loss for the Relevant Periods. The management of the Target Group concluded there was impairment indication for property, plant and equipment, intangible assets (note 12) and right-of-use assets (note 21(a)) and conducted a review of the recoverable amount of the property, plant and equipment, intangible assets and right-of-use assets.

For the purpose of impairment assessment, property, plant and equipment, intangible assets and right-of-use assets that generate cash flows together have been allocated to an individual cash-generating unit ("CGU"), which is the operation of cryptocurrency exchange in Japan.

The recoverable amount of property, plant and equipment, intangible assets and right-of-use assets has been determined based on higher of value-in-use or their fair value less costs of disposal for the Relevant Periods.

As at 31 March 2022, 2023 and 2024 and 30 September 2024, the management assessed that value-in-use for property, plant and equipment, intangible assets and right-of-use assets were nil, with reference to the financial forecast. The recoverable amount used in assessing the impairment loss was the value-in-use, as it is not possible to calculate a reliable estimate of the fair value less costs of disposal of those assets.

Based on the result of the assessment, the management of the Target Group determined that the recoverable amount of the property, plant and equipment was less than the carrying amount. Accordingly, an impairment loss of JPY1,616,000, JPY9,725,000, JPY1,454,000 and JPY1,142,000 on property, plant and equipment has been recognised in profit or loss for the years ended 31 March 2022, 2023 and 2024 and period ended 30 September 2024.

Based on the result of the assessment, the management of the Target Group determined that the recoverable amount of the intangible assets was less than the carrying amount. Accordingly, an impairment loss of JPY97,520,000, Nil, JPY10,880,000 and Nil on intangible assets has been recognised in profit or loss for the years ended 31 March 2022, 2023 and 2024 and period ended 30 September 2024 (note 12).

Based on the result of the assessment, the management of the Target Group determined that the recoverable amount of the right-of-use assets was less than the carrying amount. Accordingly, an impairment loss of JPY22,825,000, JPY85,409,000, Nil and JPY100,783,000 on right-of-use assets has been recognised in profit or loss for the years ended 31 March 2022, 2023 and 2024 and period ended 30 September 2024 (note 21(a)).

## 12. INTANGIBLE ASSETS

	<b>Computer software</b> <i>JPY'000</i>
<b>Cost</b>	
At 1 April 2021	63,600
Addition	<u>97,520</u>
<b>At 31 March and 1 April 2022, 31 March and 1 April 2023</b>	161,120
Addition	18,911
Exchange realignment	<u>290</u>
<b>At 31 March and 1 April 2024 and 30 September 2024</b>	<u><u>180,321</u></u>
<b>Accumulated amortisation</b>	
At 1 April 2021, 31 March and 1 April 2022, 31 March and 1 April 2023	(21,027)
Provided for the year	(7,969)
Exchange realignment	<u>(274)</u>
<b>At 31 March and 1 April 2024 and 30 September 2024</b>	<u><u>(29,270)</u></u>
<b>Accumulated impairment</b>	
At 1 April 2021	(42,573)
Provided for the year ( <i>note 11</i> )	<u>(97,520)</u>
<b>At 31 March and 1 April 2022 and 31 March and 1 April 2023</b>	(140,093)
Provided for the period ( <i>note 11</i> )	(10,880)
Exchange realignment	<u>(78)</u>
<b>At 31 March and 30 September 2024</b>	<u><u>(151,051)</u></u>
<b>Carrying values</b>	
At 30 September 2024	<u><u>—</u></u>
At 31 March 2024	<u><u>—</u></u>
At 31 March 2023	<u><u>—</u></u>
At 31 March 2022	<u><u>—</u></u>

*Note:* Intangible assets mainly represents the software used for the operation of cryptocurrency exchange in Japan. Details of impairment assessments on intangible assets are set out in note 11 to the accountants' report.

## 13. CRYPTOCURRENCIES

	As at 31 March		As at 30 September	
	2022	2023	2024	2024
	JPY'000	JPY'000	JPY'000	JPY'000
Cryptocurrencies:				
Held in own wallets	4,594,556	2,519,758	3,570,251	4,853,746
Held in exchange institutions	<u>2,307,633</u>	<u>343,592</u>	<u>556,091</u>	<u>394,858</u>
	<u>6,902,189</u>	<u>2,863,350</u>	<u>4,126,342</u>	<u>5,248,604</u>
Representing:				
Bitcoin ("BTC")	3,101,646	1,313,220	2,147,161	2,181,382
Ethereum ("ETH")	2,063,718	494,793	915,079	697,726
Tether ("USDT")	757,778	405,290	34,601	22,032
Ripple ("XRP")	408,638	280,380	217,186	226,204
Litecoin ("LTC")	123,067	37,066	20,917	12,868
JasmyCoin ("JASMY")	—	20,717	137,639	171,755
Solar ("SXP")	—	—	32,308	15,047
NEM ("XEM")	34,478	34,915	53,658	19,003
USD Coin ("USDC") (note a)	—	532	61,316	25,750
Bitcoin Cash ("BCH") (note a)	148,014	27,487	28,874	30,146
Others	264,850	246,392	434,852	267,253
Cryptocurrencies to be listed on its own trading platform (note b)	—	2,558	42,751	828,620
Cryptocurrencies to be listed on its own trading platform, refundable and with lock-up period (note c)	<u>—</u>	<u>—</u>	<u>—</u>	<u>750,818</u>
	<u>6,902,189</u>	<u>2,863,350</u>	<u>4,126,342</u>	<u>5,248,604</u>
Analysed for reporting purpose as:				
Non-current assets	—	—	—	750,818
Current assets	<u>6,902,189</u>	<u>2,863,350</u>	<u>4,126,342</u>	<u>4,497,786</u>
	<u>6,902,189</u>	<u>2,863,350</u>	<u>4,126,342</u>	<u>5,248,604</u>

## Notes:

- (a) As at 30 September 2024, approximately 170,000 USDC and 333.55 BCH with carrying amount of JPY24,318,000 and JPY16,258,000 respectively, were used for crypto staking ranging from 7 days to 84 days (31 March 2022, 2023 and 2024: Nil)
- (b) The cryptocurrencies are received from customers for listing purpose as prepayment for listing fee income and recognised as cryptocurrencies and contract liabilities at FVTPL (note 18) of the Target Group. Those cryptocurrencies are listed on other cryptocurrency trading platforms and are seeking to be listed on the Target Group's cryptocurrency trading platform. The cryptocurrencies and corresponding contract liabilities are measured at fair value based on the fair value of relevant cryptocurrencies. The Target Group is able to utilise such cryptocurrencies for its own economic benefits under the listing service contracts. However, other



than used for settlement of listing expenses incurred for the listing process, it is the Target Group's practice that those cryptocurrencies will not be utilised until the specified cryptocurrencies are listed on its own trading platform or the contract for listing is terminated.

- (c) The cryptocurrencies are received from a customer for listing purpose as prepayment for listing fee income and recognised as cryptocurrencies and contract liabilities at FVTPL (note 18) of the Target Group. The cryptocurrencies are subject to a lock-up period ranging from one to twelve months after the listing date of those cryptocurrencies. If the listing is unsuccessful, they will be refunded to customer.

#### 14. TRADE AND OTHER RECEIVABLES

	As at 31 March		As at 30 September	
	2022	2023	2024	2024
	JPY'000	JPY'000	JPY'000	JPY'000
<b>Fiat currency assets:</b>				
Trade receivables	—	—	179,300	—
Rental and other deposits, prepayments and other receivables	150,697	150,630	159,999	251,703
Other tax recoverables	<u>47,090</u>	<u>32,254</u>	<u>31,780</u>	<u>65,200</u>
	<u>197,787</u>	<u>182,884</u>	<u>371,079</u>	<u>316,903</u>
<b>Cryptocurrency assets:</b>				
Trade receivables at FVTPL	<u>157,418</u>	<u>126,560</u>	<u>471,337</u>	<u>335,078</u>
	<u>355,205</u>	<u>309,444</u>	<u>842,416</u>	<u>651,981</u>
Analysis for reporting purpose as				
Non-current assets	27,914	13,901	13,901	13,901
Current assets	<u>327,291</u>	<u>295,543</u>	<u>828,515</u>	<u>638,080</u>
	<u>355,205</u>	<u>309,444</u>	<u>842,416</u>	<u>651,981</u>

Trade receivables/Trade receivables at FVTPL represent the amounts/cryptocurrencies due from liquidity providers that are considered creditworthy, interest-free with credit terms either 1–3 days after trade date or repayable on demand.

Other customers are generally required to prefund their accounts prior to trade cryptocurrency.

The ageing analysis of the Target Group's trade receivables, based on transaction date, as at 31 March 2022, 2023 and 2024 and 30 September 2024 are as follows:

	As at 31 March		As at 30 September	
	2022	2023	2024	2024
	JPY'000	JPY'000	JPY'000	JPY'000
0–30 days	157,418	126,560	650,637	332,457
31–90 days	—	—	—	2,621
	<u>157,418</u>	<u>126,560</u>	<u>650,637</u>	<u>335,078</u>

Trade receivables that were neither past due nor impaired related to customers for whom there has been no recent history of default. Based on past experience, the sole director of the BVI Company is of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit risk.

#### 15. AMOUNTS DUE FROM/TO RELATED COMPANIES/SHAREHOLDERS/A FORMER FELLOW SUBSIDIARY

The amounts due from/to related companies/shareholders/a former fellow subsidiary are unsecured, interest-free and either repayable on demand or without fixed terms of repayment. The related companies are companies controlled by the ultimate beneficial owners or their close family members who have significant influence over the Target Group through their direct and indirect equity interest in the Company.

The maximum amount outstanding from a related company, Sinohope APAC Limited (formerly known as New Huo APAC Limited), during the year ended 31 March 2023 and 2024 is JPY12,361,000 and JPY12,361,000 respectively.

The amount due to a former fellow subsidiary of US\$16,918,000 was waived due to derecognition of the former fellow subsidiary during the six months ended 30 September 2024.

	As at 31 March		As at 30 September	
	2022	2023	2024	2024
	JPY'000	JPY'000	JPY'000	JPY'000
<b>Amount due from a related company:</b>				
Sinohope APAC Limited	—	12,361	—	—
<b>Amount due to related companies:</b>				
Hainan Lepeng Business Information Consulting Co., Ltd	89,946	89,946	89,946	89,946
Huobi Limited	—	1,000	942	942
Win Techno Inc.	2,213	—	—	—
Sinohope Hong Kong Limited	—	—	2,611	2,470
	<u>92,159</u>	<u>90,946</u>	<u>93,499</u>	<u>93,358</u>

## 16. CASH AND CASH EQUIVALENTS, AND OTHER DEPOSITS

	As at 31 March			As at
	2022	2023	2024	30 September
	JPY'000	JPY'000	JPY'000	2024
Cash at banks and in hand	2,313,418	2,048,270	2,005,742	2,081,610
Cash at other cryptocurrencies trading platform	59,178	112	110,232	54,326
Cash at other financial institutions (note (a) and (b))	<u>525,171</u>	<u>725,486</u>	<u>546,805</u>	<u>200,039</u>
	<u><u>2,897,767</u></u>	<u><u>2,773,868</u></u>	<u><u>2,662,779</u></u>	<u><u>2,335,975</u></u>

Notes:

- (a) At 31 March 2022, 2023, 2024 and 30 September 2024, the cash held at other financial institutions as security deposits amounted to JPY11,243,000, JPY18,446,000, JPY7,342,000 and JPY6,108,000 respectively for several foreign currency contracts against USD.
- (b) The cash at other financial institutions is held for investment purposes. These balances are not included in cash and cash equivalents of the Target Group for cash flow purpose in the consolidated statement of cash flows.

## 17. TRADE AND OTHER PAYABLES

	As at 31 March			As at
	2022	2023	2024	30 September
	JPY'000	JPY'000	JPY'000	2024
<b>Liabilities in fiat currency:</b>				
Trade payables (note a)	—	1,122	75,549	—
Other tax payables	11,740	950	950	475
Interest payable of loan from a related company	—	17,534	37,580	47,580
Accruals	54,479	49,472	122,920	106,514
Other payables (note b)	<u>78,453</u>	<u>81,391</u>	<u>86,541</u>	<u>123,767</u>
	<u><u>144,672</u></u>	<u><u>150,469</u></u>	<u><u>323,540</u></u>	<u><u>278,336</u></u>
<b>Liabilities in cryptocurrency:</b>				
Interest payable of other borrowing at FVTPL from a former fellow subsidiary	15,522	—	—	—
Interest payable of other borrowing at FVTPL from a related company	—	67,187	151,007	152,065
Cryptocurrency payables to customers for lending purpose at FVTPL (note b)	—	3,727	559,621	893,759
Cryptocurrency payables to customers for listing purpose at FVTPL (note d)	<u>—</u>	<u>20,212</u>	<u>34,227</u>	<u>7,080</u>
	<u><u>15,522</u></u>	<u><u>91,126</u></u>	<u><u>744,855</u></u>	<u><u>1,052,904</u></u>
	<u><u>160,194</u></u>	<u><u>241,595</u></u>	<u><u>1,068,395</u></u>	<u><u>1,331,240</u></u>

Notes:

- (a) At 31 March 2022, 2023, 2024 and 30 September 2024, the aged analysis of trade payables, based on transaction date, are as follows:

	As at 31 March			As at
	2022	2023	2024	30 September
	JPY'000	JPY'000	JPY'000	2024
0–60 days	—	1,122	75,549	—

- (b) Other payables mainly represent the temporary cash receipt in relation to segregated accounts of JPY57,692,000, JPY61,273,000, JPY66,589,000 and JPY100,281,052 as at 31 March 2022, 2023 and 2024 and 30 September 2024 respectively.
- (c) The Target Group entered into several agreements with customers for lending purpose that the customers lend cryptocurrencies to the Target Group at fixed terms for operation purposes. These deposits were unsecured and bore interest rate ranged 3% to 3.6%, 1% to 1.8% and 1% to 6% per annum as at 31 March 2023, 31 March 2024 and 30 September 2024 respectively, with maturity dates of 90 to 120 days, 90 to 360 days and 90 to 360 days as at 31 March 2023, 31 March 2024 and 30 September 2024 respectively.
- (d) The amounts represent the cryptocurrencies received from customers for listing purposes, the amounts are unsecured, interest-free and repayable on demand.

#### 18. CONTRACT LIABILITIES

	As at 31 March			As at
	2022	2023	2024	30 September
	JPY'000	JPY'000	JPY'000	2024
<b>Liabilities in fiat currency:</b>				
Contract liabilities arising from listing fee income	—	—	—	100,503
<b>Liabilities in cryptocurrency:</b>				
Contract liabilities at FVTPL arising from listing fee income (note 13)	—	5,320	135,461	1,673,806
	—	5,320	135,461	1,774,309

The amounts are received from customers for listing purpose as prepayment for listing fee income remain as contract liabilities until they are recognised as revenue when service is rendered to the customers or refunded to the customers. Payments are received in advance by installments, settled by fiat currency, USDT or USDC and cryptocurrencies to be listed on its own trading platform, in accordance to the completion of milestones as specified in the agreements. As at 30 September 2024, the cryptocurrencies with carrying amount of JPY750,818,000 are refundable and are subject to a lock-up period ranging from one to twelve months after the listing date of those cryptocurrencies. If the listing is unsuccessful, they will be refunded to customer.

As at 31 March 2023, 2024 and 30 September 2024, the cryptocurrencies with carrying amount of JPY2,660,000, JPY52,981,000 and JPY836,903,000 and fiat currency of Nil, Nil and JPY50,251,000 respectively are non-refundable and will be recognised as revenue either when cryptocurrencies are listed on its own trading platform or contract for listing is terminated.

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied is as below:

	As at 31 March			As at 30
	2022	2023	2024	September
	JPY'000	JPY'000	JPY'000	2024
Transaction price in fiat currency	—	—	—	100,503
Transaction price at FVTPL arising from listing fee income	—	10,639	201,137	2,464,746
	—	10,639	201,137	2,565,249

Movements in contract liabilities are as follows:

	Total
	JPY'000
<b>Balance as at 1 April 2022</b>	—
Increase in contract liabilities as a result of receipts in advance on listing fee income	5,320
<b>Balance as at 31 March and 1 April 2023</b>	5,320
Revenue recognised that was included in the contract liability balance at the beginning of the year	(5,320)
Increase in contract liabilities as a result of receipts in advance on listing fee income	135,461
<b>Balance as at 31 March and 1 April 2024</b>	135,461
Revenue recognised that was included in the contract liability balance at the beginning of the period	(52,124)
Increase in contract liabilities as a result of receipts in advance on listing fee income	1,690,972
<b>Balance as at 30 September 2024</b>	1,774,309

The contract liabilities as at 31 March 2023, 31 March 2024 and 30 September 2024, which are expected to be settled within the Target Group's normal operating cycle, are classified as current. The cryptocurrencies to be listed on its own trading platform are subjected to fair value changes upon listing.

## 19. BORROWINGS

	As at 31 March		As at 30 September	
	2022	2023	2024	2024
	JPY'000	JPY'000	JPY'000	JPY'000
<b>Liabilities in cryptocurrency:</b>				
Borrowings (unsecured and repayable on demand) comprise:				
Other borrowings at FVTPL from a former fellow subsidiary	7,626,717	—	—	—
Other borrowings at FVTPL from a related company	—	2,818,715	3,423,403	2,822,173
	<u>7,626,717</u>	<u>2,818,715</u>	<u>3,423,403</u>	<u>2,822,173</u>
<b>Liabilities in fiat currency</b>				
Loan from a related company	—	1,000,000	1,000,000	1,000,000
	<u>7,626,717</u>	<u>3,818,715</u>	<u>4,423,403</u>	<u>3,822,173</u>

**Other borrowings measured at FVTPL from a former fellow subsidiary**

BitTrade, a wholly-owned subsidiary, entered into several borrowing agreements in several cryptocurrencies with a former fellow subsidiary, Huobi Global Limited (“Huobi Global”). The borrowings were unsecured and bore interest rate at 0.5% per annum, with repayment on demand clause. On 1 October 2022, Huobi Global signed a novation agreement with the BitTrade’s then intermediate holding company, Avenir Cayman (formerly known as Huobi Cayman Holding Limited), and transferred the rights and obligations of the borrowings to Avenir Cayman (“Novation”). As such, the borrowings was reclassified as other borrowings at FVTPL from a related company.

Huobi Global ceased to be a fellow subsidiary of the Target Group on 3 October 2022.

**Other borrowings measured at FVTPL from a related company**

Other than the Novation, BitTrade entered into several borrowing agreements in several cryptocurrencies with a then intermediate holding company, Avenir Cayman. The borrowings were unsecured and bore interest rate at 2.0% per annum, with repayment on demand clause. Avenir Cayman ceased to be an intermediate holding company of BitTrade and became a related company of the Target Group on 29 February 2024 in which Mr. Li Lin, the sole director of the BVI Company, has beneficial interest.

**Loan from a related company**

On 16 May 2022, BitTrade entered into a loan agreement with a former fellow subsidiary, Huobi Global, amounting to JPY1,000,000,000 for five years from 16 May 2022 to 15 May 2027. The loan agreement is unsecured and bore interest rate at 2% per annum, with repayment on demand clause.

On 1 October 2022, Huobi Global signed a novation agreement with BitTrade’s then intermediate holding company, Avenir Cayman, and transferred the rights and obligations of the loan to Avenir Cayman. Avenir Cayman ceased to be an intermediate holding company and became a related company of the Target Group on 29 February 2024 in which Mr. Li Lin, the sole director of the BVI Company has beneficial interest.

On 13 March 2024, BitTrade entered into a repayment agreement with Avenir Cayman to fully repay other borrowings measured at FVTPL and the loan on or before 31 December 2024. On 1 January 2025, the Target Group and Avenir Cayman mutually agreed to extend the loan from 31 December 2024 to 1 August 2025.

**20. REDEEMABLE CAPITAL CONTRIBUTIONS**

	As at 31 March			As at 30
	2022	2023	2024	September
	JPY'000	JPY'000	JPY'000	2024
Redeemable capital contributions	999,974	999,974	999,974	999,974

In 2019, BitTrade, a wholly owned subsidiary, entered into two share subscription agreements with two independent investors, pursuant to which, these investors agreed to subscribe 2,604,200 shares and 2,604,000 shares of BitTrade at a cash consideration of JPY500,006,400 and JPY499,968,000 respectively. The investors are entitled to the same voting rights and dividend rights as other shareholders of BitTrade are also the redemption rights.

**Redemption rights**

Shares issued by BitTrade specified in the share subscription agreements shall be redeemable by BitTrade or purchased by a third party designated by BitTrade, approved by the investors, upon the occurrence of certain events, with the main conditions being:

- i. Breach of any provisions of investment agreements by BitTrade and fails to be rectified within 30 days upon the investors' request;
- ii. Identification of material untrue or inaccurate representation and warranties made by BitTrade;
- iii. Arranging public listing of BitTrade without shareholders' consent;
- iv. Changes to ultimate controlling shareholder of BitTrade; and
- v. BitTrade cease to carry out business in Japan under the brand name of "Huobi Japan".

As at 31 March 2022 and 31 March 2023, no triggering events were occurred. As at 31 March 2024 and 30 September 2024, The Target Group rebranded "Huobi Japan" to "BitTrade" in May of 2023 which triggers event (v). However, the investors have not exercised their right to request BitTrade or any other parties to redeem the investment within the request period, which has lapsed up to the date when the sole director of the BVI Company approved the underlying financial statements and the triggering events (i), (ii), (iii) and (iv) were not occurred.

**Presentation and classification**

The Target Group recognised the financial instruments issued to investors as financial liabilities, because not all triggering events mentioned in the share subscription agreements are within the control of the Target Group and these financial instruments did not meet the definition of equity for BitTrade under HKFRS.

The financial liabilities are measured at the higher amount expected to be paid to the investors upon redemption, which is assumed to be at the dates of issuance and at the end of each reporting period. Any changes in the carrying amount of the financial liabilities would be recorded in "Changes in carrying amount of redeemable capital contributions".

**Redemption price**

The redemption price of the shares issued in the investments shall equal to the higher of (i) the initial investment costs of the investors and (ii) certain valuation of the BitTrade (including recent transfer price of the shares, net asset value per share, fair market value of the shares).

The redeemable capital contributions are measured at the initial investment costs of two investors, which is the higher amount expected to be paid to the investors upon redemption among measurements stated in share subscription agreements.

## 21. LEASES

The Target Group leases certain office properties during relevant periods. The leases run for an initial period of 2 to 3 years without contingent rentals.

Set out below are the carrying amounts of the Target Group's right-of-use assets and lease liabilities and the movements during the relevant periods:

### (a) Right-of-use assets

	<b>Office properties</b> <i>JPY'000</i>
<b>At 1 April 2021</b>	—
Additions	22,825
Provision for impairment ( <i>Note 11</i> )	<u>(22,825)</u>
<b>At 31 March and 1 April 2022</b>	—
Addition	128,114
Depreciation	(42,705)
Provision for impairment ( <i>Note 11</i> )	<u>(85,409)</u>
<b>At 31 March and 1 April 2023 and 31 March 2024</b>	—
Addition	133,238
Depreciation	(32,455)
Provision for impairment ( <i>Note 11</i> )	<u>(100,783)</u>
<b>At 30 September 2024</b>	<u>—</u>

The Target Group recognized rental expenses from short-term leases of JPY1,265,000, JPY80,000, Nil, Nil and Nil (note 7) in statements of comprehensive income for the years ended 31 March 2022, 2023 and 2024 and six months ended 30 September 2023 and 30 September 2024 respectively.



## (b) Lease liabilities

	<b>Office properties</b> <i>JPY'000</i>
<b>At 1 April 2021</b>	178,773
Additions	22,825
Interest expenses ( <i>note 6</i> )	2,784
Lease payments	<u>(131,305)</u>
<b>At 31 March and 1 April 2022</b>	73,077
Addition	128,114
Interest expenses ( <i>note 6</i> )	1,834
Early termination of lease	(12,477)
Lease payments	<u>(104,572)</u>
<b>At 31 March and 1 April 2023</b>	85,976
Interest expenses ( <i>note 6</i> )	1,133
Lease payments	<u>(65,400)</u>
<b>At 31 March and 1 April 2024</b>	21,709
Addition	133,238
Interest expenses ( <i>note 6</i> )	526
Lease payments	<u>(33,135)</u>
<b>At 30 September 2024</b>	<u><u>122,338</u></u>

	<b>As at 31 March</b>		<b>As at</b> <b>30 September</b>	
	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2024</b>
	<i>JPY'000</i>	<i>JPY'000</i>	<i>JPY'000</i>	<i>JPY'000</i>
<b>Analysed as:</b>				
Current liabilities	71,140	64,267	21,709	66,174
Non-current liabilities	<u>1,937</u>	<u>21,709</u>	<u>—</u>	<u>56,164</u>
	<u><u>73,077</u></u>	<u><u>85,976</u></u>	<u><u>21,709</u></u>	<u><u>122,338</u></u>

Future lease payments are due as follows:

	<b>At 30 September 2024</b>		
	<b>Total minimum lease payments</b>	<b>Interest of the minimum lease payments</b>	<b>Present value of the minimum lease payments</b>
	<i>JPY'000</i>	<i>JPY'000</i>	<i>JPY'000</i>
Within one year	68,016	1,842	66,174
More than one year but not exceeding two years	<u>56,680</u>	<u>516</u>	<u>56,164</u>
Total	<u><u>124,696</u></u>	<u><u>2,358</u></u>	<u><u>122,338</u></u>
	<b>At 31 March 2024</b>		
	<b>Total minimum lease payments</b>	<b>Interest of the minimum lease payments</b>	<b>Present value of the minimum lease payments</b>
	<i>JPY'000</i>	<i>JPY'000</i>	<i>JPY'000</i>
Within one year	<u>21,800</u>	<u>91</u>	<u>21,709</u>
	<b>At 31 March 2023</b>		
	<b>Total minimum lease payments</b>	<b>Interest of the minimum lease payments</b>	<b>Present value of the minimum lease payments</b>
	<i>JPY'000</i>	<i>JPY'000</i>	<i>JPY'000</i>
Within one year	65,400	1,133	64,267
More than one year but not exceeding two years	<u>21,800</u>	<u>91</u>	<u>21,709</u>
Total	<u><u>87,200</u></u>	<u><u>1,224</u></u>	<u><u>85,976</u></u>
	<b>At 31 March 2022</b>		
	<b>Total minimum lease payments</b>	<b>Interest of the minimum lease payments</b>	<b>Present value of the minimum lease payments</b>
	<i>JPY'000</i>	<i>JPY'000</i>	<i>JPY'000</i>
Within one year	71,652	512	71,140
More than one year but not exceeding two years	<u>1,942</u>	<u>5</u>	<u>1,937</u>
Total	<u><u>73,594</u></u>	<u><u>517</u></u>	<u><u>73,077</u></u>

**22. DEFERRED TAX ASSETS**

At 31 March 2022, 2023 and 2024 and 30 September 2024, the Target Group has unused tax losses of approximately JPY1,729,761,000, JPY2,152,910,000, JPY1,450,488,000 and JPY1,158,796,000 available for offset against future profits respectively. At 31 March 2022, 2023 and 2024 and 30 September 2024, no deferred tax asset has been recognized in respect of the unused tax losses due to the unpredictability of future profit streams. The tax losses will expire if they are not utilised to set off against the taxable profits within ten years from the year in which they arose under the current tax legislation in Japan.

**23. SHARE CAPITAL**

	<b>Number of ordinary shares</b>	<b>Amount JPY'000</b>
Authorised		
At 27 December 2023, 31 March 2024, 1 April 2024 and 30 September 2024	<u>50,000</u>	
Issued and fully paid:		
Issuance of shares at 27 December 2023 and at 31 March 2024, 1 April 2024 and 30 September 2024	<u>50,000</u>	<u>7,564</u>

## 24. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Target Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Target Group's consolidated statement of cash flows as cash flows from financing activities.

	Amounts due from/to related companies <i>(note 15)</i> <i>JPY'000</i>	Other borrowings at FVTPL <i>(note 19)</i> <i>JPY'000</i>	Loan from a related company <i>(note 19)</i> <i>JPY'000</i>	Lease liabilities <i>(note 21)</i> <i>JPY'000</i>	Total <i>JPY'000</i>
<b>At 1 April 2021</b>	(41,704)	(10,758,814)	—	(178,773)	(10,979,291)
Proceeds to a related company	66,593	—	—	—	66,593
Repayment of lease liabilities	—	—	—	128,521	128,521
Interest paid on lease liabilities	—	—	—	2,784	2,784
Proceeds from other borrowings at FVTPL	—	(74,240)	—	—	(74,240)
Repayment of other borrowings at FVTPL	—	3,716,819	—	—	3,716,819
Interest paid on other borrowings at FVTPL	—	22,526	—	—	22,526
<b>Total changes from financing cash flows</b>	<u>66,593</u>	<u>3,665,105</u>	<u>—</u>	<u>131,305</u>	<u>3,863,003</u>
Other changes:					
Increase in amounts due to related companies	(117,048)	—	—	—	(117,048)
Fair value losses on other borrowings at FVTPL	—	(510,482)	—	—	(510,482)
Capitalisation of new leases	—	—	—	(22,825)	(22,825)
Interest expenses	—	(22,526)	—	(2,784)	(25,310)
<b>Total other changes</b>	<u>(117,048)</u>	<u>(533,008)</u>	<u>—</u>	<u>(25,609)</u>	<u>(675,665)</u>
<b>At 31 March 2022</b>	<u>(92,159)</u>	<u>(7,626,717)</u>	<u>—</u>	<u>(73,077)</u>	<u>(7,791,953)</u>
<b>At 1 April 2022</b>	(92,159)	(7,626,717)	—	(73,077)	(7,791,953)
Repayment of lease liabilities	—	—	—	102,738	102,738
Interest paid on lease liabilities	—	—	—	1,834	1,834
Interest paid on loan from a related company	—	—	17,534	—	17,534
Proceeds from other borrowings at FVTPL	—	(1,050,631)	—	—	(1,050,631)
Repayment of other borrowings at FVTPL	—	2,360,663	—	—	2,360,663
Interest paid on other borrowings at FVTPL	—	75,026	—	—	75,026
<b>Total changes from financing cash flows</b>	<u>—</u>	<u>1,385,058</u>	<u>17,534</u>	<u>104,572</u>	<u>1,507,164</u>

	Amounts due from/to related companies <i>(note 15)</i> <i>JPY'000</i>	Other borrowings at FVTPL <i>(note 19)</i> <i>JPY'000</i>	Loan from a related company <i>(note 19)</i> <i>JPY'000</i>	Lease liabilities <i>(note 21)</i> <i>JPY'000</i>	Total <i>JPY'000</i>
Other changes:					
Decrease in amounts due to related companies	13,574	—	—	—	13,574
Fair value gains on other borrowings at FVTPL	—	2,497,970	—	—	2,497,970
Capitalisation of new leases	—	—	—	(128,114)	(128,114)
Early termination of leases	—	—	—	12,477	12,477
Loan proceeds from a related company	—	1,000,000	(1,000,000)	—	—
Interest expenses	—	(75,026)	(17,534)	(1,834)	(94,394)
<b>Total other changes</b>	<u>13,574</u>	<u>3,422,944</u>	<u>(1,017,534)</u>	<u>(117,471)</u>	<u>2,301,513</u>
<b>At 31 March and 1 April 2023</b>	(78,585)	(2,818,715)	(1,000,000)	(85,976)	(3,983,276)
Repayment of lease liabilities	—	—	—	64,267	64,267
Interest paid on lease liabilities	—	—	—	1,133	1,133
Interest paid on loan from a related company	—	—	20,046	—	20,046
Repayment of other borrowings at FVTPL	—	1,253,610	—	—	1,253,610
Interest paid on other borrowings at FVTPL	—	63,112	—	—	63,112
<b>Total changes from financing cash flows</b>	<u>—</u>	<u>1,316,722</u>	<u>20,046</u>	<u>65,400</u>	<u>1,402,168</u>
Other changes:					
Increase in amounts due to related companies	(14,914)	—	—	—	(14,914)
Fair value losses on other borrowings at FVTPL	—	(1,858,298)	—	—	(1,858,298)
Interest expenses	—	(63,112)	(20,046)	(1,133)	(84,291)
<b>Total other changes</b>	<u>(14,914)</u>	<u>(1,921,410)</u>	<u>(20,046)</u>	<u>(1,133)</u>	<u>(1,957,503)</u>
<b>At 31 March 2024</b>	<u>(93,499)</u>	<u>(3,423,403)</u>	<u>(1,000,000)</u>	<u>(21,709)</u>	<u>(4,538,611)</u>

	Amounts due from/to related companies (note 15) JPY'000	Other borrowings at FVTPL (note 19) JPY'000	Loan from a related company (note 19) JPY'000	Lease liabilities (note 21) JPY'000	Total JPY'000
<b>At 1 April 2024</b>	(93,499)	(3,423,403)	(1,000,000)	(21,709)	(4,538,611)
Repayment of lease liabilities	—	—	—	32,609	32,609
Interest paid on lease liabilities	—	—	—	526	526
Interest paid on loan from a related company	—	—	10,000	—	10,000
Interest paid on other borrowings at FVTPL	—	37,297	—	—	37,297
<b>Total changes from financing cash flows</b>	<u>—</u>	<u>37,297</u>	<u>10,000</u>	<u>33,135</u>	<u>80,432</u>
Other changes:					
Exchange realignment	141	—	—	—	141
Fair value gains on other borrowings at FVTPL	—	601,230	—	—	601,230
Capitalisation of new leases	—	—	—	(133,238)	(133,238)
Interest expenses	—	(37,297)	(10,000)	(526)	(47,823)
<b>Total other changes</b>	<u>141</u>	<u>563,933</u>	<u>(10,000)</u>	<u>(133,764)</u>	<u>420,310</u>
<b>At 30 September 2024</b>	<u>(93,358)</u>	<u>(2,822,173)</u>	<u>(1,000,000)</u>	<u>(122,338)</u>	<u>(4,037,869)</u>
<b>(Unaudited)</b>					
<b>At 1 April 2023</b>	(78,585)	(2,818,715)	(1,000,000)	(85,976)	(3,983,276)
Repayment of lease liabilities	—	—	—	31,973	31,973
Interest paid on lease liabilities	—	—	—	727	727
Interest paid on loan from a related company	—	—	10,028	—	10,028
Proceeds from other borrowings at FVTPL	—	(197,010)	—	—	(197,010)
Repayment of other borrowings at FVTPL	—	176,275	—	—	176,275
Interest paid on other borrowings at FVTPL	—	31,277	—	—	31,277
<b>Total changes from financing cash flows</b>	<u>—</u>	<u>10,542</u>	<u>10,028</u>	<u>32,700</u>	<u>53,270</u>
Other changes:					
Increase in amounts due to related companies	(75,156)	—	—	—	(75,156)
Reclassification to amounts due from related companies	13,422	—	—	—	13,422
Fair value losses on other borrowings at FVTPL	—	(243,834)	—	—	(243,834)
Interest expenses	—	(31,277)	(10,028)	(727)	(42,032)
<b>Total other changes</b>	<u>(61,734)</u>	<u>(275,111)</u>	<u>(10,028)</u>	<u>(727)</u>	<u>(347,600)</u>
<b>At 30 September 2023</b>	<u>(140,319)</u>	<u>(3,083,284)</u>	<u>(1,000,000)</u>	<u>(54,003)</u>	<u>(4,277,606)</u>

**25. RELATED PARTY TRANSACTIONS**

In addition to the transactions and balances disclosed elsewhere in the accountants' report, the Target Group entered into the following significant transactions with related parties during the Relevant Periods.

	Year ended 31 March			Six months ended	
	2022	2023	2024	30 September 2023	30 September 2024
	JPY'000	JPY'000	JPY'000	JPY'000	JPY'000
				(Unaudited)	
Interest expenses of other borrowings at					
FVTPL from a related company	22,526	—	—	—	—
Interest expenses of other borrowings at					
FVTPL from a related company	—	73,236	54,295	29,500	33,581
Interest expenses of loan from					
a related company	—	17,534	20,046	10,028	10,000
Cloud services expense from related companies	22,759	—	—	—	—
License fee paid to a related company	—	—	2,523	2,487	—
System services fee from a related company	—	—	54,110	54,110	—
Subcontracting fee from a related company	9,626	—	—	—	—
Purchase intangible assets from					
a related company	80,320	—	—	—	—

Related companies are companies in which Mr. Li Lin, a Director of the Company, has beneficial interests.

The above transactions were conducted on mutually agreed terms.

**26. FINANCIAL RISK AND VIRTUAL ASSET ECOSYSTEM RISK MANAGEMENT AND POLICIES**

The Target Group is exposed to a variety of risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk and virtual asset ecosystem risk. The Target Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Target Group's financial performance. Risk management is carried out by key management under the policies approved by the Board. The Target Group does not have written risk management policies. However, the Board meets regularly and co-operates closely with key management to identify and evaluate risks and to formulate strategies to manage financial risks.

**Foreign currency risk**

Foreign currency risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The carrying amount of the Group's foreign currency denominated monetary items, at the end of the Relevant Periods are as follows:

	As at 31 March		As at 30 September	
	2022	2023	2024	2024
	JPY'000	JPY'000	JPY'000	JPY'000
<b>Assets</b>				
US\$	17,260	12,361	6,363	1,757

The Target Group's exposure to foreign currency risk is mainly in US\$. The following tables detail the Target Group's sensitivity to a 5% strengthening in the functional currencies of the Target Group against the relevant foreign currencies of respective group entities, while all other variables are held constant. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding monetary items denominated in foreign currencies at the year end. For a 5% weakening of the functional currencies of group entities against the relevant foreign currencies, these would be an equal and opposite impact on profit or loss.

	Increase/(decrease) in profit after tax			
	As at 31 March		As at 30 September	
	2022	2023	2024	2024
	JPY'000	JPY'000	JPY'000	JPY'000
US\$	663	525	270	75

The Target Group have transactions denominated in foreign currencies which expose the Target Group to foreign currency risk. The Group manages the foreign currency risk by entering into certain foreign currency contracts closely monitoring the movement of the foreign currency rate.

If there were a 1% appreciate/(depreciate) on USD against JPY with other variables held constant, the value of foreign currency contracts would increase/(decrease) by approximately JPY5,252,000, JPY7,255,000, JPY5,468,000 and JPY2,000,000 as at 31 March 2022, 2023 and 2024 and 30 September 2024 respectively.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Target Group has no interest-bearing assets and liabilities with floating interest rate, the Target Group's income and operating cash flows are substantially independent of changes in market interest rates.

#### Risk related to cryptocurrencies and related cryptocurrencies business

The fast-developing nature of cryptocurrencies markets including evolving regulations, custody and trading mechanisms, the dependency on information technology integrity and security, as well as valuation and volume volatility all subject the cryptocurrencies and business of the Target Group to unique risks. The sole director considers that such risks and uncertainties are largely related to information technology, safekeeping of cryptocurrencies, fluctuation of asset prices, compliance, and the ever-evolving nature of the markets. As the industry is in a growth stage, The Target Group has been implementing an operational infrastructure to support business development and growth. These initiatives include expanding IT infrastructure and hiring additional management personnel with an emphasis on experience in legal, regulatory, compliance, financial reporting, operations and technology development.



**Price risk of cryptocurrencies**

The Target Group held cryptocurrencies in asset and liabilities, including stablecoins, which are asset-backed with fair values approximate US\$1 per unit with limited price risk.

However, the price risk of stablecoins may not be limited due to the fast-developing nature of crypto markets including evolving regulations, custody and trading mechanisms, as well as valuation and volume volatility.

The change in the price of stablecoins, cryptocurrencies to be listed on the Target Group's own trading platform and other cryptocurrencies held by the Target Group in the principal markets with other variables held constant, the change of fair value of cryptocurrencies are as follows:

	As at 31 March		As at	
	2022	2023	2024	30 September
	JPY'000	JPY'000	JPY'000	JPY'000
<b>Stablecoins:</b>				
Cryptocurrencies	757,778	405,822	95,917	47,782
Contract liabilities at FVTPL	—	—	(96,765)	(81,612)
Other borrowing at FVTPL	(1,804,441)	(682,113)	(579,214)	(547,265)
	<u>(1,046,663)</u>	<u>(276,291)</u>	<u>(580,062)</u>	<u>(581,095)</u>
If there were an increase/decrease on the price by:	10%	10%	10%	10%
<b>The fair value of stablecoins would (decrease)/increase</b>	<b><u>(104,666)</u></b>	<b><u>(27,629)</u></b>	<b><u>(58,006)</u></b>	<b><u>(58,110)</u></b>
<b>Other cryptocurrencies:</b>				
Cryptocurrencies	6,144,411	2,454,970	3,987,674	3,621,384
Trade receivables at FVTPL	157,418	126,560	471,337	335,078
Other borrowings at FVTPL	(5,822,276)	(2,136,602)	(2,844,189)	(2,274,908)
	<u>479,553</u>	<u>444,928</u>	<u>1,614,822</u>	<u>1,681,554</u>
If there were an increase/decrease on the price by:	35%	35%	35%	50%
<b>The fair value of other cryptocurrencies would increase/(decrease)</b>	<b><u>167,844</u></b>	<b><u>155,725</u></b>	<b><u>565,188</u></b>	<b><u>840,777</u></b>
<b>Cryptocurrencies to be listed on its own trading platform:</b>				
Cryptocurrencies	—	2,558	42,751	1,579,438
Contract liabilities at FVTPL	—	(5,320)	(38,696)	(1,592,194)
	<u>—</u>	<u>(2,762)</u>	<u>4,055</u>	<u>(12,756)</u>
If there were an increase/decrease on the price by:	90%	90%	90%	90%
<b>The fair value of cryptocurrencies to be listed on its own trading platform would (decrease)/increase</b>	<b><u>—</u></b>	<b><u>(2,486)</u></b>	<b><u>3,650</u></b>	<b><u>(11,480)</u></b>

The Target Group held customer assets and liabilities on behalf of the customer. Such assets constitute custodial assets and are not accounted for as assets of the Target Group and do not give rise to liabilities to the relevant customers. Accordingly, the Target Group has no price volatility exposure from these holdings.

#### **Risks related to safekeeping of cryptocurrencies**

The Target Group maintains cryptocurrencies in both “hot” (connected to the Internet) and “cold” (not connected to the Internet) wallets. “Hot” wallets are more susceptible to cyber-attacks or potential theft as they are connected to the public internet. Given the Target Group’s business activities and involvement in cryptocurrency, the risk related to safekeeping may adversely affect the Target Group’s operation and business plan.

To mitigate such risks, the Target Group has implemented a series of internal controls, including but not limited to the implementation of two-factor authentication, segregation of duties, and day-to-day wallet management.

#### **Risks related to anti-money laundering**

As aforementioned, the Target Group provides cryptocurrencies trading services to its clients and is required to comply with the relevant requirements of the Act on Prevention of Transfer of Criminal Proceeds, the Foreign Exchange and Foreign Trade Act. The risks of failure to comply with such anti-money laundering requirements and consequences of breach may undermine the Target Group’s performance.

Cryptocurrencies are exchangeable directly between parties through decentralised networks that allow anonymous transactions; such as transactions create complex technical challenges with respect to issues such as identification of parties involved and asset ownership.

To mitigate such risks, the Target Group has implemented policies and procedures for Anti-Money Laundering and Know-Your-Customer that are initiated during the client onboarding process and are applied by way of continuous monitoring and reporting. In enhancing these policies and procedures, the Target Group has also considered industry best practice and the recommendations of the Financial Action Task Force. The Target Group restricted non-resident in Japan from setting up account on exchange platform.

#### **Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Target Group. The Target Group’s credit risk primarily relates to The Target Group’s time deposits and bank balances, trade receivables and other receivables. The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at end of the financial period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position. In order to minimise the risk, the Board closely monitors overdue debts. The recoverable amount of each individual debt is reviewed at each Relevant Periods and adequate allowance for doubtful debts has been made for irrecoverable amounts. In this regard, the Board considers that credit risk associated with the Target Group’s trade receivables and other receivables is significantly reduced.

##### **(i) Bank balances**

The Target Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at reputable banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

##### **(ii) Trade receivables**

The Target Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9, which permits the use of the lifetime ECL provision for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECLs also incorporate forward-looking information.

As at 31 March 2022, 2023, 2024 and 30 September 2024, trade receivables of JPY157,418,000, JPY126,560,000, JPY650,637,000 and JPY335,078,000 were contributed by 2 major liquidity providers respectively. The Target Group has monitoring procedures to ensure that follow up action is taken to recover overdue debts. The Target Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9, which permits the use of the lifetime ECL provision for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECLs also incorporate forward- looking information. The Target Group actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. In this regard, the sole director of the BVI Company considers that the Target Group's credit risk is significantly reduced. In addition, the Target Group performs impairment assessment under ECL model on the outstanding balances. The ECL on trade receivables was assessed to be minimal and no provision was made for the Relevant Periods.

**(iii) Other receivables**

The Target Group has adopted general approach to measure ECLs on financial assets included in other receivables, and other financial assets at amortised cost. Under the general approach, The Target Group applies the "3-stage" impairment model for ECLs measurement based on change in credit risk since initial recognition as follows:

- Stage 1: If the credit risk of the financial instrument has not increased significantly since initial recognition, the financial instrument is included in Stage 1.
- Stage 2: If the credit risk of the financial instrument has increased significantly since its initial recognition but is not deemed to be credit-impaired, the financial instrument is included in Stage 2.
- Stage 3: If the financial instrument is credit-impaired, the financial instrument is included in Stage 3.

The ECLs for financial instruments in Stage 1 are measured at an amount equivalent to 12-month ECLs whereas the ECLs for financial instruments in Stage 2 or Stage 3 are measured at an amount equivalent to lifetime ECLs.

When determining whether the risk of default has increased significantly since initial recognition, the Target Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Target Group's historical experience and informed credit risk assessment and including forward-looking information.

Having regard to industry practice and relevant regulation, as well as the background and behaviour of the debtors/counterparties, the Target Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due unless the Target Group has reasonable and supportable information that demonstrates otherwise. In addition, the Target Group considers that a financial asset to be in default when: (i) the debtor is unlikely to pay its credit obligations to the Target Group in full, without recourse by the Target Group to actions such as realising security (if any is held); or (ii) the financial asset is more than 90 days past due, unless the Target Group has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate.

At the end of the Relevant Periods, the Target Group assesses whether a financial asset is credit-impaired. A financial asset is considered as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the debtor;
- (b) a breach of contract, such as a default or past due event;

- (c) granting a concession to the debtors that the debtor would not otherwise consider for economic or contractual reasons relating to the debtor's financial difficulty; or
- (d) it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

The Target Group makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience as well as ECL assessment. The sole director believes that there is no material credit risk inherent in The Target Group's outstanding balance of deposits and other receivables. Accordingly, the ECL rate on deposits and other receivables was assessed to be minimal and no provision was recognised for the Relevant Periods.

### Liquidity risk

The Target Group's objective is to ensure that adequate funds are available to meet commitments associated with its financial liabilities.

The Target Group manages its liquidity needs by carefully monitoring short-term and long-term cash outflows on a regular basis. The Target Group mainly utilises cash to meet its liquidity requirements for periods up to 30 days. Funding for long-term liquidity needs will be considered when liquidity requirements in the long term are identified.

The table below analyses The Target Group's financial liabilities and cryptocurrencies liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities and cryptocurrencies liabilities and the earliest date The Target Group can be required to pay.

#### As at 31 March 2022

	Carrying amount <i>JPY'000</i>	Total contractual undiscounted cash flows <i>JPY'000</i>	Within 1 year or on demand <i>JPY'000</i>	More than 1 year but not Exceeding 2 years <i>JPY'000</i>	More than 2 years but not exceeding 5 years <i>JPY'000</i>	More than 5 years <i>JPY'000</i>
Interest payable of other borrowing at FVTPL from a former fellow subsidiary (note 17)	15,522	15,522	15,522	—	—	—
Other borrowings at FVTPL (note 19)	7,626,717	7,626,717	7,626,717	—	—	—
<b>Non-derivative financial liabilities</b>						
Other payables	90,194	90,194	90,194	—	—	—
Amounts due to related companies	92,159	92,159	92,159	—	—	—
Amount due to a former fellow subsidiary	2,062,413	2,062,413	2,062,413	—	—	—
Redeemable capital contributions	999,974	999,974	999,974	—	—	—
Lease liabilities	73,077	73,594	71,652	1,942	—	—
	<u>10,960,056</u>	<u>10,960,573</u>	<u>10,958,631</u>	<u>1,942</u>	<u>—</u>	<u>—</u>

## As at 31 March 2023

	Carrying amount JPY'000	Total contractual undiscounted cash flows JPY'000	Within 1 year or on demand JPY'000	More than 1 year but not Exceeding 2 years JPY'000	More than 2 years but not exceeding 5 years JPY'000	More than 5 years JPY'000
Interest payable of other borrowing at FVTPL from a related company (note 17)	67,187	67,187	67,187	—	—	—
Customer cryptocurrencies deposits at FVTPL (note 17)	23,939	23,939	23,939	—	—	—
Other borrowings at FVTPL (note 19)	2,818,715	2,818,715	2,818,715	—	—	—
<b>Non-derivative financial liabilities</b>						
Trade and other payables	100,999	100,999	100,999	—	—	—
Amounts due to related companies	90,946	90,946	90,946	—	—	—
Amount due to a former fellow subsidiary	2,243,472	2,243,472	2,243,472	—	—	—
Loan from a related company (note 19)	1,000,000	1,000,000	1,000,000	—	—	—
Redeemable capital contributions	999,974	999,974	999,974	—	—	—
Lease liabilities	85,976	87,200	65,400	21,800	—	—
	<u>7,431,208</u>	<u>7,432,432</u>	<u>7,410,632</u>	<u>21,800</u>	<u>—</u>	<u>—</u>

## As at 31 March 2024

	Carrying amount JPY'000	Total contractual undiscounted cash flows JPY'000	Within 1 year or on demand JPY'000	More than 1 year but not Exceeding 2 years JPY'000	More than 2 years but not exceeding 5 years JPY'000	More than 5 years JPY'000
Interest payable of other borrowing at FVTPL from a related company (note 17)	151,006	151,006	151,006	—	—	—
Customer cryptocurrencies deposits at FVTPL (note 17)	593,848	593,848	593,848	—	—	—
Other borrowings at FVTPL (note 19)	3,423,403	3,423,403	3,423,403	—	—	—
<b>Non-derivative financial liabilities</b>						
Trade and other payables	200,179	200,179	200,179	—	—	—
Amounts due to related companies	93,499	93,499	93,499	—	—	—
Amount due to a former fellow subsidiary	2,559,808	2,559,808	2,559,808	—	—	—
Loan from a related company (note 19)	1,000,000	1,000,000	1,000,000	—	—	—
Redeemable capital contributions	999,974	999,974	999,974	—	—	—
Lease liabilities	21,709	21,800	21,800	—	—	—
	<u>6,299,529</u>	<u>6,299,620</u>	<u>6,299,620</u>	<u>—</u>	<u>—</u>	<u>—</u>

As at 30 September 2024

	Carrying amount JPY'000	Total contractual undiscounted cash flows JPY'000	Within 1 year or on demand JPY'000	More than 1 year but not Exceeding 2 years JPY'000	More than 2 years but not exceeding 5 years JPY'000	More than 5 years JPY'000
Interest payable of other borrowing at FVTPL from a related company (note 17)	152,065	152,065	152,065	—	—	—
Customer cryptocurrencies deposits at FVTPL (note 17)	900,839	900,839	900,839	—	—	—
Other borrowings at FVTPL (note 19)	2,822,173	2,822,173	2,822,173	—	—	—
<b>Non-derivative financial liabilities</b>						
Other payables	171,406	171,406	171,406	—	—	—
Amounts due to related companies	93,358	93,358	93,358	—	—	—
Loan from a related company (note 19)	1,000,000	1,000,000	1,000,000	—	—	—
Redeemable capital contributions	999,974	999,974	999,974	—	—	—
Lease liabilities	122,338	124,696	68,016	56,680	—	—
	<u>6,262,153</u>	<u>6,264,511</u>	<u>6,207,831</u>	<u>56,680</u>	<u>—</u>	<u>—</u>

**Fair value measurement**

The fair value measurement of the Target Group's financial assets, cryptocurrencies and liabilities utilises market observable inputs and data as far as possible. Input used in determining fair value measurements are categorised into different levels based on how observable inputs used in the valuation technique utilised (the "fair value hierarchy") are:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**(i) Financial instruments not measured at fair value**

Financial instruments not measured at fair value include cash and bank balances, trade and other receivables, amount due from/to related companies, trade and other payables and lease liabilities.

The fair values of the Target Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial assets and liabilities.

The fair values of non-current financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rate available to the Target Group for similar financial instruments.

(ii) *Cryptocurrencies, cryptocurrency payables to customers at FVTPL and other borrowings at FVTPL*

The fair values of the cryptocurrencies, cryptocurrency payables to customers at FVTPL and other borrowings at FVTPL were determined based on quoted market price as at end of reporting period.

(iii) *Information about level 3 fair value measurement — Cryptocurrencies*

The fair values of the cryptocurrencies included in the level 3 category as at the end of the Relevant Periods have been determined by the sole director with reference to the valuation performed by an independent professional valuer. The fair value of those cryptocurrencies is determined using the market approach with reference to the quoted price in the cryptocurrency exchanges that is not active for identical assets.

The key input to determine the fair value of the cryptocurrencies included in the level 3 category is the quoted market price and discount for lack of marketability associated with the cryptocurrencies. A higher in the quoted market price would result in an increase in the fair value of those cryptocurrencies, and vice versa. A higher in the discount for lack of marketability would result in a decrease in the fair value of those cryptocurrencies, and vice versa.

**Fair value hierarchy**

The following table provides an analysis of financial instruments measured at fair value by level of fair value hierarchy:

*Assets/liabilities measured at fair value:**Recurring fair value measurement*

As at 31 March 2022

	Quoted prices in active markets for identical assets (Level 1) JPY'000	Significant observable inputs (Level 2) JPY'000	Significant unobservable inputs (Level 3) JPY'000	Total JPY'000
<b>Assets</b>				
Cryptocurrencies	6,902,189	—	—	6,902,189
Trade receivables at FVTPL	<u>157,418</u>	<u>—</u>	<u>—</u>	<u>157,418</u>
	<u>7,059,607</u>	<u>—</u>	<u>—</u>	<u>7,059,607</u>

	Quoted prices in active markets for identical assets (Level 1) JPY'000	Significant observable inputs (Level 2) JPY'000	Significant unobservable inputs (Level 3) JPY'000	Total JPY'000
<b>Liabilities</b>				
Interest payable of other borrowing at FVTPL from a former fellow subsidiary (note 17)	15,522	—	—	15,522
Other borrowings at FVTPL (note 19)	7,626,717	—	—	7,626,717
Redeemable capital contributions (note 20)	—	—	999,974	999,974
	<u>7,642,239</u>	<u>—</u>	<u>999,974</u>	<u>8,642,213</u>

As at 31 March 2023

	Quoted prices in active markets for identical assets (Level 1) JPY'000	Significant observable inputs (Level 2) JPY'000	Significant unobservable inputs (Level 3) JPY'000	Total JPY'000
<b>Assets</b>				
Cryptocurrencies	2,863,350	—	—	2,863,350
Trade receivables at FVTPL	126,560	—	—	126,560
	<u>2,989,910</u>	<u>—</u>	<u>—</u>	<u>2,989,910</u>

	Quoted prices in active markets for identical assets (Level 1) JPY'000	Significant observable inputs (Level 2) JPY'000	Significant unobservable inputs (Level 3) JPY'000	Total JPY'000
<b>Liabilities</b>				
Interest payable of other borrowing at FVTPL from a former fellow subsidiary (note 17)	67,187	—	—	67,187
Other borrowings at FVTPL (note 19)	2,818,715	—	—	2,818,715
Cryptocurrency payables to customers for lending purpose at FVTPL (note 17)	3,727	—	—	3,727
Cryptocurrency payables to customers for listing purpose at FVTPL (note 17)	20,212	—	—	20,212
Redeemable capital contributions (note 20)	—	—	999,974	999,974
	<u>2,909,841</u>	<u>—</u>	<u>999,974</u>	<u>3,909,815</u>



## As at 31 March 2024

	Quoted prices in active markets for identical assets (Level 1) <i>JPY'000</i>	Significant observable inputs (Level 2) <i>JPY'000</i>	Significant unobservable inputs (Level 3) <i>JPY'000</i>	Total <i>JPY'000</i>
<b>Assets</b>				
Cryptocurrencies	4,029,540	—	96,802	4,126,342
Trade receivables	471,337	—	—	471,337
	<u>4,500,877</u>	<u>—</u>	<u>96,802</u>	<u>4,597,679</u>

	Quoted prices in active markets for identical assets (Level 1) <i>JPY'000</i>	Significant observable inputs (Level 2) <i>JPY'000</i>	Significant unobservable inputs (Level 3) <i>JPY'000</i>	Total <i>JPY'000</i>
--	--	--	--	-------------------------

**Liabilities**

Interest payable of other borrowing at FVTPL from a former fellow subsidiary ( <i>note 17</i> )	151,006	—	—	151,006
Other borrowings at FVTPL ( <i>note 19</i> )	3,423,403	—	—	3,423,403
Cryptocurrency payables to customers for lending purpose at FVTPL ( <i>note 17</i> )	559,621	—	—	559,621
Cryptocurrency payables to customers for listing purpose at FVTPL ( <i>note 17</i> )	34,227	—	—	34,227
Redeemable capital contributions ( <i>note 20</i> )	—	—	999,974	999,974
	<u>4,168,257</u>	<u>—</u>	<u>999,974</u>	<u>5,168,231</u>

## As at 30 September 2024

	Quoted prices in active markets for identical assets (Level 1) <i>JPY'000</i>	Significant observable inputs (Level 2) <i>JPY'000</i>	Significant unobservable inputs (Level 3) <i>JPY'000</i>	Total <i>JPY'000</i>
<b>Assets</b>				
Cryptocurrencies	3,398,159	—	1,850,445	5,248,604
Trade receivables at FVTPL	335,078	—	—	335,078
	<u>3,733,237</u>	<u>—</u>	<u>1,850,445</u>	<u>5,583,682</u>

	Quoted prices in active markets for identical assets (Level 1) JPY'000	Significant observable inputs (Level 2) JPY'000	Significant unobservable inputs (Level 3) JPY'000	Total JPY'000
<b>Liabilities</b>				
Interest payable of other borrowing at FVTPL from a former fellow subsidiary (note 17)	152,065	—	—	152,065
Other borrowings at FVTPL (note 19)	2,822,173	—	—	2,822,173
Cryptocurrency payables to customers for lending purpose at FVTPL (note 17)	893,759	—	—	893,759
Cryptocurrency payables to customers for listing purpose at FVTPL (note 17)	7,080	—	—	7,080
Redeemable capital contributions (note 20)	—	—	999,974	999,974
	<u>3,875,077</u>	<u>—</u>	<u>999,974</u>	<u>4,875,051</u>

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy

	Redeemable capital contributions JPY'000 (note)	Cryptocurrencies JPY'000
At 1 April 2022, 31 March 2023 and 1 April 2023	(999,974)	—
Additions	—	96,802
At 31 March 2024 and 1 April 2024	(999,974)	96,802
Additions	—	1,622,824
Net gain from fair value adjustment, recognised in profit or loss	—	130,819
At 30 September 2024	<u>(999,974)</u>	<u>1,850,445</u>

There was no transfer under the fair value hierarchy classification during the Relevant Periods.

The redeemable capital contributions are measured at the initial investment costs of two investors, which is the higher amount expected to be paid to the investors upon redemption among measurements stated in share subscription agreements.

**Information of level 3 fair value measurements**

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis:

**As at 30 September 2024**

	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Range</b>	<b>Sensitivity of fair value to the inputs</b>
Cryptocurrencies	Market approach adopted. The value is based on market value of the cryptocurrency.	Lack of marketability discount	0–7.1%	1% increase in lack of marketability discount would result in decrease in fair value by JPY31,362,000
		Market value	JPY0.023 to JPY250.67	1% increase in market value would result in increase in fair value by JPY15,188,000

**As at 31 March 2024**

	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Range</b>	<b>Sensitivity of fair value to the inputs</b>
Cryptocurrencies	Market approach adopted. The value is based on market value of the cryptocurrency.	Lack of marketability discount	—	1% increase in lack of marketability discount would result in decrease in fair value by JPY631,000
		Market value	JPY0.0008683 to JPY750.1	1% increase in market value would result in increase in fair value by JPY631,000

**Summary of financial assets and liabilities by category**

The carrying amounts of financial assets and liabilities presented in the consolidated statement of financial position relate to the following categories:

*Financial assets:*

	As at 31 March		As at 30 September	
	2022	2023	2024	2024
	JPY'000	JPY'000	JPY'000	JPY'000
<b>Financial assets measured at fair value:</b>				
Trade receivables (Liabilities in cryptocurrency)	157,418	126,560	471,337	335,078
<b>Financial assets measured at amortised cost:</b>				
Trade and other receivables ( <i>note</i> )	174,686	177,651	362,833	299,666
Amounts due from related companies	—	12,361	—	—
Amounts due from shareholders	—	—	7,564	7,110
Cash and cash equivalents	2,897,767	2,773,868	2,662,779	2,335,975
	<u>3,072,453</u>	<u>2,963,880</u>	<u>3,033,176</u>	<u>2,642,751</u>
	<u>3,229,871</u>	<u>3,090,440</u>	<u>3,504,513</u>	<u>2,977,829</u>

*Note:* Excluded from trade and other receivables as disclosed in the consolidated statement of financial position of JPY23,101,000, JPY5,233,000, JPY8,246,000 and JPY17,237,000 representing prepayments for the years ended 31 March 2022, 2023 and 2024 and period ended 30 September 2024 respectively.

*Financial liabilities:*

	As at 31 March		As at	
	2022	2023	2024	30 September
	JPY'000	JPY'000	JPY'000	2024
				JPY'000
<b>Financial liabilities measured at fair value:</b>				
Trade and other payables (Liabilities in cryptocurrency)	15,522	91,126	744,855	1,052,904
Other borrowings at FVTPL from a former fellow subsidiary	7,626,717	—	—	—
Other borrowings at FVTPL from a related company	—	2,818,715	3,423,403	2,822,173
Redeemable capital contributions ( <i>note 20</i> )	999,974	999,974	999,974	999,974
	<u>8,642,213</u>	<u>3,909,815</u>	<u>5,168,232</u>	<u>4,875,051</u>
<b>Financial liabilities measured at amortised cost:</b>				
Trade and other payables ( <i>note</i> )	90,194	100,999	200,179	171,406
Amounts due to related companies	92,159	90,946	93,499	93,358
Loan from a related company ( <i>note 19</i> )	—	1,000,000	1,000,000	1,000,000
Amount due to a former fellow subsidiary	2,062,413	2,243,472	2,559,808	—
Lease liabilities ( <i>note 21(b)</i> )	73,077	85,976	21,709	122,338
	<u>2,317,843</u>	<u>3,521,393</u>	<u>3,875,195</u>	<u>1,387,102</u>
	<u>10,960,056</u>	<u>7,431,208</u>	<u>9,043,427</u>	<u>6,262,153</u>

*Note:* Included in trade and other payables as presented in the consolidated statement of financial position of JPY54,478,000, JPY49,471,000, JPY122,919,000 and JPY106,514,000 representing accruals for the years ended 31 March 2022, 2023 and 2024 and period ended 30 September 2024 respectively, these balances have not been included in the amounts presented above.

**27. CAPITAL MANAGEMENT POLICIES AND RISK**

The Target Group's objectives are: to provide returns for its shareholders; to safeguard the Target Group's ability to continue as a going concern so that it continues to provide returns and benefits for its stakeholders; to support the Target Group's stability and growth; and to provide capital for the purpose of strengthening the Target Group's risk management capability.

In order to maintain or adjust the capital structure, the Target Group may adjust the amount of dividend paid to shareholders, return capital to its shareholders and issue new shares to reduce its debt level.

Consistent with other industries, the Target Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total interest-bearing other borrowings less cash and bank balances. Total capital represents total equity, as shown in the consolidated statement of financial position.

	As at 31 March		As at 30 September	
	2022	2023	2024	2024
	JPY'000	JPY'000	JPY'000	JPY'000
Total net debt	4,728,950	1,044,847	1,760,624	1,486,198
Total capital/(deficit)	<u>882,155</u>	<u>1,531,473</u>	<u>1,667,643</u>	<u>(95,781)</u>

A subsidiary is required by the Japan Financial Instruments and Exchange Act to maintain a capital adequacy ratio of 120%.

In view of the Target Group's excess of current liabilities over current assets, the Target Group's director is of the opinion that the Target Group will be able to finance its future financing requirements and working capital as a related company, Avenir Cayman, agreed that they would further extend the repayment of other borrowings measured at FVTPL and the loan from them with aggregate amounts of JPY3,822,173,000 until the Target Group has excess cash to repay and enable it to meet its liabilities as and when they fall due for at least the next twelve months from the end of the Relevant Periods.

There was no change in the Target Group's approach to capital management during the Relevant Periods.

## 28. STATEMENT OF FINANCIAL POSITION OF THE BVI COMPANY

Information about the statement of financial position of the BVI Company at the end of the reporting periods is as follows:

	Notes	As at 31 March			As at
		2022	2023	2024	30 September
		JPY'000	JPY'000	JPY'000	2024
					JPY'000
<b>ASSETS AND LIABILITIES</b>					
<b>Non-current asset</b>					
Investment in subsidiaries		—	—	1	1
<b>Current assets</b>					
Amounts due from shareholders	15	—	—	7,564	7,110
<b>Current liabilities</b>					
Accruals	17	—	—	442	415
<b>Net current assets</b>		—	—	7,122	6,695
<b>Total assets less current liabilities and net assets</b>		—	—	7,123	6,696
<b>EQUITY</b>					
Share capital	23	—	—	7,564	7,564
Deficits		—	—	(441)	(868)
<b>Total equity</b>		—	—	7,123	6,696

A summary of the BVI Company's reserves/(deficits) is as follows:

	Translation reserve	Accumulated loss	Total
	JPY'000	JPY'000	JPY'000
At date of incorporation	—	—	—
Exchange differences arising on the translation of financial statements	(17)	—	(17)
Loss for the period	—	(424)	(424)
<b>At 31 March and 1 April 2024</b>	(17)	(424)	(441)
Exchange differences arising on the translation of financial statements	(427)	—	(427)
<b>At 30 September 2024</b>	(444)	(424)	(868)

**29. CUSTOMER ASSETS AND LIABILITIES**

The breakdown of customer assets and liabilities held on behalf of the customers, which are not recognised as assets and liabilities in the consolidated financial statements of the Target Group, as below:

	As at 31 March		As at 30 September	
	2022	2023	2024	2024
	JPY'000	JPY'000	JPY'000	JPY'000
<b>Customer assets</b>				
Customer cryptocurrencies				
in cold wallet	3,918,047	3,411,528	6,114,860	5,089,198
Custodial funds in trust account ( <i>note</i> )	<u>1,052,350</u>	<u>827,805</u>	<u>1,740,325</u>	<u>1,096,345</u>
	<u>4,970,397</u>	<u>4,239,333</u>	<u>7,855,185</u>	<u>6,185,543</u>
<b>Customer liabilities</b>				
Customer cryptocurrencies liabilities	3,918,047	3,411,528	6,114,860	5,089,198
Customer custodial cash liabilities	<u>1,052,350</u>	<u>827,805</u>	<u>1,740,325</u>	<u>1,096,345</u>
	<u>4,970,397</u>	<u>4,239,333</u>	<u>7,855,185</u>	<u>6,185,543</u>

*Note:* The Japan jurisdiction requires the Target Group to hold the customer custodial cash in trust account, equal to at least 100% of the aggregate amount of all customer custodial cash liabilities within two business days and hold the customer cryptocurrencies in cold wallet equal to at least 100% of the aggregate amount of all customer custodial cryptocurrencies liabilities.

Custodial funds in trust/client accounts are cash held by the Target Group in trust/separated accounts on behalf of the customers. The use of cash held on behalf of customers is restricted and governed by the Japan Virtual and Crypto Assets Exchange Association.

**30. EVENTS AFTER REPORTING DATE**

Save as disclosed in Note 1 and elsewhere in this report, there is no other material event undertaken by the BVI Company or the Target Group after 30 September 2024.

**31. OUTSTANDING/POTENTIAL LITIGATION****Litigation claim in Japan**

During the period ended 30 September 2024, there was a litigation claim in Japan. Litigation was initiated by a plaintiff against BitTrade Inc. to seek damages for the external transfer of cryptocurrency conducted by BitTrade Inc. which is not under plaintiff's instructions. The plaintiff is seeking returns of deposit of approximately JPY16,700,000 and filed a lawsuit on 12 June 2024. Pursuant to a court session dated 3 December 2024, both plaintiff and BitTrade Inc. are required to provide supplementary evidence for further proceedings. The plaintiff had withdrawn the litigation claim subsequently on 12 February 2025.

The sole director of the BVI Company is of the opinion that the Target Group has no potential litigation to withdrawn claim, no provision for the litigation claim has been provided in the consolidated statement of financial statement as at 30 September 2024.



The following is the text of a report received from the independent reporting accountants of the Company, Moore CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

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**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SINOHOPE TECHNOLOGY HOLDINGS LIMITED****Introduction**

We report on the historical financial information of BitTrade Inc. (the “**Target Company**”) and its subsidiaries (together, the “**BitTrade Group**”) set out on pages IIIA-4 to IIIA-64, which comprises the consolidated statements of financial position as at 31 March 2022, 2023 and 2024 and 30 September 2024, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three years ended 31 March 2022, 2023 and 2024 and the six months ended 30 September 2024 (the “**Relevant Periods**”) and material accounting policy information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages IIIA-4 to IIIA-64 forms an integral part of this report, which has been prepared for inclusion in the circular of Sinohope Technology Holdings Limited (the “**Company**”) dated 14 March 2025 (the “**Circular**”) in connection with the proposed acquisition of the Target Company by the Company.

**Directors' responsibility for the Historical Financial Information**

The directors of the Target Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the directors of the Target Company determines are necessary to enable the preparation of the Underlying Financial Statements that is free from material misstatement, whether due to fraud or error.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public

Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the BitTrade Group's financial position as at 31 March 2022, 2023 and 2024 and 30 September 2024 and of the BitTrade Group's consolidated financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

### Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the BitTrade Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 September 2023 and other explanatory information (the “**Stub Period Comparative Financial Information**”). The directors of the Target Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

*Adjustments*

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

*Dividends*

We refer to note 8 to the Historical Financial Information which states that no dividends have been paid by the BitTrade Group in respect of the Relevant Periods.

*Underlying Financial Statements*

The consolidated financial statements of the BitTrade Group for the Relevant Periods (the "Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the directors of the Target Company in accordance with the accounting policies that conform with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

**Moore CPA Limited**

*Certified Public Accountants*

**Chan King Keung**

Practising Certificate Number: P06057

Hong Kong, 14 March 2025

## I. HISTORICAL FINANCIAL INFORMATION OF THE BITTRADE GROUP

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information is presented in Japanese Yen ("JPY") and all values are rounded to the nearest thousand (JPY'000) except when otherwise indicated.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 March			Six months ended	
		2022 JPY'000	2023 JPY'000	2024 JPY'000	30 September 2023 JPY'000	30 September 2024 JPY'000
						(Unaudited)
Revenue	4					
Cryptocurrency trading business		4,621,159	4,592,216	14,300,314	5,535,115	7,799,892
Other business		92,657	357,548	347,300	95,423	74,642
		4,713,816	4,949,764	14,647,614	5,630,538	7,874,534
Cost of services cryptocurrency trading business		(4,526,888)	(4,441,324)	(14,071,902)	(5,434,200)	(7,696,772)
Gross profits		186,928	508,440	575,712	196,338	177,762
Other income and gains/(losses), net	5	150,377	222,065	117,919	100,618	8,628
Fair value gains/(losses) on cryptocurrencies, net		97,286	(308,288)	712,691	(21,174)	(85,494)
Impairment loss on property, plant and equipment		(1,616)	(9,725)	(1,454)	—	(1,142)
Impairment loss on intangible assets		(97,520)	—	(10,880)	—	—
Impairment loss on right-of-use assets		(22,825)	(85,409)	—	—	(100,783)
Selling and marketing expenses		(153,577)	(99,494)	(195,251)	(105,817)	(127,134)
Administrative expenses		(646,546)	(601,453)	(947,319)	(445,506)	(623,468)
Finance costs	6	(25,334)	(94,394)	(84,292)	(42,032)	(47,824)
(Loss)/profit before income tax	7	(512,827)	(468,258)	167,126	(317,573)	(799,455)
Income tax expense	10	—	—	—	—	—
(Loss)/profit for the years/period		(512,827)	(468,258)	167,126	(317,573)	(799,455)
Other comprehensive income						
<i>Item that may be reclassified subsequently to profit or loss:</i>						
Exchange differences arising on the translation of financial statements of foreign operations		—	—	5,916	5,773	3,499
Total comprehensive (loss)/income for the years/period		(512,827)	(468,258)	173,042	(311,800)	(795,956)

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 March			As at
		2022	2023	2024	30 September
Notes	JPY'000	JPY'000	JPY'000	JPY'000	2024
					JPY'000
<b>ASSETS AND LIABILITIES</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11	—	—	—	—
Intangible assets	12	—	—	—	—
Right-of-use assets	21	—	—	—	—
Cryptocurrencies	13	—	—	—	750,818
Deposits	14	27,914	13,901	13,901	13,901
		<u>27,914</u>	<u>13,901</u>	<u>13,901</u>	<u>13,901</u>
		27,914	13,901	13,901	764,719
<b>Current assets</b>					
Cryptocurrencies	13	6,902,189	2,863,350	4,126,342	4,497,786
Trade and other receivables	14	327,290	295,544	828,516	638,081
Amounts due from related companies	15	—	12,361	—	—
Cash and cash equivalents, and other deposits	16	2,897,767	2,773,868	2,662,779	2,335,975
		<u>10,127,246</u>	<u>5,945,123</u>	<u>7,617,637</u>	<u>7,471,842</u>
		10,127,246	5,945,123	7,617,637	7,471,842
<b>Current liabilities</b>					
Trade and other payables	17	160,194	241,595	1,067,952	1,330,824
Contract liabilities	18	—	5,320	135,461	1,774,309
Amounts due to related companies	15	92,159	90,946	93,499	93,358
Borrowings	19	7,626,717	3,818,715	4,423,403	3,822,173
Redeemable capital contributions	20	999,974	999,974	999,974	999,974
Lease liabilities	21	71,140	64,267	21,709	66,174
		<u>8,950,184</u>	<u>5,220,817</u>	<u>6,741,998</u>	<u>8,086,812</u>
		8,950,184	5,220,817	6,741,998	8,086,812
<b>Net current assets/(liabilities)</b>		<u>1,177,062</u>	<u>724,306</u>	<u>875,639</u>	<u>(614,970)</u>
		1,177,062	724,306	875,639	(614,970)
<b>Total assets less current liabilities</b>		<u>1,204,976</u>	<u>738,207</u>	<u>889,540</u>	<u>149,749</u>
		1,204,976	738,207	889,540	149,749
<b>Non-current liabilities</b>					
Provisions for reinstatement cost		22,781	4,498	4,498	4,499
Lease liabilities	21	1,937	21,709	—	56,164
		<u>24,718</u>	<u>26,207</u>	<u>4,498</u>	<u>60,663</u>
		24,718	26,207	4,498	60,663
<b>Net assets</b>		<u>1,180,258</u>	<u>712,000</u>	<u>885,042</u>	<u>89,086</u>
		1,180,258	712,000	885,042	89,086
<b>EQUITY</b>					
Share capital	23	2,120,000	100,000	100,000	100,000
Reserves		(939,742)	612,000	785,042	(10,914)
<b>Total equity</b>		<u>1,180,258</u>	<u>712,000</u>	<u>885,042</u>	<u>89,086</u>
		1,180,258	712,000	885,042	89,086

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital JPY'000	Redeemable capital contributions JPY'000 (Note 20)	Capital reserve JPY'000	Translation reserve JPY'000	Accumulated losses JPY'000	Total JPY'000
<b>At 1 April 2021</b>	2,120,000	(999,974)	2,210,925	—	(1,637,866)	1,693,085
Loss and total comprehensive loss for the year	—	—	—	—	(512,827)	(512,827)
<b>At 31 March and 1 April 2022</b>	2,120,000	(999,974)	2,210,925	—	(2,150,693)	1,180,258
Capital reduction (note 23)	(2,020,000)	—	59,309	—	1,960,691	—
Loss and total comprehensive loss for the year	—	—	—	—	(468,258)	(468,258)
<b>At 31 March and 1 April 2023</b>	100,000	(999,974)	2,270,234	—	(658,260)	712,000
Exchange differences arising on the translation of financial statements of foreign operations	—	—	—	5,916	—	5,916
Profit for the year	—	—	—	—	167,126	167,126
Total comprehensive income for the year	—	—	—	5,916	167,126	173,042
<b>At 31 March and 1 April 2024</b>	100,000	(999,974)	2,270,234	5,916	(491,134)	885,042
Exchange differences arising on the translation of financial statements of foreign operations	—	—	—	3,499	—	3,499
Loss for the period	—	—	—	—	(799,455)	(799,455)
Total comprehensive loss for the period	—	—	—	3,499	(799,455)	(795,956)
<b>At 30 September 2024</b>	<u>100,000</u>	<u>(999,974)</u>	<u>2,270,234</u>	<u>9,415</u>	<u>(1,290,589)</u>	<u>89,086</u>
<b>(Unaudited)</b>						
<b>At 1 April 2023</b>	100,000	(999,974)	2,270,234	—	(658,260)	712,000
Exchange differences arising on the translation of financial statements of foreign operations	—	—	—	5,773	—	5,773
Loss for the period	—	—	—	—	(317,573)	(317,573)
Total comprehensive loss for the period	—	—	—	5,773	(317,573)	(311,800)
<b>At 30 September 2023</b>	<u>100,000</u>	<u>(999,974)</u>	<u>2,270,234</u>	<u>5,773</u>	<u>(975,833)</u>	<u>400,200</u>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 March			Six months ended	
		2022	2023	2024	30 September 2023	30 September 2024
		JPY'000	JPY'000	JPY'000	JPY'000	JPY'000
					(Unaudited)	
<b>Cash flows from operating activities</b>						
(Loss)/profit before income tax		(512,827)	(468,258)	167,126	(317,573)	(799,455)
Adjustments for:						
Interest income		(121)	(10)	(79)	(11)	(153)
Interest expense on lease liabilities	6	2,784	1,834	1,133	727	526
Interest expense on other borrowings at FVTPL	6	22,550	73,236	54,296	29,500	33,582
Interest expense on loan from a related company	6	—	17,534	20,046	10,028	10,000
Interest expense on customer cryptocurrencies deposits at FVTPL	6	—	1,790	8,817	1,777	3,716
Depreciation of property, plant and equipment	11	1,176	875	247	1,136	147
Depreciation of intangible assets	12	—	—	7,969	—	—
Depreciation of right-of-use assets	21	—	42,705	—	—	32,455
Effect on early termination of lease	21	—	(12,477)	—	—	—
Impairment loss on property, plant and equipment	11	1,616	9,725	1,454	—	1,142
Impairment loss on intangible assets	12	97,520	—	10,880	—	—
Impairment loss on right-of-use assets	21	22,825	85,409	—	—	100,783
Fair value (gains)/losses on cryptocurrencies, net		(97,286)	308,288	(712,691)	21,174	85,494
Provision for re-instatement cost		—	4,497	—	—	—
Operating (loss)/profit before working capital changes		(461,763)	65,148	(440,802)	(253,242)	(531,763)
Decrease/(increase) in cryptocurrencies		4,174,339	1,272,678	1,228,765	334,623	(4,086,125)
(Increase)/decrease in trade receivables		(99,106)	(14,770)	(430,462)	(92,276)	47,926
Increase in prepayment, deposit & other receivables		(119,463)	(8,069)	(8,895)	(44,617)	(125,124)
Increase in loan receivable measured at FVTPL		—	—	—	(15,034)	—
Increase in trade payables		—	1,122	74,427	53,286	—
Increase in contract liabilities		—	5,320	130,141	53,427	4,080,923
(Decrease)/increase in accruals, provisions and other payables		(32,840)	86,000	743,524	67,203	368,927
Net cash generated from/(used in) operating activities		<u>3,461,167</u>	<u>1,407,429</u>	<u>1,296,698</u>	<u>103,370</u>	<u>(245,236)</u>

	Notes	Year ended 31 March			Six months ended	
		2022	2023	2024	30 September 2023	30 September 2024
		JPY'000	JPY'000	JPY'000	JPY'000	JPY'000
						(Unaudited)
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	11	(2,792)	(10,600)	(1,701)	(18,842)	(1,289)
Purchase of intangible assets	12	(97,520)	—	(18,911)	—	—
Decrease/(increase) in cash deposits at other financial institutions	16	3,645	(200,315)	178,681	(103,430)	346,766
Interest received on bank deposits and bank balances		121	10	79	4	153
Net cash (used from)/generated from investing activities		<u>(96,546)</u>	<u>(210,905)</u>	<u>158,148</u>	<u>(122,268)</u>	<u>345,630</u>
<b>Cash flow from financing activities</b>						
Advance to related companies		(66,593)	(12,361)	—	—	—
Decrease/(increase) in amounts due from related companies		25,990	—	12,361	(1,061)	—
Increase/(decrease) in amounts due to related companies		91,058	(1,213)	2,553	62,795	—
Repayments of principal portion of lease liabilities		(128,521)	(102,738)	(64,267)	(31,973)	(32,609)
Repayments of interest portion of lease liabilities		(2,784)	(1,834)	(1,133)	(727)	(526)
Proceeds from other borrowings at FVTPL		74,240	1,050,631	—	197,010	—
Repayment of other borrowings at FVTPL		(3,716,819)	(2,360,663)	(1,253,610)	(176,275)	—
Interest paid on other borrowings at FVTPL		(22,526)	(75,026)	(63,112)	(31,277)	(37,297)
Interest paid on a loan from a related company		—	(17,534)	(20,046)	(10,028)	(10,000)
Net cash (used in)/generated from financing activities		<u>(3,745,955)</u>	<u>(1,520,738)</u>	<u>(1,387,254)</u>	<u>8,464</u>	<u>(80,432)</u>
Net (decrease)/increase in cash and cash equivalents		(381,334)	(324,214)	67,592	(10,434)	19,962
Cash and cash equivalents at the beginning of reporting period		<u>2,753,930</u>	<u>2,372,596</u>	<u>2,048,382</u>	<u>2,048,382</u>	<u>2,115,974</u>
Cash and cash equivalents at the end of reporting period		<u><u>2,372,596</u></u>	<u><u>2,048,382</u></u>	<u><u>2,115,974</u></u>	<u><u>2,037,948</u></u>	<u><u>2,135,936</u></u>
<b>Analysis of cash and cash equivalents</b>						
Cash at banks and in hand	16	2,313,418	2,048,270	2,005,742	2,037,948	2,081,610
Cash at other cryptocurrencies trading platform	16	<u>59,178</u>	<u>112</u>	<u>110,232</u>	<u>—</u>	<u>54,326</u>
Cash and cash equivalents at the end of reporting period		<u><u>2,372,596</u></u>	<u><u>2,048,382</u></u>	<u><u>2,115,974</u></u>	<u><u>2,037,948</u></u>	<u><u>2,135,936</u></u>



**MAJOR NON-CASH TRANSACTIONS**

During the Relevant Periods, the BitTrade Group had following major non-cash transactions:

- (i) during the years ended 31 March 2022 and 2023 and the period ended 30 September 2024, additions to right-of-use assets and lease liabilities of JPY22,825,000, JPY128,114,000 and JPY133,238,000 respectively, in respect of the lease arrangements for the leased office properties (note 21);
- (ii) during the year ended 31 March 2023, transfer of Tether (“USDT”) equivalents to JPY1,000,000,000 from other borrowings at FVTPL to loan from a related company denominated in JPY.

## II. NOTES TO HISTORICAL FINANCIAL INFORMATION

### 1. General information

BitTrade Inc. (formerly known as “Huobi Japan Inc.”) (the “**Target Company**”) was incorporated in Japan under the Japan Companies Act with limited liability on 12 September 2016. The address of the Target Company’s registered office and principal place of business is 1-1-1 Nishi-Shinbashi, Minato-ku, Tokyo, Japan.

With effective from 21 April 2023, the name of the Target Company changed from “Huobi Japan Inc.” to “BitTrade Inc.”.

The Target Company is principally engaged in the operation of cryptocurrency exchange in Japan.

In the opinion of the directors of the Target Company, the immediate holding company of the Target Company was Avenir Assets Investment Pte. Ltd. (formerly known as “Huobi Asset Investments Pte. Ltd.”), a company incorporated in Singapore with limited liability, the ultimate controlling party was Mr. Li Lin (李林) (“**Mr. Li**”).

As at the end of this report, the Target Company had direct interests in the following subsidiaries:

<b>Company name</b>	<b>Place of incorporation</b>	<b>Date of incorporation</b>	<b>Particulars of issued/paid-in capital</b>	<b>Percentage of equity directly attributable to the Target Company</b>	<b>Principal activities</b>
Bittrade (HK) Limited ( <i>note</i> )	Hong Kong	12 May 2023	HK\$73,374,693	100%	Inactive
Bittrade Wallet (HK) Limited ( <i>note</i> )	Hong Kong	20 October 2023	HK\$10,000	100%	Inactive

*Note:* The statutory financial statements of the subsidiaries for the period ended 30 September 2024 have not been issued as they are not yet due for issuance as at the date of this report.

### 2. MATERIAL ACCOUNTING POLICY INFORMATION

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years/periods presented, unless otherwise stated.

#### 2.1 Basis of preparation

The Historical Financial Information of the Target Company and its subsidiaries (collectively “**BitTrade Group**”) has been prepared in accordance with all applicable HKFRSs which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA.

All HKFRSs effective for the accounting period commencing from 1 April 2024, together with the relevant transitional provisions, have been early adopted by the BitTrade Group in the preparation of the Historical Financial Information throughout the Relevant Period.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared under the historical cost basis except for cryptocurrencies, trade receivables at fair value through profit or loss (“FVTPL”), contract liabilities at FVTPL, other borrowings at FVTPL and redeemable capital contributions. The measurement bases are fully described in the accounting policies below.

The preparation of the Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the BitTrade Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 3.

*New or amended HKFRSs that have been issued but are not yet effective*

New standards and amendments to existing standards that have been issued but not effective and have not been early adopted by the BitTrade Group during the Relevant Periods are as follows:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards — Volume 11 <sup>3</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>2</sup>
HKFRS 18	Presentation and Disclosure in Financial Statements <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2026.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2027.

The directors of the Target Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements of the BitTrade Group in the foreseeable future.

## 2.2 Subsidiaries

A subsidiary is an investee over which the BitTrade Group is able to exercise control. The BitTrade Group controls an investee if all three of the following elements are present: power over the investee; exposure, or rights, to variable returns from the investee; and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Target Company’s statement of financial position, interests in subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the BitTrade Group on the basis of dividends received and receivable at the end of the reporting period.

## 2.3 Foreign currency translation

Items included in the Historical Financial Information of the BitTrade Group are measured using the currency of the primary economic environment in which the BitTrade Group operates (the “functional currency”). The Historical Financial Information are presented in JPY, which is the Target Company’s functional and presentational currency.

## 2.4 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the BitTrade Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the BitTrade Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the BitTrade Group performs; or
- does not create an asset with an alternative use to the BitTrade Group and the BitTrade Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the BitTrade Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the BitTrade Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

### *Principal versus agent*

When another party is involved in providing goods or services to a customer, the BitTrade Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the BitTrade Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the BitTrade Group is an agent).

The BitTrade Group is a principal if it controls the specified good or service before that good or service is transferred to a customer. When the BitTrade Group acts as a principal, it recognises revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred. The BitTrade Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party and revenue is recognised on a net basis.

Indicators taken into account by management of the BitTrade Group to determine whether the BitTrade Group acts as a principal or an agent include, but are not limited to, the following:

- (a) whether the entity is primarily responsible for fulfilling the promise to provide the specified good or service;
- (b) whether the entity has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer (for example, if the customer has a right of return); and

- (c) whether the entity has discretion in establishing the price for the specified good or service, indicating that the entity has the ability to direct the use of that good or service and obtain substantially all of the remaining benefits.

***Contract liabilities at amortised cost***

A contract liability at amortised cost represents the BitTrade Group's obligations to transfer goods or services to a customer for which the BitTrade Group has received consideration (or an amount of consideration is due) from the customer.

***Contract liabilities at FVTPL***

A contract liability at FVTPL represents the BitTrade Group's obligations to transfer goods or services to a customer for which the BitTrade Group has received cryptocurrencies as consideration from the customer. Cryptocurrencies from customer are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at fair value of relevant cryptocurrencies received, which align with the fact that cryptocurrencies inventories are non-financial assets measured at fair value less costs to sell.

***Performance obligation and timing of recognition***

(i) *Cryptocurrency trading*

The BitTrade Group trades cryptocurrencies on its own trading platform. Transaction price is derived by unit price of cryptocurrencies and transaction volume. Cryptocurrency trading is recognised at point in time upon each trade transaction is completed. Counterparties are generally required to prefund their accounts prior to trade cryptocurrency with in BitTrade Group.

The sale amounts received from counterparties are recorded as revenue on a gross basis and the associated cost as cost of revenues, as the BitTrade Group is the principal in the trading transaction. The BitTrade Group has concluded it is the principal because it controls the cryptocurrencies before delivery to the counterparties, it is primarily responsible for the delivery of the cryptocurrencies to the counterparties, it is exposed to risks arising from fluctuations of the market price and inventory risk of cryptocurrencies before delivery to counterparties and has discretion in setting prices charged to counterparties.

(ii) *Commission fee income from provision of cryptocurrency trading service*

The BitTrade Group provides automated cryptocurrencies trading services through its online trading platforms to its customers. Under the arrangements, customers trade among themselves on the platforms where the BitTrade Group merely provides facilitation services to match their trades. Commission fees are derived by calculating a fixed mark-up percentage on each trade transaction amount and are recognised at the time when each trade transaction is completed. Customers are generally required to prefund their accounts prior to purchase cryptocurrency in BitTrade Group's trading platforms.

(iii) *Income from provision of provision of technology solution service*

Revenue from rendering of service is recognised at a point in time when the service obligation is satisfied for one-time service. The normal credit period is 30 days upon rendered service.

(iv) *Listing fee income*

The BitTrade Group provides listing services to cryptocurrency issuers for listing their cryptocurrencies on the BitTrade Group's cryptocurrency trading platform. Listing fee income is recognised at the time when completed application to relevant authorities and successfully listed on its own trading platform. Payments are received in advance by installments in accordance to the completion of milestones as specified in the

agreements. The BitTrade Group has no enforceable right to payment for performance completed to date. A contract liability is recognised for receipt in advance for listing service in which revenue has yet been recognised.

(v) *Handling fee income*

The BitTrade Group charges handling fees from customers when withdrawing fiat currency or cryptocurrencies from wallet. Handling fee income is recognised at point in time upon withdrawal is completed and charged from the amount of withdrawal.

(vi) *Interest income*

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

## 2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment net of expected residual value over their estimated useful lives, using the straight-line, at the following rates per annum:

Leasehold improvement	5–10 years or over the lease terms, whichever shorter
Tools, furniture and fixtures	3–5 years
Computer software	5 years

The estimated useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of the reporting period.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the BitTrade Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

## 2.6 Financial instruments

(i) *Financial assets*

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the BitTrade Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

*Debt instruments*

Subsequent measurement of debt instruments depends on the BitTrade Group's business model for managing the asset and the cash flow characteristics of the asset. The measurement categories into which the BitTrade Group classifies its debt instruments are as follows:

**Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

**FVTPL:** Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

**(ii) *Impairment loss on financial assets***

The BitTrade Group recognises loss allowances for expected credit loss ("ECL") on trade and other receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases:

- (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and
- (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the BitTrade Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the BitTrade Group in accordance with the contract and all the cash flows that the BitTrade Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The BitTrade Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The BitTrade Group has established a provision matrix that is based on the BitTrade Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the BitTrade Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the BitTrade Group's historical experience and informed credit assessment and including forward-looking information.

The BitTrade Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The BitTrade Group considers a financial asset to be credit-impaired when: (1) the debtor is unlikely to pay its credit obligations to the BitTrade Group in full, without recourse by the BitTrade Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

#### *Write-off*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the BitTrade Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the BitTrade Group's procedures for recovery of amounts due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

#### **(iii) *Financial liabilities***

The BitTrade Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

#### *Financial liabilities at FVTPL*

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.



Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

*Financial liabilities at amortised cost*

Financial liabilities at amortised cost including trade and other payables, amounts due to related companies and loan from a related company, and lease liabilities are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

**(iv) *Effective interest method***

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

**(v) *Equity instruments***

Equity instruments issued by The BitTrade Group are recorded at the proceeds received, net of direct issue costs.

**(vi) *Derecognition***

The BitTrade Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the BitTrade Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

## **2.7 Redeemable capital contributions**

The BitTrade Group entered into two share subscription agreements with two independent investors, pursuant to which, these investors agreed to make cash investments to the Company to subscribe the shares of the BitTrade Group.

Capital contributions are classified as financial liabilities or equity in accordance with the substance of the share subscription agreements and the definitions of a financial liability and an equity instrument.

Capital contributions are classified as equity if they are non-redeemable by the BitTrade Group or redeemable only at the Company's option. Dividends on redeemable capital contributions classified as equity are recognised as distributions within equity.

The BitTrade Group recognised the financial instruments issued to investors as financial liabilities, because not all triggering events mentioned in the share subscription agreements are within the control of the BitTrade Group and these financial instruments did not meet the definition of equity for the BitTrade Group. The financial liabilities are measured at the higher amount expected to be paid to the investors upon redemption or liquidation, on a present value basis, which is assumed to be at the dates of issuance and at the end of each reporting period. Any changes in the carrying amount of the financial liabilities would be recorded in "Changes in carrying amount of redeemable capital contributions".

Redeemable capital contribution are classified as non-current liabilities or current liabilities depending on whether the investors can demand the Company to redeem the shares at least 12 months after the end of the reporting period or not.

## **2.8 Derivatives**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

The BitTrade Group's forward exchange derivative contracts are held for trading and have been settled on a daily basis. Changes in the fair value of any derivative are recognised immediately in profit or loss and included in "other income and gain/(loss), net". Trading derivatives are classified as a current asset or liability.

## **2.9 Cryptocurrency payables to customers at FVTPL/Other borrowings at FVTPL**

Cryptocurrencies borrowed from counterparties are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at fair value of relevant cryptocurrencies borrowed, which align with the fact that cryptocurrencies inventories are non-financial assets measured at fair value less costs to sell.

## **2.10 Cryptocurrencies**

The BitTrade Group trades cryptocurrencies, by purchasing cryptocurrencies with a view to their resale in the near future, and generating a profit from fluctuations in the prices, the BitTrade Group applies the guidance in HKAS 2 for commodity broker-traders and measures the cryptocurrencies at fair value less costs to sell. The BitTrade Group considers that there are no significant "costs to sell" the virtual assets and hence the measurement of virtual assets is based on their fair values with changes in fair values recognised in profit or loss in the period of the changes.

## **2.11 Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the BitTrade Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash in hand, at banks, other financial institutions and other cryptocurrencies trading platforms, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

## 2.12 Provisions and contingent liabilities

Provisions are recognised when the BitTrade Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle that obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

## 2.13 Impairment of assets (other than financial assets)

At the end of the reporting period, the BitTrade Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount unless the relevant asset is carried at a revalued amount under the BitTrade Group's accounting policy. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflect current market assessment of time value of money and the risk specific to the asset. An impairment loss is recognised as an expense immediately.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately.

## 2.14 Taxation

Taxation represents the sum of the tax paid or currently payable and deferred tax. The tax currently paid and payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred income tax is provided on temporary differences arising on interests in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the BitTrade Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

## 2.15 Leases

### *The BitTrade Group as a lessee*

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The BitTrade Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on a straight-line basis over the lease term.

### *Right-of-use asset*

The right-of-use asset initially recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The BitTrade Group measures the right-of-use assets applying the cost model. Under the cost model, the BitTrade Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. The right-of-use asset is depreciated over the shorter of the asset's estimated useful life and the lease term on a straight-line basis.

### *Lease liability*

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the BitTrade Group uses the BitTrade Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the BitTrade Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

**2.16 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax from the proceeds.

**2.17 Retirement benefits costs**

Payments to the defined contribution retirement plans are charged as expenses when employees have rendered service entitling them to contributions.

The employees of the BitTrade Group which operates in Japan are required to participate in the employee's welfare pension insurance programme operated by the local government institution. Under the programme, the employer and employees are each required to make contributions at rates specified in the rules. The subsidiaries have no further payment obligations once the contributions have been paid. The contributions are charged to profit or loss when they become payable.

**2.18 Related parties**

- (a) A person or a close member of that person's family is related to the BitTrade Group if that person:
  - (i) has control or joint control over the BitTrade Group;
  - (ii) has significant influence over the BitTrade Group; or
  - (iii) is a member of key management personnel of the BitTrade Group or the Target Company's parent.
- (b) An entity is related to the BitTrade Group if any of the following conditions applies:
  - (i) The entity and the BitTrade Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of the employees of the BitTrade Group or an entity related to the BitTrade Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the BitTrade Group or to the BitTrade Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The BitTrade Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### **Accounting for cryptocurrencies**

HKFRSs do not specifically address accounting for cryptocurrencies. Accordingly, for the preparation of the consolidated financial statements, management needs to apply judgement in determining appropriate accounting policies based on the facts and circumstances of the BitTrade Group's holding of cryptocurrencies. The BitTrade Group trades cryptocurrencies in cryptocurrency exchange, by purchasing cryptocurrencies with a view to their resale in the near future, and generating a profit from fluctuations in the prices, the BitTrade Group applies the guidance in HKAS 2 for commodity broker-traders and measures the cryptocurrencies at fair value less costs to sell. The BitTrade Group considers that there are no significant "costs to sell" virtual assets and hence the measurement of virtual assets is based on their fair values with changes in fair values recognized in profit or loss in the period of the changes.

The sale amounts received from counterparties are recorded as revenue on a gross basis and the associated cost as cost of revenues, as the BitTrade Group is the principal in the trading transaction. The BitTrade Group has concluded it is the principal because it controls the cryptocurrencies before delivery to the counterparties, it is primarily responsible for the delivery of the cryptocurrencies to the counterparties, it is exposed to risks arising from fluctuations of the market price and inventory risk of cryptocurrencies before delivery to counterparties, and has discretion in setting prices charged to counterparties.

Furthermore, in determining fair values, management needs to apply judgement to identify the relevant available markets, and to consider accessibility to and activity within those markets in order to identify the principal cryptocurrency markets for the BitTrade Group.

#### **Impairment of property, plant and equipment and right-of-use assets**

Property, plant and equipment and right-of-use assets are assessed at the end of the reporting period to identify indications that they may be impaired. If any such indication exists, the recoverable amount of the assets is estimated. The recoverable amount of the assets is based on value-in-use calculations. These calculations are determined based on cash flow projections with reasonable assumptions that represent management's best estimate of the range of economic conditions over the remaining useful life of the assets. Changes in facts and circumstances may result in revisions to whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future years.



## APPENDIX IIIA ACCOUNTANTS' REPORT OF THE BITTRADE GROUP

### (ii) Information about major customers

The BitTrade Group mainly trade crypto currency with retail customers on its own cryptocurrency exchange. The BitTrade Group had no customer from whom the revenue raised individually accounted for more than 10% of the BitTrade Group's total revenue during the Relevant Periods.

### 5. OTHER INCOME AND GAINS/(LOSSES), NET

	Year ended 31 March			Six months ended	
	2022	2023	2024	30 September 2023	30 September 2024
	JPY'000	JPY'000	JPY'000	JPY'000	JPY'000
				(Unaudited)	
Interest income	121	10	79	11	153
Exchange gains/(losses), net	2,735	1,784	(7,382)	(6,048)	(482)
Income arising from hard forks/airdrop of cryptocurrencies held	46,436	5,544	3,093	3,093	24,746
Sundry income	4,733	2,928	817	139	977
Gains/(losses) on derivatives contracts, net	96,352	199,322	121,312	103,423	(16,766)
Gain on lease modification	—	12,477	—	—	—
	<u>150,377</u>	<u>222,065</u>	<u>117,919</u>	<u>100,618</u>	<u>8,628</u>

### 6. FINANCE COSTS

	Year ended 31 March			Six months ended	
	2022	2023	2024	30 September 2023	30 September 2024
	JPY'000	JPY'000	JPY'000	JPY'000	JPY'000
				(Unaudited)	
Interest expense on other borrowings at FVTPL (note 19)	22,550	73,236	54,296	29,500	33,582
Interest expense on cryptocurrencies payables to customers at FVTPL (note 17(b))	—	1,790	8,817	1,777	3,716
Interest expense on loan from a related company	—	17,534	20,046	10,028	10,000
Interest expense on lease liabilities	2,784	1,834	1,133	727	526
	<u>25,334</u>	<u>94,394</u>	<u>84,292</u>	<u>42,032</u>	<u>47,824</u>



## 7. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is stated after charging the followings:

	Year ended 31 March			Six months ended	
	2022	2023	2024	30 September 2023	30 September 2024
	JPY'000	JPY'000	JPY'000	JPY'000	JPY'000
				(Unaudited)	
<b>(Loss)/profit before income tax is arrived at after charging:</b>					
Advertisement expenses	151,686	98,868	192,749	104,888	114,764
Auditors' remuneration	18,750	21,250	40,500	13,000	19,125
Cost of inventories recognised as expenses — cryptocurrency trading business	4,526,888	4,441,324	14,071,902	5,434,200	7,696,772
Directors' emoluments	79,940	101,410	99,510	50,080	56,200
Depreciation of property, plant and equipment ( <i>note 11</i> )	1,176	875	247	13	147
Depreciation of intangible assets ( <i>note 12</i> )	—	—	7,969	1,123	—
Depreciation of right-of-use assets ( <i>note 21(a)</i> )	—	42,705	—	—	32,455
Short-term lease expenses ( <i>note 21(a)</i> )	1,265	80	—	—	—
System usage and maintenance expenses	42,380	107,635	359,849	143,451	177,030
Provision for impairment loss on property, plant and equipment ( <i>note 11</i> )	1,616	9,725	1,454	—	1,142
Provision for impairment loss on intangible assets ( <i>note 12</i> )	97,520	—	10,880	—	—
Provision for impairment loss on right-of-use assets ( <i>note 21(a)</i> )	22,825	85,409	—	—	100,783
<b>Employee benefit expenses (including directors' emoluments)</b>					
— Staff salaries, allowances and welfare	356,328	295,596	325,255	156,296	171,587
— Provident fund contributions	44,104	33,448	34,791	17,066	20,322
Total staff costs, including directors' emoluments	<u>400,432</u>	<u>329,044</u>	<u>360,046</u>	<u>173,362</u>	<u>191,909</u>

## 8. DIVIDENDS

No dividend was paid or declared by the Target Company during the Relevant Periods.

## 9. DIRECTORS' EMOLUMENTS

(a) The emoluments of the Directors for the Relevant Periods are set out below:

During the Relevant Periods, none of the Directors waived or agreed to waive any emoluments and there were no emoluments paid by the BitTrade Group to any of the Directors as an inducement to join or upon joining the BitTrade Group or as compensation for loss of office.

	Directors' fee <i>JPY'000</i>	Salaries, allowances and other benefits <i>JPY'000</i>	Discretionary bonuses <i>JPY'000</i>	Retirement benefits scheme contribution <i>JPY'000</i>	Total <i>JPY'000</i>
Year ended 31 March 2022	—	79,940	—	4,550	84,490
Year ended 31 March 2023	—	101,410	2,058	5,504	108,972
Year ended 31 March 2024	—	99,510	4,000	5,064	108,574
Period ended 30 September 2023 (unaudited)	—	50,080	—	2,515	52,595
Period ended 30 September 2024	—	56,200	30,000	3,985	90,185

## (b) Five highest paid individuals

Of the five individuals with the highest emoluments in the BitTrade Group, two, three, three, three and three of Directors of the Target Company for the years ended 31 March 2022, 2023 and 2024 and periods ended 30 September 2023 and 30 September 2024 whose emoluments are included in note 9(a) above respectively. The emoluments of the remaining three, two, two, two and two individuals for the years ended 31 March 2022, 2023 and 2024 and periods ended 30 September 2023 and 30 September 2024 are as follows:

	Year ended 31 March			Six months ended	
	2022 <i>JPY'000</i>	2023 <i>JPY'000</i>	2024 <i>JPY'000</i>	30 September 2023 <i>JPY'000</i>	30 September 2024 <i>JPY'000</i>
Salaries, allowances and other benefits	42,255	21,165	21,947	10,884	11,131
Bonus	5,450	4,354	5,486	1,792	3,766
Retirement benefit scheme contribution	5,542	3,664	3,835	1,788	2,032
	<u>53,247</u>	<u>29,183</u>	<u>31,268</u>	<u>14,464</u>	<u>16,929</u>

Their emoluments were within the following bands:

	Year ended 31 March			Six months ended	
	2022	2023	2024	30 September 2023	30 September 2024
	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>
Nil to HK\$1,000,000	1	2	2	2	2
HK\$1,000,001 to HK\$1,500,000	<u>2</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

#### 10. INCOME TAX EXPENSE

Japan corporate income tax has been calculated on the estimated assessable profit for the Relevant Periods at the rates of taxation prevailing in Japan in which the Target Company operates. No provision for Japan corporate income tax has been made for Relevant Periods as the Target Company incurred losses for Relevant Periods.

The domestic statutory tax rate of Japan is 23.2%, 15%, 15%, 15% and 15% of the estimated assessable profits for the years ended 31 March 2022, 2023 and 2024 and periods ended 30 September 2023 and 30 September 2024, respectively.

During the year ended 31 March 2023, the capital reduction (note 23) caused the paid-in capital of the Target Company to be less than JPY100 million, under Japan Corporate Income Tax Law, the Target Company became eligible for a lower tax rate at 15% on the first JPY8 million of assessable profits and 23.2% on the remaining assessable profits.

No provision for Hong Kong Profits Tax has been made for the Relevant Periods as the subsidiaries did not generate any assessable profits arising in Hong Kong during the Relevant Periods.

Hong Kong profits tax is calculated at the rate of 16.5% on the estimated assessable profits for the year, except for the first HK\$2,000,000 of a qualified entity's assessable profit which is calculated at 8.25%.

The reconciliation between income tax expense and accounting loss at applicable tax rates is as follows:

	Year ended 31 March			Six months ended	
	2022	2023	2024	30 September 2023	30 September 2024
	<i>JPY'000</i>	<i>JPY'000</i>	<i>JPY'000</i>	<i>JPY'000</i>	<i>JPY'000</i>
(Loss)/profit before income tax	<u>(512,827)</u>	<u>(468,258)</u>	<u>167,126</u>	<u>(317,573)</u>	<u>(799,455)</u>
Tax calculated at applicable Japan corporate income tax rate	(118,975)	(70,239)	25,069	(47,636)	(119,918)
Tax effect of non-deductible expenses	5,663	13,757	9,413	10,830	1,558
Tax effect of temporary difference not recognised	(5,565)	(6,990)	(15,088)	(4,966)	13,742
Tax effect of different tax rate applicable to subsidiaries operating in the other jurisdiction	—	—	(620)	(262)	(51)
Tax effect of tax losses not recognised	118,877	63,472	—	42,034	104,669
Utilisation of tax losses not previously recognised	<u>—</u>	<u>—</u>	<u>(18,774)</u>	<u>—</u>	<u>—</u>
Income tax expenses	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

## 11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>JPY'000</i>	Furniture, fixtures and equipment <i>JPY'000</i>	Total <i>JPY'000</i>
<b>Cost</b>			
<b>At 1 April 2021</b>	18,663	6,261	24,924
Addition	<u>—</u>	<u>2,792</u>	<u>2,792</u>
<b>At 31 March and 1 April 2022</b>	18,663	9,053	27,716
Addition	8,995	1,605	10,600
Disposals	<u>(18,663)</u>	<u>—</u>	<u>(18,663)</u>
<b>At 31 March and 1 April 2023</b>	8,995	10,658	19,653
Addition	<u>—</u>	<u>1,701</u>	<u>1,701</u>
<b>At 31 March and 1 April 2024</b>	8,995	12,359	21,354
Addition	<u>—</u>	<u>1,289</u>	<u>1,289</u>
<b>At 30 September 2024</b>	<u>8,995</u>	<u>13,648</u>	<u>22,643</u>
<b>Accumulated depreciation</b>			
<b>At 1 April 2021</b>	(2,273)	(3,202)	(5,475)
Provided for the year	<u>—</u>	<u>(1,176)</u>	<u>(1,176)</u>
<b>At 31 March and 1 April 2022</b>	(2,273)	(4,378)	(6,651)
Provided for the year	(414)	(461)	(875)
Reversal upon disposals	<u>2,273</u>	<u>—</u>	<u>2,273</u>
<b>At 31 March and 1 April 2023</b>	(414)	(4,839)	(5,253)
Provided for the year	<u>—</u>	<u>(247)</u>	<u>(247)</u>
<b>At 31 March and 1 April 2024</b>	(414)	(5,086)	(5,500)
Provided for the period	<u>—</u>	<u>(147)</u>	<u>(147)</u>
<b>At 30 September 2024</b>	<u>(414)</u>	<u>(5,233)</u>	<u>(5,647)</u>

	<b>Leasehold improvements</b> <i>JPY'000</i>	<b>Furniture, fixtures and equipment</b> <i>JPY'000</i>	<b>Total</b> <i>JPY'000</i>
<b>Accumulated impairment</b>			
<b>At 1 April 2021</b>	(16,390)	(3,059)	(19,449)
Provided for the year	<u>—</u>	<u>(1,616)</u>	<u>(1,616)</u>
<b>At 31 March and 1 April 2022</b>	(16,390)	(4,675)	(21,065)
Provided for the year	(8,581)	(1,144)	(9,725)
Reversal upon disposals	<u>16,390</u>	<u>—</u>	<u>16,390</u>
<b>At 31 March and 1 April 2023</b>	(8,581)	(5,819)	(14,400)
Provided for the year	<u>—</u>	<u>(1,454)</u>	<u>(1,454)</u>
<b>At 31 March and 1 April 2024</b>	(8,581)	(7,273)	(15,854)
Provided for the period	<u>—</u>	<u>(1,142)</u>	<u>(1,142)</u>
<b>At 30 September 2024</b>	<u>(8,581)</u>	<u>(8,415)</u>	<u>(16,996)</u>
<b>Carrying values</b>			
<b>At 30 September 2024</b>	<u>—</u>	<u>—</u>	<u>—</u>
<b>At 31 March 2024</b>	<u>—</u>	<u>—</u>	<u>—</u>
<b>At 31 March 2023</b>	<u>—</u>	<u>—</u>	<u>—</u>
<b>At 31 March 2022</b>	<u>—</u>	<u>—</u>	<u>—</u>

**Impairment testing of property, plant and equipment, intangible assets and right-of-use assets**

The BitTrade Group recorded loss for the Relevant Periods. The management of the BitTrade Group concluded there was impairment indication for property, plant and equipment, intangible assets (note 12) and right-of-use assets (note 21(a)) and conducted a review of the recoverable amount of the property, plant and equipment, intangible assets and right-of-use assets.

For the purpose of impairment assessment, property, plant and equipment, intangible assets and right-of-use assets that generate cash flows together have been allocated to an individual cash-generating unit ("CGU"), which is the operation of cryptocurrency exchange in Japan.

The recoverable amount of property, plant and equipment, intangible assets and right-of-use assets has been determined based on higher of value-in-use or their fair value less costs of disposal for the Relevant Periods.

As at 31 March 2022, 2023 and 2024 and 30 September 2024, the management assessed that value-in-use for property, plant and equipment, intangible assets and right-of-use assets were nil, with reference to the financial forecast. The recoverable amount used in assessing the impairment loss was the value-in-use, as it is not possible to calculate a reliable estimate of the fair value less costs of disposal of those assets.

Based on the result of the assessment, the management of the BitTrade Group determined that the recoverable amount of the property, plant and equipment was less than the carrying amount. Accordingly, an impairment loss of JPY1,616,000, JPY9,725,000, JPY1,454,000 and JPY1,142,000 on property, plant and equipment has been recognised in profit or loss for the years ended 31 March 2022, 2023 and 2024 and period ended 30 September 2024.

Based on the result of the assessment, the management of the BitTrade Group determined that the recoverable amount of the intangible assets was less than the carrying amount. Accordingly, an impairment loss of JPY97,520,000, Nil, JPY10,880,000 and Nil on intangible assets has been recognised in profit or loss for the years ended 31 March 2022, 2023 and 2024 and period ended 30 September 2024 (note 12).

Based on the result of the assessment, the management of the BitTrade Group determined that the recoverable amount of the right-of-use assets was less than the carrying amount. Accordingly, an impairment loss of JPY22,825,000, JPY85,409,000, Nil and JPY100,783,000 on right-of-use assets has been recognised in profit or loss for the years ended 31 March 2022, 2023 and 2024 and period ended 30 September 2024 (note 21(a)).

## 12. INTANGIBLE ASSETS

	<b>Computer software</b> <i>JPY'000</i>
<b>Cost</b>	
At 1 April 2021	63,600
Addition	<u>97,520</u>
<b>At 31 March and 1 April 2022, 31 March and 1 April 2023</b>	161,120
Addition	18,911
Exchange realignment	<u>290</u>
<b>At 31 March and 1 April 2024 and 30 September 2024</b>	<u><u>180,321</u></u>
<b>Accumulated amortisation</b>	
At 1 April 2021, 31 March and 1 April 2022, 31 March and 1 April 2023	(21,027)
Provided for the year	(7,969)
Exchange realignment	<u>(274)</u>
<b>At 31 March and 1 April 2024 and 30 September 2024</b>	<u><u>(29,270)</u></u>
<b>Accumulated impairment</b>	
At 1 April 2021	(42,573)
Provided for the year ( <i>note 11</i> )	<u>(97,520)</u>
<b>At 31 March and 1 April 2022 and 31 March and 1 April 2023</b>	(140,093)
Provided for the period ( <i>note 11</i> )	(10,880)
Exchange realignment	<u>(78)</u>
<b>At 31 March and 30 September 2024</b>	<u><u>(151,051)</u></u>
<b>Carrying values</b>	
At 30 September 2024	<u><u>—</u></u>
At 31 March 2024	<u><u>—</u></u>
At 31 March 2023	<u><u>—</u></u>
At 31 March 2022	<u><u>—</u></u>

*Note:* Intangible assets mainly represents the software used for the operation of cryptocurrency exchange in Japan. Details of impairment assessments on intangible assets are set out in note 11 to the accountants' report.

## 13. CRYPTOCURRENCIES

	As at 31 March			As at
	2022	2023	2024	30 September
	JPY'000	JPY'000	JPY'000	2024
				JPY'000
<b>Cryptocurrencies:</b>				
Held in own wallets	4,594,556	2,519,758	3,570,251	4,853,746
Held in exchange institutions	<u>2,307,633</u>	<u>343,592</u>	<u>556,091</u>	<u>394,858</u>
	<u>6,902,189</u>	<u>2,863,350</u>	<u>4,126,342</u>	<u>5,248,604</u>
Representing:				
Bitcoin ("BTC")	3,101,646	1,313,220	2,147,161	2,181,382
Ethereum ("ETH")	2,063,718	494,793	915,079	697,726
Tether ("USDT")	757,778	405,290	34,601	22,032
Ripple ("XRP")	408,638	280,380	217,186	226,204
Litecoin ("LTC")	123,067	37,066	20,917	12,868
JasmyCoin ("JASMY")	—	20,717	137,639	171,755
Solar ("SXP")	—	—	32,308	15,047
NEM ("XEM")	34,478	34,915	53,658	19,003
USD Coin ("USDC") (note a)	—	532	61,316	25,750
Bitcoin Cash ("BCH") (note a)	148,014	27,487	28,874	30,146
Others	264,850	246,392	434,852	267,253
Cryptocurrencies to be listed on its own trading platform (note b)	—	2,558	42,751	828,620
Cryptocurrencies to be listed on its own trading platform, refundable and with lock-up period (note c)	<u>—</u>	<u>—</u>	<u>—</u>	<u>750,818</u>
	<u>6,902,189</u>	<u>2,863,350</u>	<u>4,126,342</u>	<u>5,248,604</u>
Analysed for reporting purpose as:				
Non-current assets (note c)	—	—	—	750,818
Current assets	<u>6,902,189</u>	<u>2,863,350</u>	<u>4,126,342</u>	<u>4,497,786</u>
	<u>6,902,189</u>	<u>2,863,350</u>	<u>4,126,342</u>	<u>5,248,604</u>

## Notes:

- (a) As at 30 September 2024, approximately 170,000 USDC and 333.55 BCH with carrying amount of JPY24,318,000 and JPY16,258,000 respectively, were used for crypto staking ranging from 7 days to 84 days (31 March 2022, 2023 and 2024: Nil)
- (b) The cryptocurrencies are received from customers for listing purpose as prepayment for listing fee income and recognised as cryptocurrencies and contract liabilities at FVTPL (note 18) of the BitTrade Group. Those cryptocurrencies are listed on other cryptocurrency trading platforms and are seeking to be listed on the BitTrade Group's cryptocurrency trading platform. The cryptocurrencies and corresponding contract liabilities are measured at fair value based on the fair value of relevant cryptocurrencies. The BitTrade Group is able to utilise such cryptocurrencies for its own economic benefits under the listing service contracts. However, other



than used for settlement of listing expenses incurred for the listing process, it is the BitTrade Group's practice that those cryptocurrencies will not be utilised until the specified cryptocurrencies are listed on its own trading platform or the contract for listing is terminated.

- (c) The cryptocurrencies are received from a customer for listing purpose as prepayment for listing fee income and recognised as cryptocurrencies and contract liabilities at FVTPL (note 18) of the BitTrade Group. The cryptocurrencies are subject to a lock-up period ranging from one to twelve months after the listing date of those cryptocurrencies. If the listing is unsuccessful, they will be refunded to customer.

#### 14. TRADE AND OTHER RECEIVABLES

	As at 31 March		As at 30 September	
	2022	2023	2024	2024
	JPY'000	JPY'000	JPY'000	JPY'000
<b>Fiat currency assets:</b>				
Trade receivables	—	—	179,300	—
Rental and other deposits, prepayments and other receivables	150,697	150,632	159,999	251,704
Other tax recoverables	<u>47,089</u>	<u>32,253</u>	<u>31,781</u>	<u>65,200</u>
	<u>197,786</u>	<u>182,885</u>	<u>371,080</u>	<u>316,904</u>
<b>Cryptocurrency assets:</b>				
Trade receivables at FVTPL	<u>157,418</u>	<u>126,560</u>	<u>471,337</u>	<u>335,078</u>
	<u>355,204</u>	<u>309,445</u>	<u>842,417</u>	<u>651,982</u>
Analysis for reporting purpose as				
Non-current assets	27,914	13,901	13,901	13,901
Current assets	<u>327,290</u>	<u>295,544</u>	<u>828,516</u>	<u>638,081</u>
	<u>355,204</u>	<u>309,445</u>	<u>842,417</u>	<u>651,982</u>

Trade receivables/Trade receivables at FVTPL represent the amounts/cryptocurrencies due from liquidity providers that are considered creditworthy, interest-free with credit terms either 1–3 days after trade date or repayable on demand.

Other customers are generally required to prefund their accounts prior to trade cryptocurrency.

The ageing analysis of the BitTrade Group's trade receivables, based on transaction date, as at 31 March 2022, 2023 and 2024 and 30 September 2024 are as follows:

	As at 31 March			As at
	2022	2023	2024	30 September
	JPY'000	JPY'000	JPY'000	2024
				JPY'000
0–30 days	157,418	126,560	650,637	332,457
31–90 days	—	—	—	2,621
	<u>157,418</u>	<u>126,560</u>	<u>650,637</u>	<u>335,078</u>

Trade receivables that were neither past due nor impaired related to customers for whom there has been no recent history of default. Based on past experience, the Directors of the Target Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit risk.

#### 15. AMOUNTS DUE FROM/TO RELATED COMPANIES

The amounts due from/to related companies are unsecured, interest-free and either repayable on demand or without fixed terms of repayment. The related companies are companies controlled by the ultimate beneficial owners or their close family members who have significant influence over the BitTrade Group through their direct and indirect equity interest in the Company.

The maximum amount outstanding from a related company, Sinohope APAC Limited (formerly known as New Huo APAC Limited), during the year ended 31 March 2023 and 2024 is JPY12,361,000 and JPY12,361,000 respectively.

	As at 31 March			As at
	2022	2023	2024	30 September
	JPY'000	JPY'000	JPY'000	2024
				JPY'000
<b>Amount due from a related company:</b>				
Sinohope APAC Limited	—	12,361	—	—
<b>Amount due to related companies:</b>				
Hainan Lepeng Business Information Consulting Co., Ltd	89,946	89,946	89,946	89,946
Huobi Limited	—	1,000	942	942
Win Techno Inc.	2,213	—	—	—
Sinohope Hong Kong Limited	—	—	2,611	2,470
	<u>92,159</u>	<u>90,946</u>	<u>93,499</u>	<u>93,358</u>

16. CASH AND CASH EQUIVALENTS, AND OTHER DEPOSITS

	As at 31 March			As at
	2022	2023	2024	30 September
	JPY'000	JPY'000	JPY'000	2024
				JPY'000
Cash at banks and in hand	2,313,418	2,048,270	2,005,742	2,081,610
Cash at other cryptocurrencies trading platform	59,178	112	110,232	54,326
Cash at other financial institutions (note (a) and (b))	<u>525,171</u>	<u>725,486</u>	<u>546,805</u>	<u>200,039</u>
	<u>2,897,767</u>	<u>2,773,868</u>	<u>2,662,779</u>	<u>2,335,975</u>

Notes:

- (a) At 31 March 2022, 2023, 2024 and 30 September 2024, the cash held at other financial institutions as security deposits amounted to JPY11,243,000, JPY18,446,000, JPY7,342,000 and JPY6,108,000 respectively for several foreign currency contracts against USD.
- (b) The cash at other financial institutions is held for investment purposes. These balances are not included in cash and cash equivalents of the Group for cash flow purpose in the consolidated statement of cash flows.

17. TRADE AND OTHER PAYABLES

	As at 31 March			As at
	2022	2023	2024	30 September
	JPY'000	JPY'000	JPY'000	2024
				JPY'000
<b>Liabilities in fiat currency:</b>				
Trade payables (note a)	—	1,122	75,549	—
Other tax payables	11,740	950	950	475
Interest payable of loan from a related company	—	17,534	37,580	47,580
Accruals	54,479	49,472	122,919	106,514
Other payables (note b)	<u>78,453</u>	<u>81,391</u>	<u>86,099</u>	<u>123,351</u>
	<u>144,672</u>	<u>150,469</u>	<u>323,097</u>	<u>277,920</u>
<b>Liabilities in cryptocurrency:</b>				
Interest payable of other borrowing at FVTPL from a former fellow subsidiary	15,522	—	—	—
Interest payable of other borrowing at FVTPL from a related company	—	67,187	151,007	152,065
Cryptocurrency payables to customers for lending purpose at FVTPL (note c)	—	3,727	559,621	893,759
Cryptocurrency payables to customers for listing purpose at FVTPL (note d)	<u>—</u>	<u>20,212</u>	<u>34,227</u>	<u>7,080</u>
	<u>15,522</u>	<u>91,126</u>	<u>744,855</u>	<u>1,052,904</u>
	<u>160,194</u>	<u>241,595</u>	<u>1,067,952</u>	<u>1,330,824</u>

Notes:

- (a) At 31 March 2022, 2023, 2024 and 30 September 2024, the aged analysis of trade payables, based on transaction date, are as follows:

	As at 31 March			As at
	2022	2023	2024	30 September
	JPY'000	JPY'000	JPY'000	2024
0–60 days	—	1,122	75,549	—

- (b) Other payables mainly represent the temporary cash receipt in relation to segregated accounts of JPY57,692,000, JPY61,273,000, JPY66,589,000 and JPY100,281,052 as at 31 March 2022, 2023 and 2024 and 30 September 2024 respectively.
- (c) The BitTrade Group entered into several agreements with customers for lending purpose that the customers lend cryptocurrencies to the BitTrade Group at fixed terms for operation purposes. These deposits were unsecured and bore interest rate ranged 3% to 3.6%, 1% to 1.8% and 1% to 6% per annum as at 31 March 2023, 31 March 2024 and 30 September 2024 respectively, with maturity dates of 90 to 120 days, 90 to 360 days and 90 to 360 days as at 31 March 2023, 31 March 2024 and 30 September 2024 respectively.
- (d) The amounts represent the cryptocurrencies received from customers for listing purposes, the amounts are unsecured, interest-free and repayable on demand.

## 18. CONTRACT LIABILITIES

	As at 31 March			As at
	2022	2023	2024	30 September
	JPY'000	JPY'000	JPY'000	2024
<b>Liabilities in fiat currency:</b>				
Contract liabilities arising from listing fee income	—	—	—	100,503
<b>Liabilities in cryptocurrency:</b>				
Contract liabilities at FVTPL arising from listing fee income ( <i>note 13</i> )	—	5,320	135,461	1,673,806
	<u>—</u>	<u>5,320</u>	<u>135,461</u>	<u>1,774,309</u>

The amounts are received from customers for listing purpose as prepayment for listing fee income remain as contract liabilities until they are recognised as revenue when service is rendered to the customers or refunded to the customers. Payments are received in advance by installments, settled by fiat currency, USDT or USDC and cryptocurrencies to be listed on its own trading platform, in accordance to the completion of milestones as specified in the agreements. As at 30 September 2024, the cryptocurrencies with carrying amount of JPY750,818,000 are refundable and are subject to a lock-up period ranging from one to twelve months after the listing date of those cryptocurrencies. If the listing is unsuccessful, they will be refunded to customer.

As at 31 March 2023, 2024 and 30 September 2024, the cryptocurrencies with carrying amount of JPY2,660,000, JPY52,981,000 and JPY836,903,000 and fiat currency of Nil, Nil and JPY50,251,000 respectively are non-refundable and will be recognised as revenue either when cryptocurrencies are listed on its own trading platform or contract for listing is terminated.

## APPENDIX IIIA ACCOUNTANTS' REPORT OF THE BITTRADE GROUP

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied is as below:

	<b>As at 31 March</b>		<b>As at 30 September</b>	
	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2024</b>
	<i>JPY'000</i>	<i>JPY'000</i>	<i>JPY'000</i>	<i>JPY'000</i>
Transaction price in fiat currency	—	—	—	100,503
Transaction price at FVTPL arising from listing fee income	<u>—</u>	<u>10,639</u>	<u>201,137</u>	<u>2,464,746</u>
	<u>—</u>	<u>10,639</u>	<u>201,137</u>	<u>2,565,249</u>

Movements in contract liabilities are as follows:

	<b>Total</b>
	<i>JPY'000</i>
<b>Balance as at 1 April 2022</b>	—
Increase in contract liabilities as a result of receipts in advance on listing fee income	<u>5,320</u>
<b>Balance as at 31 March and 1 April 2023</b>	5,320
Revenue recognised that was included in the contract liability balance at the beginning of the year	(5,320)
Increase in contract liabilities as a result of receipts in advance on listing fee income	<u>135,461</u>
<b>Balance as at 31 March and 1 April 2024</b>	135,461
Revenue recognised that was included in the contract liability balance at the beginning of the period	(52,124)
Increase in contract liabilities as a result of receipts in advance on listing fee income	<u>1,690,972</u>
<b>Balance as at 30 September 2024</b>	<u>1,774,309</u>

The contract liabilities as at 31 March 2023, 31 March 2024 and 30 September 2024, which are expected to be settled within the BitTrade Group's normal operating cycle, are classified as current. The cryptocurrencies to be listed on its own trading platform are subjected to fair value changes upon listing.

## 19. BORROWINGS

	As at 31 March		As at 30 September	
	2022	2023	2024	2024
	JPY'000	JPY'000	JPY'000	JPY'000
<b>Liabilities in cryptocurrency:</b>				
Borrowings (unsecured and repayable on demand) comprise:				
Other borrowings at FVTPL from a former fellow subsidiary	7,626,717	—	—	—
Other borrowings at FVTPL from a related company	—	2,818,715	3,423,403	2,822,173
	<u>7,626,717</u>	<u>2,818,715</u>	<u>3,423,403</u>	<u>2,822,173</u>
<b>Liabilities in fiat currency</b>				
Loan from a related company	—	1,000,000	1,000,000	1,000,000
	<u>7,626,717</u>	<u>3,818,715</u>	<u>4,423,403</u>	<u>3,822,173</u>

**Other borrowings measured at FVTPL from a former fellow subsidiary**

The BitTrade Group entered into several borrowing agreements in several cryptocurrencies with a former fellow subsidiary, Huobi Global Limited (“Huobi Global”). The borrowings were unsecured and bore interest rate at 0.5% per annum, with repayment on demand clause. On 1 October 2022, Huobi Global signed a novation agreement with the Target Company’s then intermediate holding company, Avenir Cayman Holding Limited (formerly known as Huobi Cayman Holding Limited) (“Avenir Cayman”), and transferred the rights and obligations of the borrowings to Avenir Cayman (“Novation”). As such, the borrowings were reclassified as other borrowings at FVTPL from a related company.

Huobi Global ceased to be a fellow subsidiary of the BitTrade Group on 3 October 2022.

**Other borrowings measured at FVTPL from a related company**

Other than the Novation, the BitTrade Group entered into several borrowing agreements in several cryptocurrencies with a then intermediate holding company, Avenir Cayman. The borrowings were unsecured and bore interest rate at 2.0% per annum, with repayment on demand clause. Avenir Cayman ceased to be an intermediate holding company and became a related company of the Target Company on 29 February 2024, in which Mr. Li Lin, a Director of the Company, has beneficial interests.

**Loan from a related company**

On 16 May 2022, the BitTrade Group entered into a loan agreement with a former fellow subsidiary, Huobi Global, amounting to JPY1,000,000,000 for five years from 16 May 2022 to 15 May 2027. The loan agreement is unsecured and bore interest rate at 2% per annum, with repayment on demand clause.

On 1 October 2022, Huobi Global signed a novation agreement with the BitTrade Group’s then intermediate holding company, Avenir Cayman, and transferred the rights and obligations of the loan to Avenir Cayman. Avenir Cayman ceased to be an intermediate holding company and became a related company of the Target Group on 29 February 2024, in which Mr. Li Lin, a Director of the Company, has beneficial interests.

On 13 March 2024, the BitTrade Group entered into a repayment agreement with Avenir Cayman to fully repay other borrowings measured at FVTPL and the loan on or before 31 December 2024. On 1 January 2025, the BitTrade Group and Avenir Cayman mutually agreed to extend the loan from 31 December 2024 to 1 August 2025.

## 20. REDEEMABLE CAPITAL CONTRIBUTIONS

	As at 31 March		As at 30 September	
	2022	2023	2024	2024
	JPY'000	JPY'000	JPY'000	JPY'000
Redeemable capital contributions	<u>999,974</u>	<u>999,974</u>	<u>999,974</u>	<u>999,974</u>

In 2019, the Target Company entered into two share subscription agreements with two independent investors, pursuant to which, these investors agreed to subscribe 2,604,200 shares and 2,604,000 shares of the Company at a cash consideration of JPY500,006,400 and JPY499,968,000 respectively. The investors are entitled to the same voting rights and dividend rights as other shareholders of the Target Company are also the redemption rights.

### Redemption rights

Shares issued by the Target Company specified in the share subscription agreements shall be redeemable by the Target Company or purchased by a third party designated by the Target Company, approved by the investors, upon the occurrence of certain events, with the main conditions being:

- i. Breach of any provisions of investment agreements by the Target Company and fails to be rectified within 30 days upon the investors' request;
- ii. Identification of material untrue or inaccurate representation and warranties made by the Target Company;
- iii. Arranging public listing of the Target Company without shareholders' consent;
- iv. Changes to ultimate controlling shareholder of the Target Company; and
- v. The Target Company cease to carry out business in Japan under the brand name of "Huobi Japan".

As at 31 March 2022 and 31 March 2023, no triggering events were occurred. As at 31 March 2024 and 30 September 2024. The Target Company rebranded "Huobi Japan" to "BitTrade" in May of 2023 which triggers event (v). However, the investors have not exercised their right to request the Target Company or any other parties to redeem the investment within the request period, which has lapsed up to the date when the directors of the Target Company approved the underlying financial statements and the triggering events (i), (ii), (iii) and (iv) were not occurred.

### Presentation and classification

The Target Company recognised the financial instruments issued to investors as financial liabilities, because not all triggering events mentioned in the share subscription agreements are within the control of the Target Company and these financial instruments did not meet the definition of equity for the Target Company under HKFRS.

The financial liabilities are measured at the higher amount expected to be paid to the investors upon redemption, which is assumed to be at the dates of issuance and at the end of each reporting period. Any changes in the carrying amount of the financial liabilities would be recorded in "Changes in carrying amount of redeemable capital contributions".

**Redemption price**

The redemption price of the shares issued in the investments shall equal to the higher of (i) the initial investment costs of the investors and (ii) certain valuation of the Target Company (including recent transfer price of the shares, net asset value per share, fair market value of the shares).

The redeemable capital contributions are measured at the initial investment costs of two investors, which is the higher amount expected to be paid to the investors upon redemption among measurements stated in share subscription agreements.

**21. LEASES**

The BitTrade Group leases certain office properties during relevant periods. The leases run for an initial period of 2 to 3 years without contingent rentals.

Set out below are the carrying amounts of the BitTrade Group's right-of-use assets and lease liabilities and the movements during the relevant periods:

**(a) Right-of-use assets**

	<b>Office properties</b> <i>JPY'000</i>
<b>At 1 April 2021</b>	—
Additions	22,825
Provision for impairment ( <i>Note 11</i> )	<u>(22,825)</u>
<b>At 31 March and 1 April 2022</b>	—
Addition	128,114
Depreciation	(42,705)
Provision for impairment ( <i>Note 11</i> )	<u>(85,409)</u>
<b>At 31 March and 1 April 2023 and 31 March 2024</b>	—
Addition	133,238
Depreciation	(32,455)
Provision for impairment ( <i>Note 11</i> )	<u>(100,783)</u>
<b>At 30 September 2024</b>	<u><u>—</u></u>

The BitTrade Group recognized rental expenses from short-term leases of JPY1,265,000, JPY80,000, Nil, Nil and Nil (note 7) in statements of comprehensive income for the years ended 31 March 2022, 2023 and 2024 and six months ended 30 September 2023 and 2024 respectively.



## (b) Lease liabilities

	<b>Office properties</b> <i>JPY'000</i>
<b>At 1 April 2021</b>	178,773
Additions	22,825
Interest expenses ( <i>note 6</i> )	2,784
Lease payments	<u>(131,305)</u>
<b>At 31 March and 1 April 2022</b>	73,077
Addition	128,114
Interest expenses ( <i>note 6</i> )	1,834
Early termination of lease	(12,477)
Lease payments	<u>(104,572)</u>
<b>At 31 March and 1 April 2023</b>	85,976
Interest expenses ( <i>note 6</i> )	1,133
Lease payments	<u>(65,400)</u>
<b>At 31 March and 1 April 2024</b>	21,709
Addition	133,238
Interest expenses ( <i>note 6</i> )	526
Lease payments	<u>(33,135)</u>
<b>At 30 September 2024</b>	<u><u>122,338</u></u>

	<b>As at 31 March</b>		<b>As at</b> <b>30 September</b>	
	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2024</b>
	<i>JPY'000</i>	<i>JPY'000</i>	<i>JPY'000</i>	<i>JPY'000</i>
<b>Analysed as:</b>				
Current liabilities	71,140	64,267	21,709	66,174
Non-current liabilities	<u>1,937</u>	<u>21,709</u>	<u>—</u>	<u>56,164</u>
	<u><u>73,077</u></u>	<u><u>85,976</u></u>	<u><u>21,709</u></u>	<u><u>122,338</u></u>

Future lease payments are due as follows:

	<b>At 30 September 2024</b>		
	<b>Total minimum</b> <b>lease payments</b>	<b>Interest of the</b> <b>minimum lease</b> <b>payments</b>	<b>Present value of</b> <b>the minimum</b> <b>lease payments</b>
	<i>JPY'000</i>	<i>JPY'000</i>	<i>JPY'000</i>
Within one year	68,016	1,842	66,174
More than one year but not exceeding two years	<u>56,680</u>	<u>516</u>	<u>56,164</u>
<b>Total</b>	<u><u>124,696</u></u>	<u><u>2,358</u></u>	<u><u>122,338</u></u>

	<b>At 31 March 2024</b>		
	<b>Total minimum lease payments</b>	<b>Interest of the minimum lease payments</b>	<b>Present value of the minimum lease payments</b>
	<i>JPY'000</i>	<i>JPY'000</i>	<i>JPY'000</i>
Within one year	<u>21,800</u>	<u>91</u>	<u>21,709</u>
	<b>At 31 March 2023</b>		
	<b>Total minimum lease payments</b>	<b>Interest of the minimum lease payments</b>	<b>Present value of the minimum lease payments</b>
	<i>JPY'000</i>	<i>JPY'000</i>	<i>JPY'000</i>
Within one year	65,400	1,133	64,267
More than one year but not exceeding two years	<u>21,800</u>	<u>91</u>	<u>21,709</u>
Total	<u>87,200</u>	<u>1,224</u>	<u>85,976</u>
	<b>At 31 March 2022</b>		
	<b>Total minimum lease payments</b>	<b>Interest of the minimum lease payments</b>	<b>Present value of the minimum lease payments</b>
	<i>JPY'000</i>	<i>JPY'000</i>	<i>JPY'000</i>
Within one year	71,652	512	71,140
More than one year but not exceeding two years	<u>1,942</u>	<u>5</u>	<u>1,937</u>
Total	<u>73,594</u>	<u>517</u>	<u>73,077</u>

## 22. DEFERRED TAX ASSETS

At 31 March 2022, 2023 and 2024 and 30 September 2024, the BitTrade Group has unused tax losses of approximately JPY1,729,761,000, JPY2,152,910,000, JPY1,450,488,000 and JPY1,158,796,000 available for offset against future profits respectively. At 31 March 2022, 2023 and 2024 and 30 September 2024, no deferred tax asset has been recognized in respect of the unused tax losses due to the unpredictability of future profit streams. The tax losses will expire if they are not utilised to set off against the taxable profits within ten years from the year in which they arose under the current tax legislation in Japan.

## 23. SHARE CAPITAL

	Number of ordinary shares	Amount JPY'000
Authorised		
At 1 April 2021, 31 March 2022, 1 April 2022, 31 March 2023, 1 April 2023, 31 March 2024, 1 April 2024 and 30 September 2024	<u>208,400,000</u>	
Issued and fully paid:		
At 1 April 2021, 31 March 2022, 1 April 2022	67,725,000	2,120,000
Capital reduction ( <i>note</i> )	<u>—</u>	<u>(2,020,000)</u>
At 31 March 2023, 1 April 2023, 31 March 2024 and 30 September 2024	<u>67,725,000</u>	<u>100,000</u>

*Note:* The BitTrade Group completed the capital reduction on 28 February 2023 to reduce the paid up capital from JPY2,120,000,000 to JPY100,000,000. The capital reduction was approved by the shareholders at the extraordinary general meeting held on 28 December 2022 to offset the accumulated losses as at 31 March 2022 with the share capital and capital reserve amounted to JPY1,960,691,000 without change of the number of issued shares.

## 24. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the BitTrade Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the BitTrade Group's consolidated statement of cash flows as cash flows from financing activities.

	Amounts due from/to related companies <i>(note 15)</i> <i>JPY'000</i>	Other borrowings at FVTPL <i>(note 19)</i> <i>JPY'000</i>	Loan from a related company <i>(note 19)</i> <i>JPY'000</i>	Lease liabilities <i>(note 21)</i> <i>JPY'000</i>	Total <i>JPY'000</i>
<b>At 1 April 2021</b>	(41,704)	(10,758,814)	—	(178,773)	(10,979,291)
Proceeds to a related company	66,593	—	—	—	66,593
Repayment of lease liabilities	—	—	—	128,521	128,521
Interest paid on lease liabilities	—	—	—	2,784	2,784
Proceeds from other borrowings at FVTPL	—	(74,240)	—	—	(74,240)
Repayment of other borrowings at FVTPL	—	3,716,819	—	—	3,716,819
Interest paid on other borrowings at FVTPL	—	22,550	—	—	22,550
<b>Total changes from financing cash flows</b>	<u>66,593</u>	<u>3,665,129</u>	<u>—</u>	<u>131,305</u>	<u>3,863,027</u>
Other changes:					
Increase in amounts due to related companies	(117,048)	—	—	—	(117,048)
Fair value losses on other borrowings at FVTPL	—	(510,482)	—	—	(510,482)
Capitalisation of new leases	—	—	—	(22,825)	(22,825)
Interest expenses	—	(22,550)	—	(2,784)	(25,334)
<b>Total other changes</b>	<u>(117,048)</u>	<u>(533,032)</u>	<u>—</u>	<u>(25,609)</u>	<u>(675,689)</u>
<b>At 31 March 2022</b>	<u>(92,159)</u>	<u>(7,626,717)</u>	<u>—</u>	<u>(73,077)</u>	<u>(7,791,953)</u>
<b>At 1 April 2022</b>	(92,159)	(7,626,717)	—	(73,077)	(7,791,953)
Repayment of lease liabilities	—	—	—	102,738	102,738
Interest paid on lease liabilities	—	—	—	1,834	1,834
Interest paid on loan from a related company	—	—	17,534	—	17,534
Proceeds from other borrowings at FVTPL	—	(1,050,631)	—	—	(1,050,631)
Repayment of other borrowings at FVTPL	—	2,360,663	—	—	2,360,663
Interest paid on other borrowings at FVTPL	—	75,026	—	—	75,026
<b>Total changes from financing cash flows</b>	<u>—</u>	<u>1,385,058</u>	<u>17,534</u>	<u>104,572</u>	<u>1,507,164</u>

	Amounts due from/to related companies <i>(note 15)</i> JPY'000	Other borrowings at FVTPL <i>(note 19)</i> JPY'000	Loan from a related company <i>(note 19)</i> JPY'000	Lease liabilities <i>(note 21)</i> JPY'000	Total JPY'000
Other changes:					
Decrease in amounts due to related companies	13,574	—	—	—	13,574
Fair value gains on other borrowings at FVTPL	—	2,497,970	—	—	2,497,970
Capitalisation of new leases	—	—	—	(128,114)	(128,114)
Early termination of leases	—	—	—	12,477	12,477
Loan proceeds from a related company	—	1,000,000	(1,000,000)	—	—
Interest expenses	—	(75,026)	(17,534)	(1,834)	(94,394)
<b>Total other changes</b>	<u>13,574</u>	<u>3,422,944</u>	<u>(1,017,534)</u>	<u>(117,471)</u>	<u>2,301,513</u>
<b>At 31 March and 1 April 2023</b>	(78,585)	(2,818,715)	(1,000,000)	(85,976)	(3,983,276)
Repayment of lease liabilities	—	—	—	64,267	64,267
Interest paid on lease liabilities	—	—	—	1,133	1,133
Interest paid on loan from a related company	—	—	20,046	—	20,046
Repayment of other borrowings at FVTPL	—	1,253,610	—	—	1,253,610
Interest paid on other borrowings at FVTPL	—	63,113	—	—	63,113
<b>Total changes from financing cash flows</b>	<u>—</u>	<u>1,316,723</u>	<u>20,046</u>	<u>65,400</u>	<u>1,402,169</u>
Other changes:					
Increase in amounts due to related companies	(14,914)	—	—	—	(14,914)
Fair value losses on other borrowings at FVTPL	—	(1,858,298)	—	—	(1,858,298)
Interest expenses	—	(63,113)	(20,046)	(1,133)	(84,292)
<b>Total other changes</b>	<u>(14,914)</u>	<u>(1,921,411)</u>	<u>(20,046)</u>	<u>(1,133)</u>	<u>(1,957,504)</u>
<b>At 31 March 2024</b>	<u>(93,499)</u>	<u>(3,423,403)</u>	<u>(1,000,000)</u>	<u>(21,709)</u>	<u>(4,538,611)</u>

	Amounts due from/to related companies (note 15) JPY'000	Other borrowings at FVTPL (note 19) JPY'000	Loan from a related company (note 19) JPY'000	Lease liabilities (note 21) JPY'000	Total JPY'000
<b>At 1 April 2024</b>	(93,499)	(3,423,403)	(1,000,000)	(21,709)	(4,538,611)
Repayment of lease liabilities	—	—	—	32,609	32,609
Interest paid on lease liabilities	—	—	—	526	526
Interest paid on loan from a related company	—	—	10,000	—	10,000
Interest paid on other borrowings at FVTPL	—	37,298	—	—	37,298
<b>Total changes from financing cash flows</b>	<u>—</u>	<u>37,298</u>	<u>10,000</u>	<u>33,135</u>	<u>80,433</u>
Other changes:					
Exchange realignment	141	—	—	—	141
Fair value gains on other borrowings at FVTPL	—	601,230	—	—	601,230
Capitalisation of new leases	—	—	—	(133,238)	(133,238)
Interest expenses	—	(37,298)	(10,000)	(526)	(47,824)
<b>Total other changes</b>	<u>141</u>	<u>563,932</u>	<u>(10,000)</u>	<u>(133,764)</u>	<u>420,309</u>
<b>At 30 September 2024</b>	<u>(93,358)</u>	<u>(2,822,173)</u>	<u>(1,000,000)</u>	<u>(122,338)</u>	<u>(4,037,869)</u>
<b>(Unaudited)</b>					
<b>At 1 April 2023</b>	(78,585)	(2,818,715)	(1,000,000)	(85,976)	(3,983,276)
Repayment of lease liabilities	—	—	—	31,973	31,973
Interest paid on lease liabilities	—	—	—	727	727
Interest paid on loan from a related company	—	—	10,028	—	10,028
Proceeds from other borrowings at FVTPL	—	(197,010)	—	—	(197,010)
Repayment of other borrowings at FVTPL	—	176,275	—	—	176,275
Interest paid on other borrowings at FVTPL	—	31,277	—	—	31,277
<b>Total changes from financing cash flows</b>	<u>—</u>	<u>10,542</u>	<u>10,028</u>	<u>32,700</u>	<u>53,270</u>
Other changes:					
Increase in amounts due to related companies	(75,156)	—	—	—	(75,156)
Reclassification to amounts due from related companies	13,422	—	—	—	13,422
Fair value losses on other borrowings at FVTPL	—	(243,834)	—	—	(243,834)
Interest expenses	—	(31,277)	(10,028)	(727)	(42,032)
<b>Total other changes</b>	<u>(61,734)</u>	<u>(275,111)</u>	<u>(10,028)</u>	<u>(727)</u>	<u>(347,600)</u>
<b>At 30 September 2023</b>	<u>(140,319)</u>	<u>(3,083,284)</u>	<u>(1,000,000)</u>	<u>(54,003)</u>	<u>(4,277,606)</u>

**25. RELATED PARTY TRANSACTIONS**

In addition to the transactions and balances disclosed elsewhere in the accountants' report, the BitTrade Group entered into the following significant transactions with related parties during the Relevant Periods.

	Year ended 31 March			Six months ended	
	2022	2023	2024	30 September 2023	30 September 2024
	JPY'000	JPY'000	JPY'000	JPY'000	JPY'000
Interest expenses of other borrowings at FVTPL from a former fellow subsidiary	22,526	—	—	—	—
Interest expenses of other borrowings at FVTPL from a related company	—	73,236	54,295	29,500	33,581
Interest expenses of loan from a related company	—	17,534	20,046	10,028	10,000
Cloud services expense from related companies	22,759	—	—	—	—
License fee paid to a related company	—	—	2,523	2,487	—
System services fee from a related company	—	—	54,110	54,110	—
Subcontracting fee from a related company	9,626	—	—	—	—
Purchase intangible assets from a related company	80,320	—	—	—	—

Related companies are companies in which Mr. Li Lin, a Director of the Company, has beneficial interests.

The above transactions were conducted on mutually agreed terms.

**26. FINANCIAL RISK AND VIRTUAL ASSET ECOSYSTEM RISK MANAGEMENT AND POLICIES**

The BitTrade Group is exposed to a variety of risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk and virtual asset ecosystem risk. The BitTrade Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the BitTrade Group's financial performance. Risk management is carried out by key management under the policies approved by the Board. The BitTrade Group does not have written risk management policies. However, the Board meets regularly and co-operates closely with key management to identify and evaluate risks and to formulate strategies to manage financial risks.

**Foreign currency risk**

Foreign currency risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The carrying amount of the BitTrade Group's foreign currency denominated monetary items, at the end of the Relevant Periods are as follows:

	As at 31 March		As at 30 September	
	2022	2023	2024	2024
	JPY'000	JPY'000	JPY'000	JPY'000
<b>Assets</b>				
US\$	<u>17,260</u>	<u>12,361</u>	<u>6,363</u>	<u>1,757</u>

The BitTrade Group's exposure to foreign currency risk is mainly in US\$. The following tables detail the BitTrade Group's sensitivity to a 5% strengthening in the functional currencies of the BitTrade Group against the relevant foreign currencies of respective group entities, while all other variables are held constant. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding monetary items denominated in foreign currencies at the year end. For a 5% weakening of the functional currencies of group entities against the relevant foreign currencies, these would be an equal and opposite impact on profit or loss.

	Increase/(decrease) in profit after tax			
	As at 31 March		As at 30 September	
	2022	2023	2024	2024
	JPY'000	JPY'000	JPY'000	JPY'000
US\$	<u>663</u>	<u>525</u>	<u>270</u>	<u>75</u>

The BitTrade Group have transactions denominated in foreign currencies which expose the BitTrade Group to foreign currency risk. The Group manages the foreign currency risk by entering into certain foreign currency contracts closely monitoring the movement of the foreign currency rate.

If there were a 1% appreciate/(depreciate) on USD against JPY with other variables held constant, the value of foreign currency contracts would increase/(decrease) by approximately JPY5,252,000, JPY7,255,000, JPY5,468,000 and JPY2,000,000 as at 31 March 2022, 2023 and 2024 and 30 September 2024 respectively.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the BitTrade Group has no interest-bearing assets and liabilities with floating interest rate, the BitTrade Group's income and operating cash flows are substantially independent of changes in market interest rates.

#### Risk related to cryptocurrencies and related cryptocurrencies business

The fast-developing nature of cryptocurrencies markets including evolving regulations, custody and trading mechanisms, the dependency on information technology integrity and security, as well as valuation and volume volatility all subject the cryptocurrencies and business of the BitTrade Group to unique risks. The Directors consider that such risks and uncertainties are largely related to information technology, safekeeping of cryptocurrencies, fluctuation of asset prices, compliance, and the ever-evolving nature of the markets. As the industry is in a growth stage, The BitTrade Group has been implementing an operational infrastructure to support business development and growth. These initiatives include expanding IT infrastructure and hiring additional management personnel with an emphasis on experience in legal, regulatory, compliance, financial reporting, operations and technology development.



**Price risk of cryptocurrencies**

The BitTrade Group held cryptocurrencies in asset and liabilities, including stablecoins, which are asset-backed with fair values approximate US\$1 per unit with limited price risk.

However, the price risk of stablecoins may not be limited due to the fast-developing nature of crypto markets including evolving regulations, custody and trading mechanisms, as well as valuation and volume volatility.

The change in the price of stablecoins, cryptocurrencies to be listed on the BitTrade Group's own trading platform and other cryptocurrencies held by the BitTrade Group in the principal markets with other variables held constant, the change of fair value of cryptocurrencies are as follows:

	<b>As at 31 March</b>		<b>As at 30 September</b>	
	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2024</b>
	<i>JPY'000</i>	<i>JPY'000</i>	<i>JPY'000</i>	<i>JPY'000</i>
<b>Stablecoins:</b>				
Cryptocurrencies	757,778	405,822	95,917	47,782
Contract liabilities at FVTPL	—	—	(96,765)	(81,612)
Other borrowings at FVTPL	<u>(1,804,441)</u>	<u>(682,113)</u>	<u>(579,214)</u>	<u>(547,265)</u>
	<u>(1,046,663)</u>	<u>(276,291)</u>	<u>(580,062)</u>	<u>(581,095)</u>
 If there were an increase/decrease on the price by:	 10%	 10%	 10%	 10%
 <b>The fair value of stablecoins would (decrease)/increase</b>	 <u>(104,666)</u>	 <u>(27,629)</u>	 <u>(58,006)</u>	 <u>(58,110)</u>
	<b>As at 31 March</b>		<b>As at 30 September</b>	
	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2024</b>
	<i>JPY'000</i>	<i>JPY'000</i>	<i>JPY'000</i>	<i>JPY'000</i>
<b>Other cryptocurrencies:</b>				
Cryptocurrencies	6,144,411	2,454,970	3,987,674	3,621,384
Trade receivables at FVTPL	157,418	126,560	471,337	335,078
Other borrowings at FVTPL	<u>(5,822,276)</u>	<u>(2,136,602)</u>	<u>(2,844,189)</u>	<u>(2,274,908)</u>
	<u>479,553</u>	<u>444,928</u>	<u>1,614,822</u>	<u>1,681,554</u>
 If there were an increase/decrease on the price by:	 35%	 35%	 35%	 50%
 <b>The fair value of other cryptocurrencies would increase/(decrease)</b>	 <u>167,844</u>	 <u>155,725</u>	 <u>565,188</u>	 <u>840,777</u>

	As at 31 March		As at 30 September	
	2022	2023	2024	2024
	JPY'000	JPY'000	JPY'000	JPY'000
<b>Cryptocurrencies to be listed on its own trading platform:</b>				
Cryptocurrencies	—	2,558	42,751	1,579,438
Contract liabilities at FVTPL	—	(5,320)	(38,696)	(1,592,194)
	—	(2,762)	4,055	(12,756)
If there were an increase/decrease on the price by:	90%	90%	90%	90%
<b>The fair value of cryptocurrencies to be listed on its own trading platform would (decrease)/increase</b>				
	—	(2,486)	3,650	(11,480)

The BitTrade Group held customer assets and liabilities on behalf of the customer. Such assets constitute custodial assets and are not accounted for as assets of the BitTrade Group and do not give rise to liabilities to the relevant customers. Accordingly, the BitTrade Group has no price volatility exposure from these holdings.

#### Risks related to safekeeping of cryptocurrencies

The BitTrade Group maintains cryptocurrencies in both “hot” (connected to the Internet) and “cold” (not connected to the Internet) wallets. “Hot” wallets are more susceptible to cyber-attacks or potential theft as they are connected to the public internet. Given the BitTrade Group’s business activities and involvement in cryptocurrency, the risk related to safekeeping may adversely affect the BitTrade Group’s operation and business plan.

To mitigate such risks, the BitTrade Group has implemented a series of internal controls, including but not limited to the implementation of two-factor authentication, segregation of duties, and day-to-day wallet management.

#### Risks related to anti-money laundering

As aforementioned, the BitTrade Group provides cryptocurrencies trading services to its clients and is required to comply with the relevant requirements of the Act on Prevention of Transfer of Criminal Proceeds, the Foreign Exchange and Foreign Trade Act. The risks of failure to comply with such anti-money laundering requirements and consequences of breach may undermine the BitTrade Group’s performance.

Cryptocurrencies are exchangeable directly between parties through decentralised networks that allow anonymous transactions; such as transactions create complex technical challenges with respect to issues such as identification of parties involved and asset ownership.

To mitigate such risks, the BitTrade Group has implemented policies and procedures for Anti-Money Laundering and Know-Your-Customer that are initiated during the client onboarding process and are applied by way of continuous monitoring and reporting. In enhancing these policies and procedures, the BitTrade Group has also considered industry best practice and the recommendations of the Financial Action Task Force. The BitTrade Group restricted non-resident in Japan from setting up account on exchange platform.

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the BitTrade Group. The BitTrade Group's credit risk primarily relates to The BitTrade Group's time deposits and bank balances, trade receivables and other receivables. The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at end of the financial period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position. In order to minimise the risk, the Board closely monitors overdue debts. The recoverable amount of each individual debt is reviewed at each Relevant Periods and adequate allowance for doubtful debts has been made for irrecoverable amounts. In this regard, the Board considers that credit risk associated with the BitTrade Group's trade receivables and other receivables is significantly reduced.

**(i) Bank balances**

The BitTrade Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at reputable banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

**(ii) Trade receivables**

The BitTrade Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9, which permits the use of the lifetime ECL provision for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECLs also incorporate forward-looking information.

As at 31 March 2022, 2023, 2024 and 30 September 2024, trade receivables of JPY157,418,000, JPY126,560,000, JPY471,337,000 and JPY335,078,000 were contributed by 2 major liquidity providers respectively. The BitTrade Group has monitoring procedures to ensure that follow up action is taken to recover overdue debts. The BitTrade Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9, which permits the use of the lifetime ECL provision for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECLs also incorporate forward-looking information. The BitTrade Group actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. In this regard, the directors of the Target Company consider that the BitTrade Group's credit risk is significantly reduced. In addition, the BitTrade Group performs impairment assessment under ECL model on the outstanding balances. The ECL on trade receivables was assessed to be minimal and no provision was made for the Relevant Periods.

**(iii) Other receivables**

The BitTrade Group has adopted general approach to measure ECLs on financial assets included in other receivables, and other financial assets at amortised cost. Under the general approach, The BitTrade Group applies the "3-stage" impairment model for ECLs measurement based on change in credit risk since initial recognition as follows:

- |          |  |
|----------|--|
| Stage 1: | If the credit risk of the financial instrument has not increased significantly since initial recognition, the financial instrument is included in Stage 1.   |
| Stage 2: | If the credit risk of the financial instrument has increased significantly since its initial recognition but is not deemed to be credit-impaired, the financial instrument is included in Stage 2. |
| Stage 3: | If the financial instrument is credit-impaired, the financial instrument is included in Stage 3.   |

The ECLs for financial instruments in Stage 1 are measured at an amount equivalent to 12-month ECLs whereas the ECLs for financial instruments in Stage 2 or Stage 3 are measured at an amount equivalent to lifetime ECLs.

When determining whether the risk of default has increased significantly since initial recognition, the BitTrade Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the BitTrade Group's historical experience and informed credit risk assessment and including forward-looking information.

Having regard to industry practice and relevant regulation, as well as the background and behaviour of the debtors/counterparties, the BitTrade Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due unless the BitTrade Group has reasonable and supportable information that demonstrates otherwise. In addition, the BitTrade Group considers that a financial asset to be in default when: (i) the debtor is unlikely to pay its credit obligations to the BitTrade Group in full, without recourse by the BitTrade Group to actions such as realising security (if any is held); or (ii) the financial asset is more than 90 days past due, unless the BitTrade Group has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate.

At the end of the Relevant Periods, the BitTrade Group assesses whether a financial asset is credit-impaired. A financial asset is considered as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the debtor;
- (b) a breach of contract, such as a default or past due event;
- (c) granting a concession to the debtors that the debtor would not otherwise consider for economic or contractual reasons relating to the debtor's financial difficulty; or
- (d) it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

The BitTrade Group makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience as well as ECL assessment. The Directors believe that there is no material credit risk inherent in The BitTrade Group's outstanding balance of deposits and other receivables. Accordingly, the ECL rate on deposits and other receivables was assessed to be minimal and no provision was recognised for the Relevant Periods.

### **Liquidity risk**

The BitTrade Group's objective is to ensure that adequate funds are available to meet commitments associated with its financial liabilities.

The BitTrade Group manages its liquidity needs by carefully monitoring short-term and long-term cash outflows on a regular basis. The BitTrade Group mainly utilises cash to meet its liquidity requirements for periods up to 30 days. Funding for long-term liquidity needs will be considered when liquidity requirements in the long term are identified.

The table below analyses The BitTrade Group's financial liabilities and cryptocurrencies liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities and cryptocurrencies liabilities and the earliest date The BitTrade Group can be required to pay.

## As at 31 March 2022

	Carrying amount JPY'000	Total contractual undiscounted cash flows JPY'000	Within 1 year or on demand JPY'000	More than 1 years but not Exceeding 2 years JPY'000	More than 2 years but not exceeding 5 years JPY'000	More than 5 years JPY'000
Interest payable of other borrowing at FVTPL from a former fellow subsidiary (note 17)	15,522	15,522	15,522	—	—	—
Other borrowings at FVTPL (note 19)	7,626,717	7,626,717	7,626,717	—	—	—
<b>Non-derivative financial liabilities</b>						
Other payables	90,194	90,194	90,194	—	—	—
Amounts due to related companies	92,159	92,159	92,159	—	—	—
Redeemable capital contributions	999,974	999,974	999,974	—	—	—
Lease liabilities	73,077	73,594	71,652	1,942	—	—
	<u>8,897,643</u>	<u>8,898,160</u>	<u>8,896,218</u>	<u>1,942</u>	<u>—</u>	<u>—</u>

## As at 31 March 2023

	Carrying amount JPY'000	Total contractual undiscounted cash flows JPY'000	Within 1 year or on demand JPY'000	More than 1 years but not Exceeding 2 years JPY'000	More than 2 years but not exceeding 5 years JPY'000	More than 5 years JPY'000
Interest payable of other borrowing at FVTPL from a former fellow subsidiary (note 17)	67,187	67,187	67,187	—	—	—
Customer cryptocurrencies deposits at FVTPL (note 17)	23,939	23,939	23,939	—	—	—
Other borrowings at FVTPL (note 19)	2,818,715	2,818,715	2,818,715	—	—	—
<b>Non-derivative financial liabilities</b>						
Trade and other payables	100,999	100,999	100,999	—	—	—
Amounts due to related companies	90,946	90,946	90,946	—	—	—
Loan from a related company (note 19)	1,000,000	1,000,000	1,000,000	—	—	—
Redeemable capital contributions	999,974	999,974	999,974	—	—	—
Lease liabilities	85,976	87,200	65,400	21,800	—	—
	<u>5,187,736</u>	<u>5,188,960</u>	<u>5,167,160</u>	<u>21,800</u>	<u>—</u>	<u>—</u>

## As at 31 March 2024

	Carrying amount JPY'000	Total contractual undiscounted cash flows JPY'000	Within 1 year or on demand JPY'000	More than 1 years but not Exceeding 2 years JPY'000	More than 2 years but not exceeding 5 years JPY'000	More than 5 years JPY'000
Interest payable of other borrowing at FVTPL from a former fellow subsidiary (note 17)	151,006	151,006	151,006	—	—	—
Customer cryptocurrencies deposits at FVTPL (note 17)	593,848	593,848	593,848	—	—	—
Other borrowings at FVTPL (note 19)	3,423,403	3,423,403	3,423,403	—	—	—
<b>Non-derivative financial liabilities</b>						
Trade and other payables	200,178	200,178	200,178	—	—	—
Amounts due to related companies	93,499	93,499	93,499	—	—	—
Loan from a related company (note 19)	1,000,000	1,000,000	1,000,000	—	—	—
Redeemable capital contribution	999,974	999,974	999,974	—	—	—
Lease liabilities	21,709	21,800	21,800	—	—	—
	<u>6,483,617</u>	<u>6,483,708</u>	<u>6,483,708</u>	<u>—</u>	<u>—</u>	<u>—</u>

## As at 30 September 2024

	Carrying amount JPY'000	Total contractual undiscounted cash flows JPY'000	Within 1 year or on demand JPY'000	More than 1 years but not Exceeding 2 years JPY'000	More than 2 years but not exceeding 5 years JPY'000	More than 5 years JPY'000
Interest payable of other borrowing at FVTPL from a former fellow subsidiary (note 17)	152,065	152,065	152,065	—	—	—
Customer cryptocurrencies deposits at FVTPL (note 17)	900,839	900,839	900,839	—	—	—
Other borrowings at FVTPL (note 19)	2,822,173	2,822,173	2,822,173	—	—	—
<b>Non-derivative financial liabilities</b>						
Other payables	171,406	171,406	171,406	—	—	—
Amounts due to related companies	93,358	93,358	93,358	—	—	—
Loan from a related company (note 19)	1,000,000	1,000,000	1,000,000	—	—	—
Redeemable capital contribution	999,974	999,974	999,974	—	—	—
Lease liabilities	122,338	124,696	68,016	56,680	—	—
	<u>6,262,153</u>	<u>6,264,511</u>	<u>6,207,831</u>	<u>56,680</u>	<u>—</u>	<u>—</u>

**Fair value measurement**

The fair value measurement of the BitTrade Group's financial assets, cryptocurrencies and liabilities utilises market observable inputs and data as far as possible. Input used in determining fair value measurements are categorised into different levels based on how observable inputs used in the valuation technique utilised (the "fair value hierarchy") are:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**(i) Financial instruments not measured at fair value**

Financial instruments not measured at fair value include cash and bank balances, trade and other receivables, amount due from/to related companies, trade and other payables and lease liabilities.

The fair values of the BitTrade Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial assets and liabilities.

The fair values of non-current financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rate available to the BitTrade Group for similar financial instruments.

**(ii) Cryptocurrencies, cryptocurrency payables to customers at FVTPL and other borrowings at FVTPL**

The fair values of the cryptocurrencies, cryptocurrency payables to customers at FVTPL and other borrowings at FVTPL were determined based on quoted market price as at end of reporting period.

**(iii) Information about level 3 fair value measurement — Cryptocurrencies**

The fair values of the cryptocurrencies included in the level 3 category as at the end of the Relevant Periods have been determined by the directors with reference to the valuation performed by an independent professional valuer. The fair value of those cryptocurrencies is determined using the market approach with reference to the quoted price in the cryptocurrency exchanges that is not active for identical assets.

The key input to determine the fair value of the cryptocurrencies included in the level 3 category is the quoted market price and discount for lack of marketability associated with the cryptocurrencies. A higher in the quoted market price would result in an increase in the fair value of those cryptocurrencies, and vice versa. A higher in the discount for lack of marketability would result in a decrease in the fair value of those cryptocurrencies, and vice versa.

**Fair value hierarchy**

The following table provides an analysis of financial instruments measured at fair value by level of fair value hierarchy:

*Assets/liabilities measured at fair value:**Recurring fair value measurement***As at 31 March 2022**

	<b>Quoted prices in active markets for identical assets (Level 1) JPY'000</b>	<b>Significant observable inputs (Level 2) JPY'000</b>	<b>Significant unobservable inputs (Level 3) JPY'000</b>	<b>Total JPY'000</b>
<b>Assets</b>				
Cryptocurrencies	6,902,189	—	—	6,902,189
Trade receivables at FVTPL	157,418	—	—	157,418
	<u>7,059,607</u>	<u>—</u>	<u>—</u>	<u>7,059,607</u>

	<b>Quoted prices in active markets for identical assets (Level 1) JPY'000</b>	<b>Significant observable inputs (Level 2) JPY'000</b>	<b>Significant unobservable inputs (Level 3) JPY'000</b>	<b>Total JPY'000</b>
<b>Liabilities</b>				
Interest payable of other borrowing at FVTPL from a former fellow subsidiary ( <i>note 17</i> )	15,522	—	—	15,522
Other borrowings at FVTPL ( <i>note 19</i> )	7,626,717	—	—	7,626,717
Redeemable capital contributions ( <i>note 20</i> )	—	—	999,974	999,974
	<u>7,642,239</u>	<u>—</u>	<u>999,974</u>	<u>8,642,213</u>

**As at 31 March 2023**

	<b>Quoted prices in active markets for identical assets (Level 1) JPY'000</b>	<b>Significant observable inputs (Level 2) JPY'000</b>	<b>Significant unobservable inputs (Level 3) JPY'000</b>	<b>Total JPY'000</b>
<b>Assets</b>				
Cryptocurrencies	2,863,350	—	—	2,863,350
Trade receivables at FVTPL	126,560	—	—	126,560
	<u>2,989,910</u>	<u>—</u>	<u>—</u>	<u>2,989,910</u>



	Quoted prices in active markets for identical assets (Level 1) JPY'000	Significant observable inputs (Level 2) JPY'000	Significant unobservable inputs (Level 3) JPY'000	Total JPY'000
<b>Liabilities</b>				
Interest payable of other borrowing at FVTPL from a former fellow subsidiary (note 17)	67,187	—	—	67,187
Other borrowings at FVTPL (note 19)	2,818,715	—	—	2,818,715
Cryptocurrency payables to customers for lending purpose at FVTPL (note 17)	3,727	—	—	3,727
Cryptocurrency payables to customers for listing purpose at FVTPL (note 17)	20,212	—	—	20,212
Redeemable capital contributions (note 20)	—	—	999,974	999,974
	<u>2,909,841</u>	<u>—</u>	<u>999,974</u>	<u>3,909,815</u>

**As at 31 March 2024**

	Quoted prices in active markets for identical assets (Level 1) JPY'000	Significant observable inputs (Level 2) JPY'000	Significant unobservable inputs (Level 3) JPY'000	Total JPY'000
<b>Assets</b>				
Cryptocurrencies	4,029,540	—	96,802	4,126,342
Trade receivables	471,337	—	—	471,337
	<u>4,500,877</u>	<u>—</u>	<u>96,802</u>	<u>4,597,679</u>

	Quoted prices in active markets for identical assets (Level 1) JPY'000	Significant observable inputs (Level 2) JPY'000	Significant unobservable inputs (Level 3) JPY'000	Total JPY'000
<b>Liabilities</b>				
Interest payable of other borrowing at FVTPL from a former fellow subsidiary (note 17)	151,006	—	—	151,006
Other borrowings at FVTPL (note 19)	3,423,403	—	—	3,423,403
Cryptocurrency payables to customers for lending purpose at FVTPL (note 17)	559,621	—	—	559,621
Cryptocurrency payables to customers for listing purpose at FVTPL (note 17)	34,227	—	—	34,227
Redeemable capital contributions (note 20)	—	—	999,974	999,974
	<u>4,168,257</u>	<u>—</u>	<u>999,974</u>	<u>5,168,231</u>

As at 30 September 2024

	Quoted prices in active markets for identical assets (Level 1) <i>JPY'000</i>	Significant observable inputs (Level 2) <i>JPY'000</i>	Significant unobservable inputs (Level 3) <i>JPY'000</i>	Total <i>JPY'000</i>
<b>Assets</b>				
Cryptocurrencies	3,398,159	—	1,850,445	5,248,604
Trade receivables at FVTPL	<u>335,078</u>	<u>—</u>	<u>—</u>	<u>335,078</u>
	<u>3,733,237</u>	<u>—</u>	<u>1,850,445</u>	<u>5,583,682</u>
	Quoted prices in active markets for identical assets (Level 1) <i>JPY'000</i>	Significant observable inputs (Level 2) <i>JPY'000</i>	Significant unobservable inputs (Level 3) <i>JPY'000</i>	Total <i>JPY'000</i>
<b>Liabilities</b>				
Interest payable of other borrowing at FVTPL from a former fellow subsidiary ( <i>note 17</i> )	152,065	—	—	152,065
Other borrowings at FVTPL ( <i>note 19</i> )	2,822,173	—	—	2,822,173
Cryptocurrency payables to customers for lending purpose at FVTPL ( <i>note 17</i> )	893,759	—	—	893,759
Cryptocurrency payables to customers for listing purpose at FVTPL ( <i>note 17</i> )	7,080	—	—	7,080
Redeemable capital contributions ( <i>note 20</i> )	<u>—</u>	<u>—</u>	<u>999,974</u>	<u>999,974</u>
	<u>3,875,077</u>	<u>—</u>	<u>999,974</u>	<u>4,875,051</u>

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy

	Redeemable capital contributions <i>JPY'000</i> ( <i>note</i> )	Cryptocurrencies <i>JPY'000</i>
At 1 April 2022, 31 March 2023 and 1 April 2023	(999,974)	—
Additions	<u>—</u>	<u>96,802</u>
At 31 March 2024 and 1 April 2024	(999,974)	96,802
Additions	<u>—</u>	<u>1,622,824</u>
Net gain from fair value adjustment, recognised in profit or loss	<u>—</u>	<u>130,819</u>
At 30 September 2024	<u>(999,974)</u>	<u>1,850,445</u>

There was no transfer under the fair value hierarchy classification during the Relevant Periods.

The redeemable capital contributions are measured at the initial investment costs of two investors, which is the maximum exposure to the Group and the higher amount expected to be paid to the investors upon redemption among measurements in accordance with the share subscription agreements.

#### Information of level 3 fair value measurements

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis:

##### As at 30 September 2024

	Valuation technique	Significant unobservable Inputs	Range	Sensitivity of fair value to the inputs
Cryptocurrencies	Market approach adopted. The value is based on market value of the cryptocurrency.	Lack of marketability discount	0–7.1%	1% increase in lack of marketability discount would result in decrease in fair value by JPY31,362,000
		Market value	JPY0.023 to JPY250.67	1% increase in market value would result in increase in fair value by JPY15,188,000

##### As at 31 March 2024

	Valuation technique	Significant unobservable Inputs	Range	Sensitivity of fair value to the inputs
Cryptocurrencies	Market approach adopted. The value is based on market value of the cryptocurrency.	Lack of marketability discount	—	1% increase in lack of marketability discount would result in decrease in fair value by JPY631,000
		Market value	JPY0.0008683 to JPY750.1	1% increase in market value would result in increase in fair value by JPY631,000

**Summary of financial assets and liabilities by category**

The carrying amounts of financial assets and liabilities presented in the consolidated statement of financial position relate to the following categories:

*Financial assets:*

	As at 31 March		As at 30 September	
	2022	2023	2024	2024
	JPY'000	JPY'000	JPY'000	JPY'000
<b>Financial assets measured at fair value:</b>				
Trade receivables (Liabilities in cryptocurrency)	157,418	126,560	471,337	335,078
<b>Financial assets measured at amortised cost:</b>				
Trade and other receivables ( <i>note</i> )	174,686	177,651	362,833	299,666
Amounts due from related companies	—	12,361	—	—
Cash and cash equivalents	2,897,767	2,773,868	2,662,779	2,335,975
	<u>3,072,453</u>	<u>2,963,880</u>	<u>3,025,612</u>	<u>2,635,641</u>
	<u>3,229,871</u>	<u>3,090,440</u>	<u>3,496,949</u>	<u>2,970,719</u>

*Note:* Excluded from trade and other receivables as disclosed in the consolidated statement of financial position of JPY23,101,000, JPY5,233,000, JPY8,246,000 and JPY17,237,000 representing prepayments for the years ended 31 March 2022, 2023 and 2024 and period ended 30 September 2024 respectively.

*Financial liabilities:*

	As at 31 March		As at	
	2022	2023	2024	30 September
	JPY'000	JPY'000	JPY'000	2024
				JPY'000
<b>Financial liabilities measured at fair value:</b>				
Trade and other payables (Liabilities in cryptocurrency)	15,522	91,126	744,855	1,052,904
Other borrowings at FVTPL from a former fellow subsidiary	7,626,717	—	—	—
Other borrowings at FVTPL from a related company	—	2,818,715	3,423,403	2,822,173
Redeemable capital contributions ( <i>note 20</i> )	999,974	999,974	999,974	999,974
	<u>8,642,213</u>	<u>3,909,815</u>	<u>5,168,232</u>	<u>4,875,051</u>
<b>Financial liabilities measured at amortised cost:</b>				
Trade and other payables	90,194	100,999	200,178	171,406
Amounts due to related companies	92,159	90,946	93,499	93,358
Loan from a related company ( <i>note 19</i> )	—	1,000,000	1,000,000	1,000,000
Lease liabilities ( <i>note 21(b)</i> )	73,077	85,976	21,709	122,338
	<u>255,430</u>	<u>1,277,921</u>	<u>1,315,386</u>	<u>1,387,102</u>
	<u>8,897,643</u>	<u>5,187,736</u>	<u>6,483,618</u>	<u>6,262,153</u>

*Note:* Included in trade and other payables as presented in the consolidated statement of financial position of JPY54,478,000, JPY49,471,000, JPY122,919,000 and JPY106,514,000 representing accruals for the years ended 31 March 2022, 2023 and 2024 and period ended 30 September 2024 respectively, these balances have not been included in the amounts presented above.

**27. CAPITAL MANAGEMENT POLICIES AND RISK**

The BitTrade Group's objectives are: to provide returns for its shareholders; to safeguard the BitTrade Group's ability to continue as a going concern so that it continues to provide returns and benefits for its stakeholders; to support the BitTrade Group's stability and growth; and to provide capital for the purpose of strengthening the BitTrade Group's risk management capability.

In order to maintain or adjust the capital structure, the BitTrade Group may adjust the amount of dividend paid to shareholders, return capital to its shareholders and issue new shares to reduce its debt level.

Consistent with other industries, the BitTrade Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total interest-bearing other borrowings less cash and bank balances. Total capital represents total equity, as shown in the consolidated statement of financial position.

	As at 31 March		As at	
	2022	2023	2024	30 September
	JPY'000	JPY'000	JPY'000	2024
				JPY'000
Total net debt	4,728,950	1,044,847	1,760,624	1,486,198
Total capital	<u>1,180,258</u>	<u>712,000</u>	<u>885,032</u>	<u>89,086</u>

The Target Company is required by the Japan Financial Instruments and Exchange Act to maintain a capital adequacy ratio of 120%.

In view of the BitTrade Group's excess of current liabilities over current assets, the BitTrade Group's directors are of the opinion that the BitTrade Group will be able to finance its future financing requirements and working capital as a related company, Avenir Cayman, agreed that they would further extend the repayment of other borrowings measured at FVTPL and the loan from them with aggregate amounts of JPY3,822,173,000 until the Target Group has excess cash to repay and enable it to meet its liabilities as and when they fall due for at least the next twelve months from the end of the Relevant Periods.

There was no change in the BitTrade Group's approach to capital management during the Relevant Periods.

## 28. STATEMENT OF FINANCIAL POSITION OF THE TARGET COMPANY

Information about the statement of financial position of the Target Company at the end of the reporting periods is as follows:

	Notes	As at 31 March		As at 30 September	
		2022 JPY'000	2023 JPY'000	2024 JPY'000	2024 JPY'000
<b>ASSETS AND LIABILITIES</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11	—	—	—	—
Intangible assets	12	—	—	—	—
Right-of-use assets	20	—	—	—	—
Investment in subsidiaries		—	—	126,436	556,879
Cryptocurrencies	13	—	—	—	750,818
Deposits	14	<u>27,914</u>	<u>13,901</u>	<u>13,901</u>	<u>13,901</u>
		<u>27,914</u>	<u>13,901</u>	<u>140,337</u>	<u>1,321,598</u>
<b>Current assets</b>					
Cryptocurrencies	13	6,902,189	2,863,350	4,126,342	4,497,786
Trade, other receivables and prepayments	14	327,290	295,544	828,739	638,487
Amount due from a subsidiary		—	—	31,302	26,432
Amounts due from related companies	15	—	12,361	—	—
Cash and cash equivalents, and other deposits	16	<u>2,897,767</u>	<u>2,773,868</u>	<u>2,656,256</u>	<u>2,334,173</u>
		<u>10,127,246</u>	<u>5,945,123</u>	<u>7,642,639</u>	<u>7,496,878</u>
<b>Current liabilities</b>					
Trade and other payables	17	160,194	241,595	1,067,952	1,330,825
Contract liabilities	18	—	5,320	135,461	1,774,309
Amounts due to related companies	15	92,159	90,946	90,888	90,888
Borrowings	19	7,626,717	3,818,715	4,577,476	4,414,845
Redeemable capital contribution	20	999,974	999,974	999,974	999,974
Lease liabilities	21	<u>71,140</u>	<u>64,267</u>	<u>21,709</u>	<u>66,174</u>
		<u>8,950,184</u>	<u>5,220,817</u>	<u>6,893,460</u>	<u>8,677,015</u>
<b>Net current assets/(liabilities)</b>		<u>1,177,062</u>	<u>724,306</u>	<u>749,179</u>	<u>(1,180,137)</u>
<b>Total assets less current liabilities</b>		<u>1,204,976</u>	<u>738,207</u>	<u>889,516</u>	<u>141,461</u>

	Notes	As at 31 March			As at
		2022	2023	2024	30 September
		JPY'000	JPY'000	JPY'000	2024
					JPY'000
<b>Non-current liabilities</b>					
Provisions for reinstatement cost		22,781	4,498	4,498	4,499
Lease liabilities	21	<u>1,937</u>	<u>21,709</u>	<u>—</u>	<u>56,164</u>
		<u>24,718</u>	<u>26,207</u>	<u>4,498</u>	<u>60,663</u>
<b>Net assets</b>		<u><u>1,180,258</u></u>	<u><u>712,000</u></u>	<u><u>885,018</u></u>	<u><u>80,798</u></u>
<b>EQUITY</b>					
Share capital	23	2,120,000	100,000	100,000	100,000
Reserves/(deficits)		<u>(939,742)</u>	<u>612,000</u>	<u>785,018</u>	<u>(19,202)</u>
<b>Total equity</b>		<u><u>1,180,258</u></u>	<u><u>712,000</u></u>	<u><u>885,018</u></u>	<u><u>80,798</u></u>

A summary of the Target Company's reserves/(deficits) is as follows:

	Redeemable capital contributions	Capital reserve	Accumulated losses	Total
	JPY'000	JPY'000	JPY'000	JPY'000
<b>At 1 April 2021</b>	(999,974)	2,210,925	(1,637,866)	(426,915)
Loss and total comprehensive loss for the year	<u>—</u>	<u>—</u>	<u>(512,827)</u>	<u>(512,827)</u>
<b>At 31 March and 1 April 2022</b>	(999,974)	2,210,925	(2,150,693)	(939,742)
Capital reduction (note 23)	<u>—</u>	<u>59,309</u>	<u>1,960,691</u>	<u>2,020,000</u>
Loss and total comprehensive loss for the year	<u>—</u>	<u>—</u>	<u>(468,258)</u>	<u>(468,258)</u>
<b>At 31 March and 1 April 2023</b>	(999,974)	2,270,234	(658,260)	612,000
Profit and total comprehensive income for the years	<u>—</u>	<u>—</u>	<u>173,018</u>	<u>173,018</u>
<b>At 31 March and 1 April 2024</b>	(999,974)	2,270,234	(485,242)	785,018
Loss and total comprehensive loss for the period	<u>—</u>	<u>—</u>	<u>(804,220)</u>	<u>(804,220)</u>
<b>At 30 September 2024</b>	<u><u>(999,974)</u></u>	<u><u>2,270,234</u></u>	<u><u>(1,289,462)</u></u>	<u><u>(19,202)</u></u>

**29. CUSTOMER ASSETS AND LIABILITIES**

The breakdown of customer assets and liabilities held on behalf of the customers, which are not recognised as assets and liabilities in the consolidated financial statements of the BitTrade Group, as below:

	As at 31 March		As at 30 September	
	2022	2023	2024	2024
	JPY'000	JPY'000	JPY'000	JPY'000
<b>Customer assets</b>				
Customer cryptocurrencies in cold wallet	3,918,047	3,411,528	6,114,860	5,089,198
Custodial funds in trust account (note)	<u>1,052,350</u>	<u>827,805</u>	<u>1,740,325</u>	<u>1,096,345</u>
	<u>4,970,397</u>	<u>4,239,333</u>	<u>7,855,185</u>	<u>6,185,543</u>
<b>Customer liabilities</b>				
Customer cryptocurrencies liabilities	3,918,047	3,411,528	6,114,860	5,089,198
Customer custodial cash liabilities	<u>1,052,350</u>	<u>827,805</u>	<u>1,740,325</u>	<u>1,096,345</u>
	<u>4,970,397</u>	<u>4,239,333</u>	<u>7,855,185</u>	<u>6,185,543</u>

*Note:* The Japan jurisdiction requires the BitTrade Group to hold the customer custodial cash in trust account, equal to at least 100% of the aggregate amount of all customer custodial cash liabilities within two business days and hold the customer cryptocurrencies in cold wallet equal to at least 100% of the aggregate amount of all customer custodial cryptocurrencies liabilities.

Custodial funds in trust/client accounts are cash held by the BitTrade Group in trust/separated accounts on behalf of the customers. The use of cash held on behalf of customers is restricted and governed by the Japan Virtual and Crypto Assets Exchange Association.

**30. EVENTS AFTER REPORTING DATE**

Save as disclosed in Note 1 and elsewhere in this report, there is no other material event undertaken by the Target Company or the BitTrade Group after 30 September 2024.

**31. OUTSTANDING/POTENTIAL LITIGATION****Litigation claim in Japan**

During the period ended 30 September 2024, there was a litigation claim in Japan. Litigation was initiated by a plaintiff against Target Company to seek damages for the external transfer of cryptocurrency conducted by Target Company which is not under plaintiff's instructions. The plaintiff is seeking returns of deposit of approximately JPY16,700,000 and filed a lawsuit on 12 June 2024. Pursuant to a court session dated 3 December 2024, both plaintiff and the Target Company are required to provide supplementary evidence for further proceedings. The plaintiff had withdrawn the litigation claim subsequently on 12 February 2025.

The directors of the Target Company are of the opinion that the Target Company has no potential litigation to withdrawn claim, no provision for the litigation claim has been provided in the consolidated statement of financial statement as at 30 September 2024.



Set out below is the management discussion and analysis of the Group for each of the three years ended 30 September 2022, 2023 and 2024, as extracted from the relevant sections in the annual reports of the Company for each of the three years ended 30 September 2022, 2023 and 2024 respectively. The extracted information below were prepared prior to the date of this circular and represents the opinions and beliefs made by the then Directors at such time when the relevant reports were issued.

## **FOR THE YEAR ENDED 30 SEPTEMBER 2022**

### **BUSINESS OVERVIEW**

Tightened monetary policies and black swan events in the industry have expedited the start of a harsh winter for cryptocurrencies and the exit of some overexpanding companies. However, from another perspective, only high-quality companies can survive in the storms and be positioned for the next stage.

Although the increasing external uncertainties put pressure on the Group's business operations, during the Reporting Period, the Group adjusted its business strategy in a timely manner, actively integrated resources and exercised cost control and efficiency enhancement measures to ensure the orderly and stable operation of the Group.

During the Year, leveraging on its advantages in compliance, the Group continued to promote its diversified business development with the comprehensive layout of "all-in-one digital assets services platform". During the period, we signed strategic cooperation agreements with a number of traditional institutions to demonstrate our professional and diversified service advantages.

During the reporting period, the Company's license application made progress. Its subsidiary successively obtained the Money Services Business (MSB) Registration issued by the Financial Crimes Enforcement Network (FinCEN) of the United States, and the Money Services Business (MSB) Registration issued by the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) of Canada. After obtaining such licenses, the Company's business can conduct regulated activities such as foreign exchange and currency transfer throughout the United States and Canada, which is another important milestone of the Company's business globalization and compliance expansion. As of the date of the annual report for the year ended 30 September 2022, the Company and its subsidiaries have successfully obtained the licenses to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance and have been authorized to manage the investment portfolio of 100% virtual assets. The Company has been registered as a trust company in Hong Kong and obtained the license as a trust or company service provider.

In addition, being a leader in the industry, in addition to the compliance management of its own business, the Group also actively works together with industry participants to boost the confidence of investors and regulators in virtual assets. During the reporting period, the Company

joined hands with global leading enterprises in the industry to establish a crypto market integrity alliance, aiming to combat market abuse and manipulation, and create a fair digital asset market environment.

## **PERFORMANCE REVIEW**

### **Revenue, gross profit and net profit/loss**

The Group recorded a total revenue of approximately HK\$9,452.9 million for the year ended 30 September 2022 (“Year 2022”), representing a significant increase of approximately 1,447.8% or HK\$8,842.2 million from approximately HK\$610.7 million for the year ended 30 September 2021 (“Year 2021”).

The gross profit of the Group was approximately HK\$184.7 million for Year 2022, representing a decrease of approximately 39% or approximately HK\$117.9 million from approximately HK\$302.6 million for Year 2021.

The Group recorded a net loss of approximately HK\$206.5 million for Year 2022 compared to the net profit of approximately HK\$141.5 million for Year 2021.

Basic loss per share of the Group for Year 2022 was HK64.7913 cents (Year 2021: basic earnings per share of HK46.0276 cents).

### **Other income**

Other income, which mainly includes net gain on derivative of approximately HK\$8.2 million and sundry income of approximately HK\$9.7 million, has decreased by approximately HK\$2.4 million from approximately HK\$28.7 million for Year 2021 to approximately HK\$26.3 million for Year 2022.

### **Administrative expenses**

Administrative expenses have increased by approximately HK\$205.9 million or approximately 160.4% from approximately HK\$128.4 million for Year 2021 to approximately HK\$334.3 million for Year 2022. The administrative expenses mainly consist of (1) employee benefit expenses of approximately HK\$215.9 million; and (2) the one-off provision of re-location and restructuring cost of factory in relation to the contract manufacturing one-off business of approximately HK\$36.5 million.

### **Finance costs**

Finance costs have increased by approximately HK\$5.3 million or approximately 38.7% from approximately HK\$13.7 million for Year 2021 to approximately HK\$19.0 million for Year 2022, which were in line with the increase in level of borrowings in the Group for the comparable period.

**(Loss)/profit before income tax**

The Group's loss before income tax for Year 2022 was approximately HK\$196.4 million as compared to the profit before income tax of approximately HK\$181.5 million for Year 2021. The turnaround from profit to loss before income tax was due to (i) an increase in administrative expenses attributed to an increase in the staff cost of high calibre personnel and related professional service fees as the Company applied for virtual asset and finance related licenses in major markets around the world; (ii) an increase in the expenses for the development of new business of the Company; and (iii) the provision of re-location and restructuring cost of factory in relation to the contract manufacturing business.

**Income tax expense**

Income tax expense decreased from approximately HK\$40.0 million of tax expense for Year 2021 to approximately HK\$10.1 million of tax expense for Year 2022, representing an decrease of approximately HK\$29.9 million.

**(Loss)/profit after income tax**

The Group's loss after income tax for Year 2022 was approximately HK\$206.5 million as compared to the profit after income tax of approximately HK\$141.5 million for Year 2021.

**Dividend**

The Directors do not recommend the payment of a final dividend for Year 2022 (Year 2021: HK\$Nil).

**LIQUIDITY, FINANCIAL RESOURCES AND FUNDING**

We finance our operations primarily through cash generated from operations, bank and other borrowings. The Group's net liquidity position as at 30 September 2022, together with the position as at 30 September 2021 is summarised below:

	<b>30 September 2022</b>	<b>30 September 2021</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and cash equivalents	322,633	552,175
Less: Interest-bearing bank borrowings	(678)	(13,987)
Other borrowings	<u>(466,442)</u>	<u>(280,366)</u>
Net cash	<u><u>(144,487)</u></u>	<u><u>257,822</u></u>

Cash and cash equivalents were denominated in Hong Kong Dollars, US Dollars, Renminbi, Singapore Dollars and Japanese Yen.

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## **APPENDIX IV MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP**

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As at 30 September 2022, the effective interest rates on the Group's floating rate borrowing range from 2.1% to 4.1% (30 September 2021: 2.1% to 2.6%) per annum.

### **CAPITAL EXPENDITURE**

Capital expenditure in Year 2022, financed by internal resources and credit facilities, amounted to approximately HK\$20.2 million (Year 2021: HK\$14.7 million).

### **TREASURY MANAGEMENT**

During Year 2022, there has been no material change in the Group's funding and treasury policies. The Group had a sufficient level of cash and banking facilities for the conduct of its trade in the normal course of business.

We closely review our trade receivable balances and any overdue balances on an ongoing basis and only trade with creditworthy parties. To manage liquidity risk, we closely monitor the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

For exchange risk management, the Group's foreign currency risk is mainly concentrated on the fluctuation of the US dollar against the Renminbi and Japanese Yen. The Group seeks to manage its foreign currency exposures by constructing natural hedges as well as entering into certain forward foreign exchange contracts to minimise any currency risks, when necessary.

### **CAPITAL STRUCTURE**

As at 30 September 2022, the Group's gearing ratio was approximately 317.5% (2021: 105.7%). Gearing ratio equals total borrowings divided by net asset value as at the end of the reporting period. The total borrowings of approximately HK\$467.1 million included bank and other borrowings (2021: HK\$294.4 million).

### **CHARGE ON GROUP ASSETS**

As at 30 September 2022, the banking facilities of the Company's wholly-owned subsidiaries which were based in mainland China and HKSAR amounted to approximately HK\$23.6 million (30 September 2021: HK\$23.3 million), comprising asset-backed lending facility. The facilities were secured against certain bank deposits and corporate guarantees from the Company and in the case of the asset-backed lending facility, an assignment over specific trade receivables. As at 30 September 2022, the amount drawn down under the asset-backed lending facility was HK\$0.7 million (30 September 2021: HK\$14.0 million).

As at 30 September 2022, approximately 238,027 filecoins with carrying amount of HK\$10,613,000 (2021: HK\$Nil) were pledged for cryptocurrency mining business.

**DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS AND THEIR EXPECTED SOURCES OF FUNDING IN THE COMING YEAR**

As at the date of the annual report for the year ended 30 September 2022, the Group does not have any future plans for material investments or capital assets.

**CONTINGENT LIABILITIES**

As at 30 September 2022, the Group did not have any material contingent liabilities (30 September 2021: HK\$Nil).

**COMMITMENTS**

As at 30 September 2022, the Group has capital commitments amounting to HK\$62.4 million in respect of purchase of property, plant and equipment (30 September 2021: HK\$Nil).

**FOREIGN CURRENCY RISK**

The Group's principal operating subsidiaries carry out their operations in the Mainland China, HKSAR, Japan, Singapore and United States. Entities in the Group regularly transact in currencies other than their respective functional currencies with regard to the sale and purchase of products. As a consequence, certain trade receivables and borrowings are denominated in foreign currencies. The Group seeks to manage its foreign currency exposures by constructing natural hedges as well as entering into certain foreign exchange contracts to minimise any currency exposure risks, when necessary.

**RISK RELATED TO VIRTUAL ASSETS AND RELATED VIRTUAL ASSET BUSINESS**

The fast-developing nature of virtual asset markets including evolving regulations, custody and trading mechanisms, the dependency on information technology integrity and security, as well as valuation and volume volatility all subject the virtual assets and business of the Group to unique risks. The Directors consider that such risks and uncertainties are largely related to information technology, safekeeping of virtual assets, fluctuation of asset prices, compliance, and the ever-evolving nature of the markets. As the industry is in a growth stage, the Group has been implementing an operational infrastructure to support business development and growth. These initiatives include expanding IT infrastructure and hiring additional management personnel with an emphasis on experience in legal, regulatory, compliance, financial reporting, operations and technology development.

### **PRICE RISK OF VIRTUAL ASSETS**

The Group received cryptocurrencies collateral under lending arrangements with counterparties. Since the Group is able to utilise such collateral for its own economic benefits, it is recorded as cryptocurrencies of the Group with a corresponding liability due to the counterparties recorded, under liabilities due to counterparties measured at fair value through profit or loss in noncurrent or current liabilities. The Group also held cryptocurrencies itself. The volatility and unpredictability of the price of cryptocurrencies relative to fiat currencies could cause impact to the Group's performance. The Group provides trust and custody services to its clients. Such assets constitute trust assets and are not accounted for as assets of the Group and do not give rise to liabilities to the relevant customers. Accordingly, the Group has no price volatility exposure from these holdings.

### **SIGNIFICANT INVESTMENTS**

Reference are made to the announcements of the Company dated 8 February 2022, 4 March 2022 and 29 April 2022 in relation to the subscription and deemed disposal of interests in New World Pioneer Mining Fund 1 LPF (the “**Fund**”) and the announcement of the Company dated 21 February 2022 in relation to the subscription of interest of NH Investment SPC (the “**Fund Company**”).

On 7 February 2022, New Huo Solutions Limited (the “**New Huo Solutions**”), a direct wholly-owned subsidiary of the Company, entered into a subscription agreement with HB Venture Management Limited (the “**General Partner**”), pursuant to which New Huo Solutions subscribed for 100% partnership interest in the Fund at a consideration of US\$10 million (equivalent to approximately HK\$78 million). On 4 March 2022, Chainup Technic Limited (“**Chainup**”), an independent third party to the Group, entered into a subscription agreement with the General Partner, pursuant to which Chainup also subscribed for partnership interest in the Fund at a consideration of USDT 10 million (equivalent to approximately HK\$78 million). Upon completion thereof, the partnership interest in the Fund held by New Huo Solutions was diluted from 100% to 50%.

On 21 February 2022, New Huo Solutions entered into a subscription agreement with the Fund Company, pursuant to which New Huo Solutions subscribed for approximately 14,980 Class A shares attributable to NH Multi Strategy Crypto Fund SP, a segregated portfolio of the Fund Company, at a consideration of US\$15 million (equivalent to approximately HK\$117 million).

## APPENDIX IV MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

During the financial year ended 30 September 2022, the Group had the following significant investments held with a value of 5% or more of the Group's total assets:

No.	Name of the investments	Investment costs	Carrying amount as at 30 September 2022	Percentage of investments held as at 30 September 2022	Performance for the financial year ended 30 September 2022	Size as compared to the Group's total assets as at 30 September 2022	Total amount of dividends received for the financial year ended 30 September 2022
1	New World Pioneer Mining Fund 1 LPF	US\$10 million (equivalent to approximately HK\$78 million)	HK\$55.9 million	50%	loss of HK\$22.1 million	5.2%	—
2	NH Investment SPC — NH Multi-Strategy Crypto Fund SP	US\$15 million (equivalent to approximately HK\$117.1 million)	HK\$103.6 million	96.60%	loss of HK\$13.5 million	9.7%	—

### 1 New World Pioneer Mining Fund 1 LPF

The Fund is a Hong Kong limited partnership fund, registered under the Limited Partnership Fund Ordinance (Cap. 637 of the laws of Hong Kong), of which New Huo Solutions is the sole limited partner. The Fund is established for the purpose of making investments in the industry of the cryptocurrency mining ecosystem. The Fund intends to acquire, among others, interests in companies that are engaged in cryptocurrency mining activities and companies that support or otherwise facilitate the cryptocurrency mining ecosystem. The Fund may also acquire interests in mining equipment directly or indirectly through intermediate entities. The Fund aims to make investments that will generate income streams from mining activities or capital appreciation during the investment period of the Fund. Investments may be structured as equity interests, revenue sharing arrangements or other interests as the general partner determines. The Fund's interests in the portfolio investments and temporary investments may be held directly or through one or more special purpose vehicles.

In late March 2022, the Fund through an intermediate entity invested in 100% equity interests in FIL Limited, a company incorporated in Hong Kong with limited liability, which principally engages in the businesses that generate income streams from performing cryptocurrency mining activities. The investment consideration was approximately HK\$148.7 million. FIL Limited was subsequently accounted as joint venture in this consolidated financial statements based on auditor's suggestion.

The Company views the prospects of the cryptocurrency mining ecosystem industry with cautiously optimistic, and therefore hopes to further invest in this industry through a fund channel to enhance its financial returns. As one of the business segments of the Company involves crypto ecosystem (including asset management), investing in the Fund may create synergy effect for the

Company's business. Further, with professional experts from the cryptocurrency mining industry being part of the management team of the Fund, the Company is cautiously optimistic in the prospects of the Fund. As at 30 September 2022, the Group held 50% equity interests in the Fund.

## **2 NH Investment SPC — NH Multi-Strategy Crypto Fund SP**

The Fund Company is a segregated portfolio company incorporated under the laws of the Cayman Islands with limited liability on 4 September 2020. The Segregated Portfolio consisted of cash and cryptocurrency assets acquired on the secondary market and principally invests in the Top 50 Coins and virtual assets futures, including cryptocurrencies or derivatives that are linked to the Top 50 Coins. The Company views the prospects of the cryptocurrency industry with positivity, and therefore hopes to further invest in Top 50 Coins and virtual assets futures through a fund channel to enhance its financial returns. As one of the business segments of the Company involves crypto ecosystem (including asset management), investing in the Segregated Portfolio may create synergy effect for the Company's business. Further, with professional experts from the cryptocurrency mining industry being part of the management team of the Segregated Portfolio, the Company is cautiously optimistic in the prospects of the Segregated Portfolio. As at 30 September 2022, the Group held 96.6% equity interests in the Fund Company.

As at 30 September 2022, the above significant investments were consolidated in the Group's financial statements.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2022, the Group had 786 employees (30 September 2021: 728 employees) working in mainland China, HKSAR, Japan, Singapore and the USA. The total employment costs (including Directors' remuneration and mandatory provident fund contributions) for Year 2022 amounted to approximately HK\$215.9 million (Year 2021: HK\$141.0 million). The significant increase in staff cost was mainly due to the recruitment of high calibre professional personnel as the Company applied for virtual asset and finance related licenses in major markets around the world. The Company's remuneration policy is set out by the Remuneration Committee on the basis of the employees' merit, qualifications and competence. The Group has also adopted certain bonus programmes, which are determined annually based on certain criteria including performance of the Company and individual employees. Other benefits including share option schemes, insurance policies, retirement benefit plans are offered to eligible employees.



**FOR THE YEAR ENDED 30 SEPTEMBER 2023****BUSINESS OVERVIEW**

The gradually recovering global economic situation and the emergence of new technologies and trends have also provided opportunities and challenges for the Group and the Group maintains focusing on digital asset custody business and help every enterprise to use digital assets in a safe and convenient manner.

Adhering to the principles of security, compliance, professionalism and diversity of services, Sinohope Tech has built around the strategic position of establishing a “One-Stop Digital Asset Service Platform”, using the first-mover advantage in terms of compliant operation to integrate the resources accumulated over the years of development in the industry, creating the industry-leading MPC self-custody platform, supporting users to manage distributed private key fragments and sign collaboratively by using MPC-CMP, mitigating the singlepoint failure risk of private key and effectively improving transparency and accessibility.

In June 2023, the digital asset trading platform license regulations issued by the Hong Kong Securities and Futures Commission (the “**SFC**”), stipulating that trading platforms must apply for a license to operate in Hong Kong, came into effect. For the convenience of institutions and enterprises with an interest in applying for a Hong Kong Virtual Asset Service Provider (the “**VASP**”) license, Sinohope Tech launched the “Hong Kong VASP Licensee Guardian Programme” during the year, which provides IT system level infrastructure facilitation for organizations applying for the VASP licence, and also provides consulting services for the procedure and business framework related to the Hong Kong Trust or Company Service Provider (TCSP) License based on its own business and compliance experience, helping more organizations to develop compliant virtual currency and Web3 businesses in Hong Kong, and to seize the first opportunity in this emerging market.

For the purpose of expanding the virtual asset fund business, Sinohope Tech has formed a series of cooperation with LD Capital US, Alpha Blockchain Capital and Bingo Group under Mr. Stephen Chow during the year. In May this year, Sinohope Tech announced that it would cooperate with LD Capital US to launch a 100% virtual asset investment fund, aiming to provide investment for qualified professional investors with an investment portfolio in 100% virtual assets. The fund is managed by Sinohope Asset Management (Hong Kong) Limited (“**Sinohope Asset Management**”) and adopts an active investment strategy. In July this year, Sinohope Asset Management entered into a technical consultancy agreement with Bingo Success Limited (“**Bingo Success**”), a wholly-owned subsidiary of Bingo Group Holdings Limited. Sinohope Asset Management will serve as the investment manager of the fund to be established by Bingo Success, and invest in businesses involving the development of intellectual property commercialisation for various products. In October 2023, Sinohope Tech announced that it would cooperate with Alpha Blockchain Capital (“**ABC**”) to launch a 100% virtual asset investment fund — Alpha Blockchain SP1.

In addition, in order to help more developers and enterprises enter the field of Web3 more quickly and conveniently, and attract more outstanding talents and develop more innovative applications for the development of Web3 in Hong Kong at the same time, Sinohope Tech launched a one-stop Web3 product construction solution for developers based on its profound experiences in digital asset custody and full-stack research and development of public chain. This solution provides full-stack blockchain technology and infrastructure support for developers, including complete L1 public chain design, L2 OP/ZK expansion, DeFi/NFT/GameFi applications, MPC/AA wallet service integration, etc., aiming to meet developers' needs for constructing Web3 products quickly, securely and conveniently with low barriers of entry.

## **PERFORMANCE REVIEW**

### **Revenue, gross profit and net profit/loss**

The Group recorded a total revenue from continuing operations of approximately HK\$2,833.6 million for the year ended 30 September 2023 (“**Year 2023**”), representing a significant decrease of approximately 68.7% or HK\$6,223.1 million from approximately HK\$9,056.7 million for the year ended 30 September 2022 (“**Year 2022**”).

The gross profit of the Group was approximately HK\$10.4 million for Year 2023, representing a decrease of approximately 90.6% or approximately HK\$100.5 million from approximately HK\$110.9 million for Year 2022.

The Group recorded a net loss of approximately HK\$288.7 million for Year 2023 compared to the net loss of approximately HK\$206.5 million for Year 2022.

Basic and diluted loss per share of the Group for Year 2023 was HK91.94 cents (Year 2022: basic and diluted loss per share of HK64.79 cents).

### **Other income/(losses)**

The Company recognised net losses of approximately HK\$6.2 million for Year 2023 as compared to a net other income of approximately HK\$15.7 million for Year 2022.

Other losses mainly include a net loss on disposal of property, plant and equipment of approximately HK\$6 million due to the change of company office for cost management needs and a fair value loss on financial asset at fair value through profit or loss of approximately HK\$1 million.

**Administrative expenses**

Administrative expenses have decreased by approximately HK\$68.4 million or approximately 26.8% from approximately HK\$255.2 million for Year 2022 to approximately HK\$186.8 million for Year 2023 because of the implementation of cost management measures. The administrative expenses mainly consist of (1) employee salary and benefit expenses of approximately HK\$86.3 million and one-off severance fee of approximately HK\$10.0 million due to business restructuring and cost management plan and (2) legal, consulting and other professional fee of approximately HK\$7.2 million for business restructuring and license application.

**Finance costs**

Finance costs from continuing operation have increased by approximately HK\$3 million or approximately 24.8% from approximately HK\$12.1 million for Year 2022 to approximately HK\$15.1 million for Year 2023, in line with the increase of market interest rate.

**Loss before income tax**

The Group's loss before income tax from continuing operations for Year 2023 was approximately HK\$282.2 million as compared to the re-presented loss before income tax of approximately HK\$189.5 million for Year 2022. The loss before income tax was due to (i) an increase in the expenses for the development of new business of the Company; (ii) the provision of impairment loss of approximately HK\$86 million in relation to the failure to withdraw cryptocurrency assets from crypto exchange FTX as disclosed in the Company's announcement dated 14 November 2022, and (iii) employment severance expenses and one-off expenses in relation to company personnel restructuring and cost management plan of approximately HK\$15 million.

**Income tax expense/(credit)**

Income tax expense decreased from approximately HK\$4.2 million of tax expense for Year 2022 to approximately HK\$4.9 million of tax credit for Year 2023.

**Loss after income tax**

The Group's loss after income tax for Year 2023 from continuing operations was approximately HK\$277.3 million as compared to the re-presented loss after income tax from continuing operation of approximately HK\$193.7 million for Year 2022.

**Dividend**

The Directors do not recommend the payment of a final dividend for Year 2023 (Year 2022: HK\$Nil).

**LIQUIDITY, FINANCIAL RESOURCES AND FUNDING**

We finance our operations primarily through cash generated from operations, bank and other borrowings. The Group's net liquidity position as at 30 September 2023, together with the position as at 30 September 2022 is summarised below:

	<b>30 September 2023</b>	<b>30 September 2022</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and cash equivalents	320,161	322,633
Less: Interest-bearing bank borrowings	—	(678)
Other borrowings	<u>(467,205)</u>	<u>(466,442)</u>
Net cash	<u><u>(147,044)</u></u>	<u><u>(144,487)</u></u>

Cash and cash equivalents were denominated in Hong Kong Dollars, US Dollars, Renminbi, Singapore Dollars and Japanese Yen.

As at 30 September 2023, the Group had no floating rate borrowing, the effective interest rates on the Group's floating rate borrowing range from 2.1% to 4.1% per annum as at 30 September 2022.

**CAPITAL EXPENDITURE**

Capital expenditure in Year 2023, financed by internal resources and credit facilities, amounted to approximately HK\$17.9 million (Year 2022: HK\$20.2 million).

**TREASURY MANAGEMENT**

During Year 2023, there has been no material change in the Group's funding and treasury policies. The Group had a sufficient level of cash and banking facilities for the conduct of its trade in the normal course of business.

We closely review our trade receivable balances and any overdue balances on an ongoing basis and only trade with creditworthy parties. To manage liquidity risk, we closely monitor the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

For exchange risk management, the Group's foreign currency risk is mainly concentrated on the fluctuation of the US dollar against the Renminbi and Japanese Yen. The Group seeks to manage its foreign currency exposures by constructing natural hedges as well as entering into certain forward foreign exchange contracts to minimise any currency risks, when necessary.

**CAPITAL STRUCTURE**

As at 30 September 2023, the Group's gearing ratio was approximately 218.5% (2022: 317.5%). Gearing ratio equals total borrowings divided by net asset value as at the end of the reporting period. The total borrowings of approximately HK\$467.2 million included bank and other borrowings (2022: HK\$467.1 million).

**CHARGE ON GROUP ASSETS**

As at 30 September 2023, the banking facilities of the Company's wholly-owned subsidiaries which were based in mainland China and HKSAR amounted to HK\$Nil (30 September 2022: HK\$23.6 million), comprising asset-backed lending facility. The facilities were secured against certain bank deposits and corporate guarantees from the Company and in the case of the asset-backed lending facility, an assignment over specific trade receivables. As at 30 September 2023, the amount drawn down under the asset-backed lending facility was HK\$Nil (30 September 2022: HK\$0.7 million).

As at 30 September 2023, approximately 238,087 filecoins (2022: 238,087 filecoins) with carrying amount of HK\$6,255,000 (2022: HK\$10,613,000) were pledged for cryptocurrency mining business.

**MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

During Period 2023, save as disclosed above, there were no other material acquisitions or disposals of subsidiaries and associated companies by the Group.

**CONTINGENT LIABILITIES**

As at 30 September 2023, the Group did not have any material contingent liabilities (30 September 2022: HK\$Nil).

**COMMITMENTS**

As at 30 September 2023, the Group has capital commitments amounting to HK\$Nil in respect of purchase of property, plant and equipment (30 September 2022: HK\$62.4 million).

**FOREIGN CURRENCY RISK**

The Group's principal operating subsidiaries carry out their operations in the PRC (including HKSAR), Singapore and US. Entities in the Group regularly transact in currencies other than their respective functional currencies with regard to the selling and purchase of products. As a consequence of the various trading activities, certain trade receivables and borrowings of the Group are denominated in foreign currencies. While the Group has no formal hedging policy, it does seek to manage its foreign currency exposures by constructing natural hedges as well as entering into certain forward foreign exchange contracts to minimise any currency exposure risks.

**RISK RELATED TO DIGITAL ASSETS AND RELATED DIGITAL ASSET BUSINESS**

The fast-developing nature of digital asset markets including evolving regulations, custody and trading mechanisms, the dependency on information technology integrity and security, as well as valuation and volume volatility all subject the digital assets and business of the Group to unique risks. The Directors consider that such risks and uncertainties are largely related to information technology, safekeeping of digital assets, fluctuation of asset prices, compliance, and the ever-evolving nature of the markets. As the industry is in a growth stage, the Group has been implementing an operational infrastructure to support business development and growth. These initiatives include expanding IT infrastructure and hiring additional management personnel with an emphasis on experience in legal, regulatory, compliance, financial reporting, operations and technology development.

**PRICE RISK OF DIGITAL ASSETS**

The Group received cryptocurrencies collateral under lending arrangements with counterparties (the “**Cryptocurrencies Collateral**”) that the Group provides lending management service but is not a party to originate such loan. Since the Group is able to utilise such collateral for its own economic benefits, it is recorded as cryptocurrencies of the Group. The corresponding liability due to the counterparties is recorded under “collateral payables” and is measured at fair value through profit or loss base on the fair value of relevant cryptocurrencies under current liabilities. The Group also held cryptocurrencies itself. The volatility and unpredictability of the price of cryptocurrencies relative to fiat currencies could cause impact to the Group’s performance. The Group provides trust and custody services to its clients. Such assets constitute trust assets and are not accounted for as assets of the Group and do not give rise to liabilities to the relevant customers. Accordingly, the Group has no price volatility exposure from these holdings.

**SIGNIFICANT INVESTMENTS**

Reference are made to the announcements of the Company dated 8 February 2022, 4 March 2022 and 29 April 2022 in relation to the subscription and deemed disposal of interests in New World Pioneer Mining Fund 1 LPF (the “**Fund**”) and the announcement of the Company dated 21 February 2022 in relation to the subscription of interest of NH Investment SPC (the “**Fund Company**”).

On 7 February 2022, New Huo Solutions, a direct wholly-owned subsidiary of the Company, entered into a subscription agreement with HB Venture Management Limited (the “**General Partner**”), pursuant to which New Huo Solutions subscribed for 100% partnership interest in the Fund at a consideration of US\$10 million (equivalent to approximately HK\$78 million). On 4 March 2022, Chainup Technic Limited (“**Chainup**”), an independent third party to the Group, entered into a subscription agreement with the General Partner, pursuant to which Chainup also subscribed for partnership interest in the Fund at a consideration of USDT 10 million (equivalent to approximately HK\$78 million). Upon completion thereof, the partnership interest in the Fund held by New Huo Solutions was diluted from 100% to 50%.

## APPENDIX IV MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

On 21 February 2022, New Huo Solutions entered into a subscription agreement with the Fund Company, pursuant to which New Huo Solutions subscribed for approximately 14,980 Class A shares attributable to NH Multi Strategy Crypto Fund SP, a segregated portfolio of the Fund Company, at a consideration of US\$15 million (equivalent to approximately HK\$117 million).

During the financial year ended 30 September 2023, the Group had the following significant investments held with a value of 5% or more of the Group's total assets:

No.	Name of the investments	Investment costs	Carrying amount as at 30 September 2023	Percentage of investments held as at 30 September 2023	Performance for the financial year ended 30 September 2023	Size as compared to the Group's total assets as at 30 September 2023	Total amount of dividends received for the financial year ended 30 September 2023
1	New World Pioneer Mining Fund 1 LPF	US\$10 million (equivalent to approximately HK\$78 million)	HK\$57.8 million	50%	Profit of HK\$1.9 million	7.72%	—
2	NH Investment SPC — NH Multi-Strategy Crypto Fund SP	US\$15 million (equivalent to approximately HK\$117.1 million)	HK\$106.9 million	96.60%	Profit off HK\$3.3 million	14.28%	—

### 1 New World Pioneer Mining Fund 1 LPF

The Fund is a Hong Kong limited partnership fund, registered under the Limited Partnership Fund Ordinance (Cap. 637 of the laws of Hong Kong), of which New Huo Solutions is the sole limited partner. The Fund is established for the purpose of making investments in the industry of the cryptocurrency mining ecosystem. The Fund intends to acquire, among others, interests in companies that are engaged in cryptocurrency mining activities and companies that support or otherwise facilitate the cryptocurrency mining ecosystem. The Fund may also acquire interests in mining equipment directly or indirectly through intermediate entities. The Fund aims to make investments that will generate income streams from mining activities or capital appreciation during the investment period of the Fund. Investments may be structured as equity interests, revenue sharing arrangements or other interests as the general partner determines. The Fund's interests in the portfolio investments and temporary investments may be held directly or through one or more special purpose vehicles.

In late March 2022, the Fund through an intermediate entity invested in 100% equity interests in FIL Limited, a company incorporated in Hong Kong with limited liability, which principally engages in the businesses that generate income streams from performing cryptocurrency mining activities. The investment consideration was approximately HK\$148.7 million. FIL Limited was subsequently accounted as joint venture in this consolidated financial statements based on auditor's suggestion.



The Company views the prospects of the cryptocurrency mining ecosystem industry with cautiously optimistic, and therefore hopes to further invest in this industry through a fund channel to enhance its financial returns. As one of the business segments of the Company involves crypto ecosystem (including asset management), investing in the Fund may create synergy effect for the Company's business. Further, with professional experts from the cryptocurrency mining industry being part of the management team of the Fund, the Company is cautiously optimistic in the prospects of the Fund. As at 30 September 2023, the Group held 50% equity interests in the Fund.

## **2 NH Investment SPC — NH Multi-Strategy Crypto Fund SP**

The Fund Company is a segregated portfolio company incorporated under the laws of the Cayman Islands with limited liability on 4 September 2020. The Segregated Portfolio consisted of cash and cryptocurrency assets acquired on the secondary market and principally invests in the Top 50 Coins and virtual assets futures, including cryptocurrencies or derivatives that are linked to the Top 50 Coins. The Company views the prospects of the cryptocurrency industry with positivity, and therefore hopes to further invest in Top 50 Coins and virtual assets futures through a fund channel to enhance its financial returns. As one of the business segments of the Company involves crypto ecosystem (including asset management), investing in the Segregated Portfolio may create synergy effect for the Company's business. Further, with professional experts from the cryptocurrency mining industry being part of the management team of the Segregated Portfolio, the Company is cautiously optimistic in the prospects of the Segregated Portfolio. As at 30 September 2022, the Group held 96.6% equity interests in the Fund Company.

On 25 August 2023, the Company as Vendor and Avenir Cayman Holding Limited as the Purchaser entered into the Sale and Purchase Agreement (Solutions), pursuant to which (i) Vendor I has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Solutions Sale Shares, representing the entire issued share capital of New Huo Solutions, and (ii) Vendor has conditionally agreed to assign the Solutions Sale Debt to the Purchaser, at the consideration of HK\$205,706,355.00. As at 30 September 2023, the disposal has not yet been completed.

As at 30 September 2023, the above significant investments have been recognised as assets held for sale.



**EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2023, the Group had 87 employees (30 September 2022: 786 employees) working in mainland China, HKSAR, Japan, Singapore and the USA. The total employment costs (including Directors' remuneration and mandatory provident fund contributions) for Year 2023 amounted to approximately HK\$101.9 million (Year 2022: HK\$215.9 million). The significant decrease in staff cost was mainly due to sales of business, restructuring and austerity. The Company's remuneration policy is set out by the Remuneration Committee on the basis of the employees' merit, qualifications and competence. The Group has also adopted certain bonus programmes, which are determined annually based on certain criteria including performance of the Company and individual employees. Other benefits including share option schemes, insurance policies, retirement benefit plans are offered to eligible employees.

**DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS AND THEIR EXPECTED SOURCES OF FUNDING IN THE COMING YEAR**

As at the date of the annual report for the year ended 30 September 2023, the Group does not have any future plans for material investments or capital assets.

**FOR THE YEAR ENDED 30 SEPTEMBER 2024****BUSINESS OVERVIEW**

During the reporting period, driven by the positive Virtual Asset Spot ETF and a new cycle of interest rate cuts, SINOHOPE, the MPC self-custody platform of Sinohope Tech, has served more than 150 high-net-worth institutional customers, with an overall custody asset scale of tens of millions of US dollars. Meanwhile, it cooperates with a number of leading exchanges to open up the entire chain of custody, credit and trading, so that customers no longer have to worry about the security of funds.

By using MPC-CMP technology to support users' distributed private key fragments and collaborative signatures, SINOHOPE mitigated the single-point failure risk of private keys and effectively improved transparency and accessibility. In February 2024, SINOHOPE launched the new function of MPC wallet equal rights organization, which supports stakeholders in the organization to achieve true equality at the private key level, and stakeholders have real control over funds, rather than relying only on centralized approval and control mechanisms to achieve multi-party equal rights and joint management. In April 2024, SINOHOPE released the BTC Layer 2 co-managed product, which provides multi-party joint custody of Bitcoin ecological assets in the form of WaaS access, including BTC Layer 1 asset custody, multi-chain asset custody, cross-chain bridge custody, BTC layer 2 custody, etc., to jointly maintain asset security through MPC co-management solutions, and help BTC Layer 2 solutions to implement the Bitcoin Layer 2 network infrastructure more securely and quickly, covering a wide range of assets and scenarios.

At the same time, relying on SINOHOPE's MPC custody technology, Sinohope Tech upgraded the "Hong Kong VASP Licensee Guardian Programme" in September 2024, which helps applicants focus more on solving the key privatization issues in the VASP application process, greatly improving the application efficiency, and providing more comprehensive and convenient services for institutions and enterprises applying for Hong Kong virtual asset service provider (VASP) licenses.

Since the official launch of the "Hong Kong VASP Licensee Guardian Programme" in October 2023, based on its own business and compliance experience, Sinohope Tech has provided consulting and advice to a number of institutions and enterprises applying for a Hong Kong Virtual Asset Service Provider (VASP) license on the process and business framework related to setting up a Hong Kong Trust or Company Service Provider (TCSP) license, and has exported industry-leading basic technical architecture solutions to help institutions carry out virtual currency and Web3 business in Hong Kong compliantly.

In terms of the ecological territory, in order to enhance our market competitiveness in the fast-growing cryptocurrency field, in August 2024, the Company intended to acquire a majority equity in BitTrade, a Japanese cryptocurrency exchange at a consideration of more than US\$33.23 million by acquiring the entire issued share capital of Avenir Asset Holding and approximately 7.69% of issued share capital in BitTrade from Goldenway, aiming to expand the Company's ecological territory and improve our influence in the global cryptocurrency market. The consideration will be settled by issuing up to 119,909,000 new shares in total. After the completion of the acquisition, Sinohope Tech will indirectly hold 92.31% of BitTrade's equity.

In terms of compliance asset management business, as of the end of 2024, Sinohope Asset Management and its partners have jointly been managed a total of 12 funds, with a total AUM of more than US\$99.1 million. At the end of this April, the first batch of Hong Kong Bitcoin and Ethereum Spot ETF products applied by ChinaAMC, Bosera Fund and Harvest Global were approved by the Hong Kong Securities and Futures Commission for official listing and trading. In order to further promote the in-depth development of virtual asset spot ETFs in Hong Kong, Sinohope Asset Management has successively announced in-depth cooperation with ChinaAMC, Bosera International and Harvest International on Bitcoin and Ethereum Spot ETF products. Based on the accumulated professional knowledge and professional market information of each party, we will promote full business cooperation in the fields of product development, customer service and related support, and investment consulting.

In terms of compliance process, in August 2024, Sinohope Asset Management obtained the approval from the Hong Kong Securities and Futures Commission for the application for Type 1 (dealing in securities) and the upgrade of Type 4 (advising on securities) to develop structured products, and from multiple perspectives such as risk control and compliance, through a strict due diligence process, to screen out qualified and competitive virtual asset structured products and funds. As one of the first batch of institutions in the market to obtain multiple licenses for Type 1, Type 4 and Type 9, Sinohope Asset Management will give full play to its first-mover advantage and further expand its business footprint in the Hong Kong market.

**PERFORMANCE REVIEW****Revenue, gross profit, and net profit/loss**

The Group recorded a total revenue from continuing operations of approximately HK\$1,569.4 million for the year ended 30 September 2024 (“**Year 2024**”), representing a decrease of approximately 44.6% or HK\$1,264.2 million from approximately HK\$2,833.6 million for the year ended 30 September 2023 (“**Year 2023**”).

The gross profit of the Group was approximately HK\$44.2 million for Year 2024, representing an increase of approximately 325.7% or approximately HK\$33.8 million from approximately HK\$10.4 million for Year 2023.

The Group recorded a net profit of approximately HK\$56.3 million for Year 2024 compared to a net loss of approximately HK\$288.7 million for Year 2023.

Basic and diluted earning per share of the Group for Year 2024 was HK\$11.66 cents and HK\$11.63 respectively (Year 2023: basic and diluted loss per share of HK\$91.94 cents and HK\$91.94 cents, respectively).

**Other income and losses**

Other income and (losses)/gains, which includes exchange difference, fair value gains on crypto investments, marketing income, government grants, fair value change on financial assets through profit or loss, sundry income and interest income, has increased by approximately HK\$11.3 million to net other income of approximately HK\$4.8 million for Year 2024 from a net other losses of approximately HK\$6.2 million for Year 2023. The other income mainly includes the fair value gains on crypto investments benefiting from the rise of crypto prices and marketing income from selling sponsorship of events held by the Group.

**Administrative expenses**

Administrative expenses have decreased significantly by approximately HK\$80.6 million or approximately 43.1% to approximately HK\$106.2 million for Year 2024 from approximately HK\$186.8 million for Year 2023 because of the implementation of cost management measures. The administrative expenses mainly consist of employee salary and benefit expenses of approximately HK\$67.5 million for Year 2024 compared to approximately HK\$101.9 million for Year 2023.

**Finance costs**

Finance costs have decreased by approximately HK\$10.3 million or approximately 68.4% to approximately HK\$4.8 million for Year 2024 from approximately HK\$15.1 million for Year 2023, in line with the decrease of other borrowings.

**Profit/(loss) before income tax**

The Group's profit before income tax for Year 2024 was approximately HK\$56.4 million as compared to the net loss before income tax of approximately HK\$282.2 million from continuing operations for Year 2023. The profit before income tax was mainly arised from reversal of provision of impairment of the FTX Deposit amounting to approximately HK\$85.9 million as the disposal of FTX Claim has been completed in June 2024. The profit before income tax also derived from the fund performance fee income resulting from the rise in virtual asset prices and effective asset management strategies, as well as the increased management fee income due to the growth in assets under management of the ongoing funds.

**Income tax (expenses)/credit**

The Group recorded income tax expenses of approximately HK\$43,000 for Year 2024 compared to an income tax credit of approximately HK\$4.9 million for Year 2023.

**Profit/(loss) after income tax**

The Group's profit after income tax for Year 2024 from continuing operations was approximately HK\$56.3 million as compared with a net loss after income tax from continuing operations of approximately HK\$277.3 million for Year 2023.

**Dividend**

The Directors do not recommend the payment of a final dividend for Year 2024 (Year 2023: Nil).

**LIQUIDITY, FINANCIAL RESOURCES AND FUNDING**

We finance our operations primarily through cash generated from operations and other borrowings. The Group's net liquidity position as at 30 September 2024, together with the position as at 30 September 2023 is summarised below:

	<b>At</b> <b>30 September</b> <b>2024</b> <i>HK\$'000</i>	<b>At</b> <b>30 September</b> <b>2023</b> <i>HK\$'000</i>
Cash and cash equivalents	62,282	320,161
Less: Other borrowings	<u>—</u>	<u>(467,205)</u>
Net cash	<u><u>62,282</u></u>	<u><u>(147,044)</u></u>

**CAPITAL EXPENDITURE**

There is no capital expenditure in Year 2024 (Year 2023: HK\$17.9 million) financed by internal resources and credit facilities.

**TREASURY MANAGEMENT**

During Year 2024, there has been no material change in the Group's funding and treasury policies. The Group had a sufficient level of cash for the conduct of its trade in the normal course of business.

We closely review our trade receivable balances and any overdue balances on an ongoing basis and only trade with creditworthy parties. To manage liquidity risk, we closely monitor the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

For exchange risk management, the Group's foreign currency risk is mainly concentrated on the fluctuation of the US dollar against Renminbi. During Year 2024, the Group did not enter into any financial instrument for hedging purpose. The Group seeks to manage its foreign currency exposures by constructing natural hedges as well as entering into certain forward foreign exchange contracts to minimise any currency risks, when necessary.

**CAPITAL STRUCTURE**

As at 30 September 2024, the Group has no outstanding borrowings (30 September 2023: HK\$467.2 million). The Group's gearing ratio was approximately Nil (2023: 218.5%). Gearing ratio equals total borrowings divided by net asset value as at the end of the reporting period.

**CHARGES ON GROUP ASSETS**

As at 30 September 2024, there is no banking facilities of the Company's wholly-owned subsidiaries which were based in mainland China and HKSAR (30 September 2023: HK\$Nil).

As at 30 September 2024, there is no other asset pledged (30 September 2023: approximately 238,087 filecoins with carrying amount of HK\$6,255,000 were pledged for cryptocurrency mining business).

**MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

Major and Connected Transactions in Relation to the Disposal of Equity Interests in New Huo Solutions Limited, HBTPower Limited, and HBTPower Inc.

- (i) On 25 August 2023, the Company as Vendor I and Avenir Cayman Holding Limited as the Purchaser entered into the Sale and Purchase Agreement (Solutions) in relation to the disposal of equity interests of New Huo Solutions Limited, pursuant to which (i) Vendor I has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Solutions Sale Shares, representing the entire issued share capital of New Huo Solutions Limited, and (ii) Vendor I has conditionally agreed to assign the Solutions Sale Debt to the Purchaser, at the consideration of HK\$205,706,355.00; and
- (ii) On 25 August 2023, Sinohope Digital Service Limited (formerly known as New Huo Digital Limited), a direct wholly owned subsidiary of the Company, as Vendor II, entered into the Sale and Purchase Agreement (HBTPower) (together with the Sale and Purchase Agreement (Solutions), the “**Disposal Agreements**”), pursuant to which (i) Vendor II has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the HBTPower Sale Shares, representing 80% of the entire issued share capital of HBTPower Limited and 80% of the entire issued share capital of HBTPower Inc., and (ii) Vendor II has conditionally agreed to assign the HBTPower Sale Debt to the Purchaser, at the consideration of US\$6,624,740.00 (equivalent to approximately HK\$52,002,023.00).

The extraordinary general meeting of the Company held on 17 November 2023 passed the related resolutions. And on 11 January 2024, the disposal of HBTPower Limited was completed, on 9 February 2024, the disposal of New Huo Solutions Limited was completed and on 12 March 2024, the disposal of HBTPower Inc. was completed. The net proceeds from the Disposal, after deducting the administrative and external expenses, were approximately HK\$257.1 million.

For details, please refer to the Company’s announcements dated 25 August 2023, 15 September 2023, 16 October 2023, 17 November 2023, 7 December 2023 and 12 March 2024, and circular dated 17 November 2023. The terms defined above have the same meanings as those defined therein.

**Very Substantial Acquisition and Connected Transactions**

On 16 August 2024, the Company as BVI Purchaser and FCCR, Lightning Pay, Sky Fort, Tekne, Vision Leader, Hong Jia, Zhen Partners, HSG, Avenir Investment, Mr. Song, Mr. Hu and Mr. Du collectively as BVI Vendors entered into the BVI Agreement, pursuant to which BVI Vendors have conditionally agreed to sell, and the Company has conditionally agreed to acquire the BVI Sale Shares, representing the entire issued share capital of BVI Company, at the consideration

of US\$30,462,086.38 (equivalent to approximately HK\$237,604,273.76), which shall be satisfied by the allotment and issue of the Consideration Shares A at the Issue Price to BVI Vendors (or their nominees) at completion.

On 16 August 2024, the Company as BitTrade Purchaser and Goldenway as BitTrade Vendor entered into the BitTrade Agreement, pursuant to which Goldenway has conditionally agreed to sell, and the Company has conditionally agreed to acquire the BitTrade Sale Shares, representing approximately 7.69% of the entire issued share capital of BitTrade, at the consideration of US\$2,769,435.22 (equivalent to approximately HK\$21,601,594.72), which shall be satisfied by the allotment and issue of the Consideration Shares B at the Issue Price to Goldenway (or its nominees) at completion.

Immediately after completion, the BVI Company will become a wholly-owned subsidiary of the Company and BitTrade will become an indirect subsidiary of the Company, and the financial results of the BVI Company and the BitTrade will be consolidated to the financial statements of the Group. As at the date of the annual report for the year ended 30 September 2024, the acquisition has not been completed.

For details, please refer to the Company's announcement dated 16 August 2024, 6 September 2024, 24 September 2024, 22 October 2024, 22 November 2024, 23 December 2024 and 31 December 2024. The terms defined above have the same meanings as those defined therein.

During Year 2024, save as disclosed above, there were no other material acquisitions or disposals of subsidiaries and associated companies by the Group.

## **CONTINGENT LIABILITIES**

As at 30 September 2024, except for certain matters related to litigations disclosed in Note 44 to the consolidated financial statements for the year ended 30 September 2024, the Group did not have any material contingent liabilities (30 September 2023: HK\$Nil). Moreover, on 14 January 2025 and 15 January 2025, the Company received two sealed consent orders from Business and Property Court in Bristol Circuit Commercial Court and Business and Property Court of England and Wales London Circuit Commercial Court (KBD) in relation to Litigation A and Litigation B (which are disclosed in Note 44 to the consolidated financial statements for the year ended 30 September 2024) and confirmed that all the claimants' claims in relation to these two litigations against the Company are dismissed.

## **COMMITMENTS**

As at 30 September 2024, the Group has no capital commitments in respect of purchase of property, plant and equipment (30 September 2023: HK\$Nil).



**RISK RELATED TO DIGITAL ASSETS AND RELATED DIGITAL ASSET BUSINESS**

The fast-developing nature of digital asset markets including evolving regulations, custody and trading mechanisms, the dependency on information technology integrity and security, as well as valuation and volume volatility all subject the digital assets and business of the Group to unique risks. Changes in regulations and laws in particular may impact the Group's operation and increase the need for monitoring compliance. The Directors consider that such risks and uncertainties are largely related to information technology, safekeeping of digital assets, fluctuation of asset prices, compliance, and the ever-evolving nature of the markets. As the industry is in a growth stage, the Group has been implementing an operational infrastructure to support business development and growth. These initiatives include expanding IT infrastructure and hiring additional management personnel with an emphasis on experience in legal, regulatory, compliance, financial reporting, operations and technology development.

**PRICE RISK OF DIGITAL ASSETS**

The Group holds cryptocurrencies for daily operation and businesses. The volatility and unpredictability of the price of cryptocurrencies relative to fiat currencies could cause impact to the Group's performance. The Group provides trust and custody services to its clients. Such assets constitute trust assets and are not accounted for as assets of the Group and do not give rise to liabilities to the relevant customers. Accordingly, the Group has no price volatility exposure from these holdings.

**FOREIGN CURRENCY RISK**

The Group's principal operating subsidiaries carry out their operations in the PRC (including HKSAR), Singapore and US. Entities in the Group regularly transact in currencies other than their respective functional currencies with regard to the selling and purchase of products. As a consequence of the various trading activities, certain bank balances and trade receivables of the Group are denominated in foreign currencies. Exposure to movements in exchange rates for such trading transactions may affect the Group's financial position. While the Group has no formal hedging policy, it does seek to manage its foreign currency exposures by constructing natural hedges as well as entering into certain forward foreign exchange contracts to minimise any currency exposure risks.

**SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS, AND FUTURE PLANS FOR SIGNIFICANT INVESTMENT OR ACQUISITION OF CAPITAL ASSETS**

During Year 2024, save as disclosed in the section "MANAGEMENT DISCUSSION AND ANALYSIS" of the annual report for the year ended 30 September 2024, there were no other material acquisitions or disposals of subsidiaries, associates and joint ventures or significant investments, and the Company does not have any specific plans for material investments or acquisitions of capital assets in the coming year.



**EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2024, the Group had a total of 86 employees (2023: 87 employees).

The Company's remuneration policy is set out by the Remuneration Committee on the basis of the employees' merit, qualifications and competence. The Group has also adopted certain bonus programmes, which are determined annually based on certain criteria including performance of the Company and individual employees. Other benefits including share option schemes, insurance policies, retirement benefit plans are offered to eligible employees.

Avenir Asset Holding Limited (the “**BVI Company**”) was incorporated in BVI under the BVI Business Act with limited liability on 27 December 2023. The address of BVI Company’s registered office and principal place of business is Vistra Corporate Service Centre, Wickhams Cay II, Road Town, Tortola, VG110, British Virgin Islands.

BVI Company is principally engaged in investment holding while the Company and its subsidiaries (“**Target Group**”) is principally engaged in the operation of cryptocurrency exchange in Japan.

Set out below is the management discussion and analysis of the Target Group for each of the three years ended 31 March 2022, 2023 and 2024, and the six months ended 30 September 2024, which is based on financial information of the Target Group as set out in the accountant’s report in Appendix III to this circular.

## **FOR THE YEAR ENDED 31 MARCH 2022**

### **Financial review**

A subsidiary of the Target Group obtained Type I Financial Instruments Business – Kanto Local Finance Bureau (FIBO) No.3295\* (第一種金融商品取引業–関東財務局長(金商)第3295號牌照) on 14 October 2021 which complements the asset management services and thereby providing the Group with a good opportunity to tap into the virtual asset trading exchange business. Benefiting from proactive marketing strategies, the exchange business has more than 82,200 registered customers, more than 46,900 customers who passed KYC verification and has attracted approximately JPY5.0 billion customer’s asset held in cold wallet and custodial funds as at 31 March 2022 compared to approximately 35,200 registered customers, 21,450 customers who passed KYC verification and JPY4.7 billion customer’s asset as at 31 March 2021 respectively.

### **Revenue**

For the year ended 31 March 2022, the Target Group had revenue of approximately JPY4,714 million. The revenue was mainly attributed to revenue from Cryptocurrency trading of approximately JPY4,621 million with a direct cost of approximately JPY4,527 million. The rest of revenue was from other business including commission fee income from provision of cryptocurrency trading service, listing fee income, and handling fee income. The total revenue from other business was approximately JPY93 million.

The total revenue increased by approximately JPY1,386 million for the year ended 31 March 2022 compared to the approximately JPY3,328 million total revenue for the year ended 31 March 2021 driven by increased customer base and positive market. The profitability of the business was also improved as the gross profit increased from approximately JPY144 million for the year ended 31 March 2021 to approximately JPY187 million for the year ended 31 March 2022, representing a 30% increase.

*Other income and gain*

The Target Group had other income and gain of approximately JPY151 million for the year ended 31 March 2022 compared to approximately JPY41 million for the year ended 31 March 2021. The other income and gain was mainly attributed to a net gain on derivatives contracts of approximately JPY97 million and an income arising from hard forks of cryptocurrencies held of approximately JPY46 million. During the year ended 31 March 2022, the Target Group also recognised an approximately JPY97 million fair value gain on cryptocurrencies.

*Impairment losses*

Considering the impairment testing of property, plant and equipment, intangible assets and right-of-use assets, the Target Group recorded approximately JPY2 million, JPY98 million and JPY23 million impairment losses respectively during the year ended 31 March 2022.

*Selling and marketing expenses, administrative expenses and finance costs*

The total expenses including selling and marketing expenses, administrative expenses and finance costs amounted to approximately JPY825 million for the year ended 31 March 2022, representing an approximately 6.4% or JPY56 million decrease from an approximately JPY881 million for the year ended 31 March 2021 because of the decrease of expenses in depreciation of intangible assets and right-of-use assets of approximately JPY93 million.

The expenses for the year ended 31 March 2022 were mainly comprised of total staff costs including directors' emoluments amounting to JPY400 million, system usage and maintenance expenses amounting to JPY42 million, selling and marketing expenses amounting to JPY154 million, and interest expenses amounting to JPY25 million. The Target Group recorded a total comprehensive loss of approximately JPY711 million for the year ended 31 March 2022.

**Capital structure, liquidity and financial resources**

During the year ended 31 March 2022, the Target Group's operations were mainly financed by its own capital, amount due to a former fellow subsidiary and other borrowings at FVTPL from a former fellow subsidiary. A subsidiary of the Target Group is required by the Japan Financial Instruments and Exchange Act to maintain a capital adequacy ratio of 120% calculated under Japanese accounting standards and the subsidiary of the Target Group met the requirement during the year ended 31 March 2022.

As at 31 March 2022, the Target Group had cash of approximately JPY2.9 billion and cryptocurrencies of approximately JPY6.9 billion. The Target Group had total liabilities of approximately JPY11.0 billion while the majority of its liabilities were the other borrowings at FVTPL from a former fellow subsidiary of approximately JPY7.6 billion and amount due to a former fellow subsidiary of approximately JPY2.1 billion. The borrowings were unsecured and bore interest rate at 0.5% per annum, with repayment on demand clause and the amount due to a former fellow subsidiary is unsecured, interest-free and repayable on demand.

The Target Group also had an approximately JPY1.0 billion liabilities of redeemable capital contributions. The minority shareholders of a subsidiary of the BVI Company are able to request the subsidiary, or a third party designated by the subsidiary, to repurchase their equity interests in a subsidiary of the BVI Company in the event that Mr. Li is no longer the ultimate beneficial owner of the subsidiary, or if Avenir Investment disposes of more than 50% of the Target Group's shares.

Therefore, the Target Group recorded net liabilities of approximately JPY882 million as at 31 March 2022.

During the year ended 31 March 2022, the Target Group did not have any formal hedging policies and no financial instrument was used for hedging purpose. The Target Group's forward exchange derivative contracts are held for trading and have been settled on a daily basis. Changes in the fair value of any derivative are recognised immediately in profit or loss and included in "other income and gain/(loss), net". Trading derivatives are classified as a current asset or liability.

As at 31 March 2022, the Target Group's current ratio represented by current assets as a percentage of current liabilities was approximately 0.92. As the Target Group's recorded a net liabilities, gearing ratio equals total borrowings divided by net asset value as at the end of the reporting period and debt-to-equity ratio represented by net debt, which is calculated as total interest-bearing borrowings less cash and bank balances, as a percentage of total capital were not applicable.

### **Commitment**

Saved for the capital adequacy ratio of 120% required by the Japan Financial Instruments and Exchange Act, the Target Group did not have other material commitments as at 31 March 2022.

### **Foreign exchange exposure**

During the year ended 31 March 2022, the Target Group had transactions denominated in foreign currencies which expose the Target Group to foreign currency risk. The Group manages the foreign currency risk by entering into certain foreign currency contracts closely monitoring the movement of the foreign currency rate. The Target Group's exposure to foreign currency risk is mainly in US\$.

The Target Group did not have a foreign currency hedging policy and the directors monitored the foreign exchange exposure closely and might consider adopting appropriate foreign currency hedging policy in the future.

**Employment and remuneration policy**

As at 31 March 2022, the Target Group had 57 full-time employees for its principal activities compared to 57 full-time employees as at 31 March 2021. The Target Group recognised the importance of high calibre and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other various benefits, such as medical benefits and employee's welfare pension insurance programme are also provided to employees.

**Significant investment and material acquisition and disposal**

During the year ended 31 March 2022, the Target Group did not hold any significant investment and the Target Group did not have any significant acquisition or disposal of any subsidiary or associated company.

**Future plans for material investments or capital assets**

As at 31 March 2022, the Target Group did not have any future plans for material investments or capital assets.

**Charges on assets**

As at 31 March 2022, the Target Group did not have any charges on assets. as none of assets were pledged.

**Contingent liabilities**

As at 31 March 2022, the Target Group did not have any material contingent liabilities.

**FOR THE YEAR ENDED 31 MARCH 2023****Financial review**

Benefiting from continuing proactive marketing strategies, the Target Group has more than 104,000 registered customers and more than 61,200 customers who passed KYC verification as at 31 March 2023 compared to approximately 82,200 registered customers and 46,900 customers who passed KYC verification as at 31 March 2022. However, due to the overall downturn in prices of cryptocurrencies in the market, the total fair value of customer's asset held in cold wallet and custodial funds has significantly decreased from approximately JPY5.0 billion as at 31 March 2022 to approximately JPY4.2 billion as at 31 March 2023.

***Revenue***

For the year ended 31 March 2023, the Target Group had revenue of approximately JPY4,950 million. The revenue was mainly attributed to revenue from Cryptocurrency trading of approximately JPY4,592 million with a direct cost of approximately JPY4,441 million. The rest of revenue was from other business including commission fee income from provision of cryptocurrency trading service, listing fee income, and handling fee income. The total revenue from other business was approximately JPY358 million.

The total revenue increased by approximately JPY236 million for the year ended 31 March 2023 compared to the approximately JPY4,714 million total revenue for the year ended 31 March 2022 driven by the increased revenue in listing fee income. Due to the increased revenue from other business, the profitability of the business was also improved as the gross profit increased from approximately JPY187 million for the year ended 31 March 2022 to approximately JPY508 million for the year ended 31 March 2023, representing an increase of 172%.

***Other income and gain or loss***

The Target Group had other income and gain of approximately JPY222 million for the year ended 31 March 2023 compared to approximately JPY151 million for the year ended 31 March 2022. The other income and gain was mainly attributed to a net gain on derivatives contracts of approximately JPY199 million. However, during the year ended 31 March 2023, the Target Group recognised an approximately JPY308 million fair value loss on cryptocurrencies compared to an approximately JPY97 million fair value gain on cryptocurrencies for the year ended 31 March 2022.

***Impairment losses***

Considering the impairment testing of property, plant and equipment and right-of-use assets, the Target Group recorded approximately JPY10 million and JPY85 million impairment losses respectively during the year ended 31 March 2023.

***Selling and marketing expenses, administrative expenses and finance costs***

The total expenses including selling and marketing expenses, administrative expenses and finance costs amounted to approximately JPY795 million for the year ended 31 March 2023, representing an approximately 3.6% or JPY30 million decrease from an approximately JPY825 million for the year ended 31 March 2022 because of the decrease of expenses in total staff costs including directors' emoluments benefiting from cost management procedures.

The expenses for the year ended 31 March 2023 were mainly comprised of total staff costs including directors' emoluments amounting to JPY329 million, system usage and maintenance expenses amounting to JPY108 million, selling and marketing expenses amounting to JPY99 million, and interest expenses amounting to JPY94 million.

The interest expenses were increased from approximately JPY25 million for the year ended 31 March 2022 to JPY94 million for the year ended 31 March 2023 because the interest rate of the borrowing increased from 0.5% per annum to a range of 0.5% to 2.0% per annum.

The Target Group recorded a total comprehensive loss of approximately JPY649 million for the year ended 31 March 2023 compared to a total comprehensive loss of approximately JPY711 million for the year ended 31 March 2022.

### **Capital structure, liquidity and financial resources**

During the year ended 31 March 2023, the Target Group's operations were mainly financed by its own capital, amount due to a former fellow subsidiary and other borrowings at FVTPL from a related company. A subsidiary of the Target Group is required by the Japan Financial Instruments and Exchange Act to maintain a capital adequacy ratio of 120% calculated under Japanese accounting standards and the subsidiary of the Target Group met the requirement during the year ended 31 March 2023.

As at 31 March 2023, the Target Group had cash of approximately JPY2.8 billion and cryptocurrencies of approximately JPY2.9 billion compared to cash of approximately JPY2.9 billion and cryptocurrencies of approximately JPY6.9 billion as at 31 March 2022. The decrease in cryptocurrencies was mainly due to overall downturn in prices of cryptocurrencies in the market at 31 March 2023. The Target Group had a total liabilities of approximately JPY7.5 billion while the majority of its liabilities were approximately JPY2.8 billion other borrowings at FVTPL and JPY1 billion loan from a related company.

The Target Group entered into several one-year borrowing agreements in cryptocurrencies with a then intermediate holding company, Avenir Cayman Holding Limited (formerly known as Huobi Cayman Holding Limited) (“Avenir”), the borrowings were unsecured and bore interest rate at 2.0% per annum, with repayment on demand clause. The Target Group also had a loan agreement amounting to JPY1,000,000,000 for five years from 16 May 2022 to 15 May 2027 with Avenir. The loan agreement is unsecured and bore interest rate at 2% per annum, with repayment on demand clause. Avenir ceased to be an intermediate holding company of BitTrade and became a related company of the Target Group on 29 February 2024.

The Target Group also had an approximately JPY1.0 billion liabilities of redeemable capital contributions. The minority shareholders of a subsidiary of the BVI Company are able to request the subsidiary, or a third party designated by the subsidiary, to repurchase their equity interests in a subsidiary of the BVI Company in the event that Mr. Li is no longer the ultimate beneficial owner of the subsidiary, or if Avenir Investment disposes of more than 50% of the Target Group's shares.

The Target Group recorded net liabilities of approximately JPY1.5 billion as at 31 March 2023 compared to a net liabilities of approximately JPY882 million as at 31 March 2022.

During the year ended 31 March 2023, the Target Group did not have any formal hedging policies and no financial instrument was used for hedging purpose.

The Target Group's forward exchange derivative contracts are held for trading and have been settled on a daily basis. Changes in the fair value of any derivative are recognised immediately in profit or loss and included in "other income and gain/(loss), net". Trading derivatives are classified as a current asset or liability.

As at 31 March 2023, the Target Group's current ratio represented by current assets as a percentage of current liabilities was approximately 0.80. As the Target Group's recorded a net liabilities, gearing ratio equals total borrowings divided by net asset value as at the end of the reporting period and debt-to-equity ratio represented by net debt, which is calculated as total interest-bearing borrowings less cash and bank balances, as a percentage of total capital were not applicable.

### **Commitment**

Saved for the capital adequacy ratio of 120% required by the Japan Financial Instruments and Exchange Act, the Target Group did not have any material commitments as at 31 March 2023.

### **Foreign exchange exposure**

During the year ended 31 March 2023, the Target Group had transactions denominated in foreign currencies which expose the Target Group to foreign currency risk. The Group manages the foreign currency risk by entering into certain foreign currency contracts closely monitoring the movement of the foreign currency rate. The Target Group's exposure to foreign currency risk is mainly in US\$.

The Target Group did not have a foreign currency hedging policy and the directors monitored the foreign exchange exposure closely and might consider adopting appropriate foreign currency hedging policy in the future.

### **Employment and remuneration policy**

As at 31 March 2023, the Target Group had 46 full-time employees for its principal activities compared to 57 full-time employees as at 31 March 2022. The Target Group recognised the importance of high calibre and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other various benefits, such as medical benefits and employee's welfare pension insurance programme are also provided to employees.



**Significant investment and material acquisition and disposal**

During the year ended 31 March 2023, the Target Group did not hold any significant investment and the Target Group did not have any significant acquisition or disposal of any subsidiary or associated company.

**Future plans for material investments or capital assets**

As at 31 March 2023, the Target Group did not have any future plans for material investments or capital assets.

**Charges on assets**

As at 31 March 2023, the Target Group did not have any charges on assets. as none of assets were pledged.

**Contingent liabilities**

As at 31 March 2023, the Target Group did not have any material contingent liabilities.

**FOR THE YEAR ENDED 31 MARCH 2024****Financial review**

Benefiting from continuing proactive marketing strategies, the Target Group has more than 160,300 registered customers and more than 99,100 customers who passed KYC verification as at 31 March 2024 compared to approximately 104,000 registered customers and approximately 61,200 customers who passed KYC verification as at 31 March 2023. Due to the overall rebound in prices of cryptocurrencies in the market, the total value of customer's asset held in cold wallet and custodial funds has significantly increased from approximately JPY4.2 billion as at 31 March 2023 to approximately JPY7.9 billion as at 31 March 2024.

**Revenue**

For the year ended 31 March 2024, the Target Group had revenue of approximately JPY14,648 million. The revenue was mainly attributed to revenue from Cryptocurrency trading of approximately JPY14,300 million, representing approximately 97.63% of the total revenue, with a direct cost of approximately JPY14,072 million. The rest of revenue was from other business including commission fee income from provision of cryptocurrency trading service, listing fee income, and handling fee income. The total revenue from other business was approximately JPY347 million.

The total revenue increased significantly by approximately JPY9,698 million or 196% for the year ended 31 March 2024 compared to the approximately JPY4,950 million total revenue for the year ended 31 March 2023 driven by the significant increase of revenue in cryptocurrency trading

business due to the active market. There was a slight increase in gross profit from approximately JPY508 million for the year ended 31 March 2023 to approximately JPY576 million for the year ended 31 March 2024, representing an increase of 13.23%.

#### **Other income and gain or loss**

The Target Group had other income and gain of approximately JPY118 million for the year ended 31 March 2024 compared to approximately JPY222 million for the year ended 31 March 2023. The other income and gain was mainly attributed to a net gain on derivatives contracts of approximately JPY121 million. During the year ended 31 March 2024, the Target Group also recognised an approximately JPY713 million fair value gain on cryptocurrencies compared to an approximately JPY308 million fair value loss on cryptocurrencies for the year ended 31 March 2023.

#### **Impairment losses**

Considering the impairment testing of property, plant and equipment and intangible assets, the Target Group recorded approximately JPY1 million and JPY11 million impairment losses respectively during the year ended 31 March 2024.

#### **Selling and marketing expenses, administrative expenses and finance costs**

The total expenses including selling and marketing expenses, administrative expenses and finance costs amounted to approximately JPY1,227 million for the year ended 31 March 2024, representing an approximately 54.26% increase from an approximately JPY795 million for the year ended 31 March 2023 because of the increase of expenses in total staff costs including directors' emoluments, expenses of advertisement expenses and system usage and maintenance expenses due to the increase of trading volume.

The expenses for the year ended 31 March 2024 were mainly comprised of total staff costs including directors' emoluments amounting to JPY360 million, system usage and maintenance expenses amounting to JPY360 million, selling and marketing expenses amounting to JPY195 million, and interest expenses amounting to JPY84 million.

The Target Group recorded a total comprehensive loss of approximately JPY144 million for the year ended 31 March 2024 compared to a total comprehensive loss of approximately JPY649 million for the year ended 31 March 2023.

#### **Capital structure, liquidity and financial resources**

During the year ended 31 March 2024, the Target Group's operations were mainly financed by its own capital, amount due to a former fellow subsidiary, and other borrowings at FVTPL from a related company. A subsidiary of the Target Group is required by the Japan Financial Instruments

and Exchange Act to maintain a capital adequacy ratio of 120% calculated under Japanese accounting standards and the subsidiary of the Target Group met the requirement during the year ended 31 March 2024.

As at 31 March 2024, the Target Group had cash of approximately JPY2.7 billion and cryptocurrencies of approximately JPY4.2 billion compared to cash of approximately JPY2.8 billion and cryptocurrencies of approximately JPY2.9 billion as at 31 March 2023. The increase in cryptocurrencies was mainly due to prices recovery of cryptocurrencies in the market at 31 March 2024. The Target Group had a total liabilities of approximately JPY9.3 billion as at 31 March 2024, while the majority of its liabilities were approximately JPY3.4 billion other borrowings at FVTPL and JPY1 billion loan from a related company.

The Target Group entered into several one-year borrowing agreements in cryptocurrencies with a related company, the borrowings were unsecured and bore interest rate ranged at 2.0% per annum, with repayment on demand clause. The Target Group also had an loan agreement amounting to JPY1,000,000,000 for five years from 16 May 2022 to 15 May 2027 with the related company. The loan agreement is unsecured and bore interest rate at 2% per annum, with repayment on demand clause.

On 13 March 2024, the Target Group entered into a repayment agreement with a related company to fully repay other borrowings measured at FVTPL and the loan on or before 31 December 2024. From 1 January 2025, the Target Group and the related company mutually agreed to extend the loan repayment date from 31 December 2024 to 1 August 2025.

The Target Group also had an approximately JPY1.0 billion liabilities of redeemable capital contributions. The minority shareholders of a subsidiary of the BVI Company are able to request the subsidiary, or a third party designated by the subsidiary, to repurchase their equity interests in a subsidiary of the BVI Company in the event that Mr. Li is no longer the ultimate beneficial owner of the subsidiary, or if Avenir Investment disposes of more than 50% of the Target Group's shares.

The Target Group recorded net liabilities of approximately JPY1.7 billion as at 31 March 2024 compared to net liabilities of approximately JPY1.5 billion as at 31 March 2023.

During the year ended 31 March 2024, the Target Group did not have any formal hedging policies and no financial instrument was used for hedging purpose. The Target Group's forward exchange derivative contracts are held for trading and have been settled on a daily basis. Changes in the fair value of any derivative are recognised immediately in profit or loss and included in "other income and gain/(loss), net". Trading derivatives are classified as a current asset or liability.

As at 31 March 2024, the Target Group's current ratio represented by current assets as a percentage of current liabilities was approximately 0.82. As the Target Group's recorded a net liabilities, gearing ratio equals total borrowings divided by net asset value as at the end of the

reporting period and debt-to-equity ratio represented by net debt, which is calculated as total interest-bearing borrowings less cash and bank balances, as a percentage of total capital were not applicable.

**Commitment**

Saved for the capital adequacy ratio of 120% required by the Japan Financial Instruments and Exchange Act, and saved for the repayment agreement with a related company signed on 13 March 2024 to fully repay other borrowings measured at FVTPL and the loan on or before 31 December 2024, the Target Group did not have other material commitments as at 31 March 2024.

**Foreign exchange exposure**

During the year ended 31 March 2024, the Target Group had transactions denominated in foreign currencies which expose the Target Group to foreign currency risk. The Group manages the foreign currency risk by entering into certain foreign currency contracts closely monitoring the movement of the foreign currency rate. The Target Group's exposure to foreign currency risk is mainly in US\$.

The Target Group did not have a foreign currency hedging policy and the directors monitored the foreign exchange exposure closely and might consider adopting appropriate foreign currency hedging policy in the future.

**Employment and remuneration policy**

As at 31 March 2024, the Target Group had 47 full-time employees for its principal activities compared to 46 full-time employees as at 31 March 2023. The Target Group recognised the importance of high calibre and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other various benefits, such as medical benefits and employee's welfare pension insurance programme are also provided to employees.

**Significant investment and material acquisition and disposal**

During the year ended 31 March 2024, the Target Group did not hold any significant investment and the Target Group did not have any significant acquisition or disposal of any subsidiary or associated company.

**Future plans for material investments or capital assets**

As at 31 March 2024, the Target Group did not have any future plans for material investments or capital assets.

**Charges on assets**

As at 31 March 2024, the Target Group did not have any charges on assets. as none of assets were pledged.

**Contingent liabilities**

As at 31 March 2024, the Target Group did not have any material contingent liabilities.

**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024****Financial review**

Benefiting from continuing proactive marketing strategies, the Target Group has more than 188,800 registered customers and more than 117,000 customers who passed KYC verification as at 30 September 2024 compared to approximately 160,300 registered customers and approximately 99,100 customers who passed KYC verification as at 31 March 2024. Due to the overall decrease in prices of cryptocurrencies in the market, the total value of customer's asset held in cold wallet and custodial funds has slightly decreased from approximately JPY7.9 billion as at 31 March 2024 to approximately JPY6.2 billion as at 30 September 2024.

**Revenue**

For the six months ended 30 September 2024, the Target Group had revenue of approximately JPY7,875 million. The revenue was mainly attributed to revenue from Cryptocurrency trading of approximately JPY7,800 million with a direct cost of approximately JPY7,697 million. The rest of revenue was from other business including commission fee income from provision of cryptocurrency trading service, listing fee income, and handling fee income. The total revenue from other business was approximately JPY75 million.

The total revenue increased significant by approximately JPY2,244 million or 39.9% for the six months ended 30 September 2024 compared to the approximately JPY5,631 million total revenue for the six months ended 30 September 2023 driven by the significant increase of revenue in cryptocurrency trading business due to the active market. There was a slight decrease in gross profit from approximately JPY196 million for the six months ended 30 September 2023 to approximately JPY178 million for the six months ended 30 September 2024, representing a decrease of 9.5% because of the decrease in revenue from other business.

**Other income and gain or loss**

The Target Group had other income and gain of approximately JPY8.6 million for the six months ended 30 September 2024 compared to approximately JPY100.6 million for the six months ended 30 September 2023. The other income and gain mainly includes a net loss on derivatives contracts of approximately JPY17 million. During the six months ended 30 September 2024, the Target Group also recognised an approximately JPY85.5 million fair value losses on cryptocurrencies compared to an approximately JPY21.2 million fair value loss on cryptocurrencies for the six months ended 30 September 2023.

**Impairment losses**

Considering the impairment testing of property, plant and equipment, and right-of-use assets, the Target Group recorded approximately JPY1 million, and JPY101 million impairment losses respectively during the six months ended 30 September 2024.

**Selling and marketing expenses, administrative expenses and finance costs**

The total expenses including selling and marketing expenses, administrative expenses and finance costs amounted to approximately JPY798 million for the six months ended 30 September 2024, representing an approximately 34.7% increase from an approximately JPY593 million for the six months ended 30 September 2023 because of the increase of expenses in total staff costs including directors' emoluments, expenses of advertisement expenses and system usage and maintenance expenses due to the increase of trading volume.

The expenses for the six months ended 30 September 2024 were mainly comprised of total staff costs including directors' emoluments amounting to approximately JPY192 million, system usage and maintenance expenses amounting to approximately JPY177 million, selling and marketing expenses amounting to approximately JPY127 million, and interest expenses amounting to approximately JPY48 million.

The Target Group recorded a total comprehensive loss of approximately JPY299 million for the six months ended 30 September 2024 compared to a total comprehensive loss of approximately JPY594 million for the six months ended 30 September 2023 because of the increase in administration expenses and the fair value losses on cryptocurrencies

**Capital structure, liquidity and financial resources**

During the six months ended 30 September 2024, the Target Group's operations were mainly financed by its own capital and other borrowings at FVTPL from a related company. A subsidiary of the Target Group is required by the Japan Financial Instruments and Exchange Act to maintain a capital adequacy ratio of 120% calculated under Japanese accounting standards and the subsidiary of the Target Group met the requirement during the six months ended 30 September 2024.

As at 30 September 2024, the Target Group had cash of approximately JPY2.3 billion and current portion of cryptocurrencies amounting to approximately JPY4.5 billion compared to cash of approximately JPY2.7 billion and cryptocurrencies of approximately JPY4.2 billion as at 31 March 2024. The increase in cryptocurrencies was mainly due to prices recovery of cryptocurrencies and the advanced payment from clients at 30 September 2024. The Target Group had a total liabilities of approximately JPY8.1 billion while the majority of its liabilities were approximately JPY2.8 billion other borrowings at FVTPL and JPY1 billion loan from a related company.

The Target Group entered into several one-year borrowing agreements in cryptocurrencies with a related company, the borrowings were unsecured and bore interest rate at 2.0% per annum, with repayment on demand clause and had a loan agreement amounting to JPY1,000,000,000 for five years from 16 May 2022 to 15 May 2027 with a related company. The loan agreement is unsecured and bore interest rate at 2% per annum, with repayment on demand clause.

On 13 March 2024, the Target Group entered into a repayment agreement with a related company to fully repay other borrowings measured at FVTPL and the loan on or before 31 December 2024 and the repayment date was further extended to 1 August 2025 by a debt repayment extension letter signed between a related company and the Target Company with the effective date at 1 January 2025.

The Target Group also had an approximately JPY1.0 billion liabilities of redeemable capital contributions. The minority shareholders of a subsidiary of the BVI Company are able to request the subsidiary, or a third party designated by the subsidiary, to repurchase their equity interests in a subsidiary of the BVI Company in the event that Mr. Li is no longer the ultimate beneficial owner of the subsidiary, or if Avenir Investment disposes of more than 50% of the Target Group's shares.

The Target Group recorded a net asset of approximately JPY96 million as at 30 September 2024 compared to net liabilities of approximately JPY1.7 billion as at 31 March 2024.

During the six months ended 30 September 2024, the Target Group did not have any formal hedging policies and no financial instrument was used for hedging purpose. The Target Group's forward exchange derivative contracts are held for trading and have been settled on a daily basis. Changes in the fair value of any derivative are recognised immediately in profit or loss and included in "other income and gain/(loss), net". Trading derivatives are classified as a current asset or liability.

As at 30 September 2024, the Target Group's current ratio represented by current assets as a percentage of current liabilities, gearing ratio represented by total debt as a percentage of net asset and debt-to-equity ratio represented by net debt, which is calculated as total interest-bearing borrowings less cash and bank balances, as a percentage of total capital were approximately 0.92, 3991% and 1552% respectively.



**Commitment**

Saved for the capital adequacy ratio of 120% required by the Japan Financial Instruments and Exchange Act, and saved for the repayment agreement with a related company signed on 13 March 2024 to fully repay other borrowings measured at FVTPL and the loan on or before 31 December 2024 and further extended to 1 August 2025, the Target Group did not have other material commitments as at 30 September 2024.

**Foreign exchange exposure**

During the six months ended 30 September 2024, the Target Group had transactions denominated in foreign currencies which expose the Target Group to foreign currency risk. The Group manages the foreign currency risk by entering into certain foreign currency contracts closely monitoring the movement of the foreign currency rate. The Target Group's exposure to foreign currency risk is mainly in US\$.

The Target Group did not have a foreign currency hedging policy and the directors monitored the foreign exchange exposure closely and might consider adopting appropriate foreign currency hedging policy in the future.

**Employment and remuneration policy**

As at 30 September 2024, the Target Group had 51 full-time employees for its principal activities compared to 47 full-time employees as at 31 March 2024. The Target Group recognised the importance of high calibre and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other various benefits, such as medical benefits and employee's welfare pension insurance programme are also provided to employees.

**Significant investment and material acquisition and disposal**

During the period ended 30 September 2024, the Target Group did not hold any significant investment and the Target Group did not have any significant acquisition or disposal of any subsidiary or associated company.

**Future plans for material investments or capital assets**

As at 30 September 2024, the Target Group did not have any future plans for material investments or capital assets.

**Charges on assets**

As at 30 September 2024, the Target Group did not have any charges on assets. as none of assets were pledged.



**Contingent liabilities**

As at 30 September 2024, the Target Group did not have any material contingent liabilities.

The information set forth in this appendix does not form part of the accountants' report received from Moore CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix III to this circular, and is included herein for illustrative purposes only.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group set forth in Appendix II and the accountants' report set forth in Appendix III to this circular.

\* All capitalised terms used herein have the same meaning as those defined in the Circular, unless otherwise indicated.

## A. INTRODUCTION

The following unaudited pro forma financial information of the Company and its subsidiaries (collectively referred to as the “**Group**”) and Avenir Asset Holding Limited and its subsidiaries (collectively the “**Target Group**”) (the Group together with the Target Group collectively referred to as the “**Enlarged Group**”) (the “**Unaudited Pro Forma Financial Information**”) which have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the proposed acquisition by the Group of the Target Group (the “**Transactions**”) as if it had taken place on 30 September 2024 for the unaudited pro forma consolidated statement of financial position and as if it had taken place on 1 October 2023 for the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Transactions been completed on 30 September 2024 and the comprehensive income and cash flows of the Enlarged Group had the Transactions been completed on 1 October 2023, or any future dates.

The Unaudited Pro Forma Financial Information has been prepared based on (i) the audited consolidated statement of financial position of the Group as at 30 September 2024, the audited consolidated statement of comprehensive income and audited consolidated statement of cash flows of the Group for the year ended 30 September 2024, which has been extracted from the Group's published annual report; (ii) and the consolidated statement of financial position as at 30 September 2024, consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended 31 March 2024 of the Target Group, which has been derived from the historical financial information included in the accountant's report as set out in Appendix III to this circular; and after giving effect to unaudited pro forma adjustments as described in the accompanying notes.

A narrative description of the pro forma adjustments of the Acquisition that are directly attributable to the Transactions and factually supportable, is summarized in the accompanying notes.

The Unaudited Pro Forma Financial Information has been prepared under accounting policies consistent with those of the Group as set out in the published annual report of the Company for the year ended 30 September 2024.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group and the historical financial information of the Target Group as set out in Appendix II to this circular and other financial information included elsewhere in this circular.

## B. UNAUDITED PRO FORMA FINANCIAL INFORMATION

## 1. Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 September 2024

	Audited consolidated statement of financial position of the Group as at 30 September 2024 <i>HK\$'000</i> <i>Note 1</i>	Audited consolidated statement of financial position of the Target Group as at 30 September 2024 <i>HK\$'000</i> <i>Note 2</i>	Pro forma adjustment <i>HK\$'000</i> <i>Note 3</i>	Pro forma adjustment <i>HK\$'000</i> <i>Note 4</i>	Pro forma adjustment <i>HK\$'000</i> <i>Note 6</i>	Unaudited pro forma consolidated statement of financial position of the Enlarged Group <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>						
<b>Non-current assets</b>						
Property, plant and equipment	270	—	—	—	—	270
Intangible assets	—	—	19,969	—	—	19,969
Goodwill	—	—	245,773	—	(8,027)	237,746
Right-of-use assets	4,830	—	—	—	—	4,830
Other receivables and deposit	18,056	759	—	—	—	18,815
Cryptocurrencies	—	41,010	—	—	—	41,010
<b>Total non-current assets</b>	<b>23,156</b>	<b>41,769</b>	<b>265,742</b>	<b>—</b>	<b>(8,027)</b>	<b>322,640</b>
<b>Current assets</b>						
Cryptocurrencies	96,277	245,669	—	—	—	341,946
Crypto investments	31,233	—	—	—	—	31,233
Financial assets at fair value through profit or loss	5,557	—	—	—	—	5,557
Trade and other receivables	240,685	34,852	—	—	—	275,537
Amount due from shareholders	—	388	—	—	—	388
Tax recoverable	383	—	—	—	—	383
Time deposits with original maturity of over three months	1,500	—	—	—	—	1,500
Cash and cash equivalents	62,282	127,591	—	(4,000)	—	185,873
<b>Total current assets</b>	<b>437,917</b>	<b>408,500</b>	<b>—</b>	<b>(4,000)</b>	<b>—</b>	<b>842,417</b>

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**UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP**

	Audited consolidated statement of financial position of the Group as at 30 September 2024 HK\$'000 Note 1	Audited consolidated statement of financial position of the Target Group as at 30 September 2024 HK\$'000 Note 2	Pro forma adjustment HK\$'000 Note 3	Pro forma adjustment HK\$'000 Note 4	Pro forma adjustment HK\$'000 Note 6	Unaudited pro forma consolidated statement of financial position of the Enlarged Group HK\$'000
<b>Current liabilities</b>						
Accruals and other payables	173,526	72,712	—	—	—	246,238
Contract liabilities	—	96,913	—	—	—	96,913
Amounts due to related parties	—	5,099	—	—	—	5,099
Other borrowings measured at fair value through profit or loss	—	208,767	—	—	—	208,767
Redeemable capital contributions	—	54,619	—	—	—	54,619
Lease liabilities	2,718	3,614	—	—	—	6,332
Tax payables	772	—	—	—	—	772
<b>Total current liabilities</b>	<b>177,016</b>	<b>441,724</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>618,740</b>
<b>Net current assets/ (liabilities)</b>	<b>260,901</b>	<b>(33,224)</b>	<b>—</b>	<b>(4,000)</b>	<b>—</b>	<b>223,677</b>
<b>Total assets less current liabilities</b>	<b>284,057</b>	<b>8,545</b>	<b>265,742</b>	<b>(4,000)</b>	<b>(8,027)</b>	<b>546,317</b>
<b>Non-current liabilities</b>						
Provision for re-instatement cost	—	246	—	—	—	246
Lease liabilities	2,148	3,068	—	—	—	5,216
Deferred tax liabilities	—	—	4,633	—	—	4,633
<b>Total non-current liabilities</b>	<b>2,148</b>	<b>3,314</b>	<b>4,633</b>	<b>—</b>	<b>—</b>	<b>10,095</b>
<b>Net assets</b>	<b>281,909</b>	<b>5,231</b>	<b>261,109</b>	<b>(4,000)</b>	<b>(8,027)</b>	<b>536,222</b>
<b>EQUITY</b>						
Share capital	466	413	(294)	—	—	585
Reserves	281,443	10,693	255,528	(4,000)	(8,027)	535,637
Total equity attributable to owners of the Company	281,909	11,106	255,234	(4,000)	(8,027)	536,222
<b>Non-controlling interests</b>	<b>—</b>	<b>(5,875)</b>	<b>5,875</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total equity</b>	<b>281,909</b>	<b>5,231</b>	<b>261,109</b>	<b>(4,000)</b>	<b>(8,027)</b>	<b>536,222</b>

## 2. Unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group for the year ended 30 September 2024

	Audited consolidated statement of comprehensive income of the Group for the year ended 30 September 2024	Audited consolidated statement of comprehensive income of the Target Group for the year ended 31 March 2024	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group
	HK\$'000 Note 1	HK\$'000 Note 2	HK\$'000 Note 4	HK\$'000 Note 5	HK\$'000 Note 6	HK\$'000 Note 7	HK\$'000
<b>Revenue</b>							
Cryptocurrency trading business	1,520,345	770,215	—	—	—	—	2,290,560
Other business	49,042	18,706	—	—	—	—	67,748
	1,569,387	788,921	—	—	—	—	2,358,308
<b>Cost of sales and services</b>							
Cryptocurrency trading business	(1,511,104)	(757,913)	—	—	—	—	(2,269,017)
Other business	(14,059)	—	—	—	—	—	(14,059)
	(1,525,163)	(757,913)	—	—	—	—	(2,283,076)
<b>Gross profit</b>	44,224	31,008	—	—	—	—	75,232
Other income and gains	4,845	6,351	—	—	—	—	11,196
Fair value gains on cryptocurrencies	36,141	38,386	—	—	—	—	74,527
Interest income	1,503	—	—	—	—	—	1,503
Reversal of impairment loss on other assets	85,897	—	—	—	—	—	85,897
Impairment loss on other receivables	(4,800)	—	—	—	—	—	(4,800)
Impairment loss on property, plant and equipment	(480)	(78)	—	—	—	—	(558)
Impairment loss on intangible assets	—	(586)	—	—	—	—	(586)
Impairment loss on goodwill	—	—	—	—	(8,027)	—	(8,027)
Selling and distribution expenses	—	(10,517)	—	—	—	—	(10,517)
Administration expenses	(106,196)	(51,045)	(4,000)	(466)	—	—	(161,707)
Finance cost	(4,755)	(4,540)	—	—	—	—	(9,295)
<b>Profit before income tax</b>	56,379	8,979	(4,000)	(466)	(8,027)	—	52,865
<b>Income tax expense/(credit)</b>	(43)	—	—	108	—	—	65
<b>Profit for the year</b>	56,336	8,979	(4,000)	(358)	(8,027)	—	52,930
<b>Profit for the year attributable to:</b>							
Owners of the Company	54,322	8,286	(4,000)	(358)	(8,027)	693	50,916
Non-controlling interests	2,014	693	—	—	—	(693)	2,014
	56,336	8,979	(4,000)	(358)	(8,027)	—	52,930

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	Audited consolidated statement of comprehensive income of the Group for the year ended 30 September 2024 <i>HK\$'000</i> <i>Note 1</i>	Audited consolidated statement of comprehensive income of the Target Group for the year ended 31 March 2024 <i>HK\$'000</i> <i>Note 2</i>	Pro forma adjustment <i>HK\$'000</i> <i>Note 4</i>	Pro forma adjustment <i>HK\$'000</i> <i>Note 5</i>	Pro forma adjustment <i>HK\$'000</i> <i>Note 6</i>	Pro forma adjustment <i>HK\$'000</i> <i>Note 7</i>	Unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group <i>HK\$'000</i>
<b>Profit for the year</b>	56,336	8,979	(4,000)	(358)	(8,027)	—	52,930
Other comprehensive income/(loss)							
<i>Item that may be reclassified subsequently to profit or loss:</i>							
Exchange differences arising on the translation of financial statements of foreign operations	(1,464)	(16,720)	—	—	—	—	(18,184)
Reclassification of translation reserve upon disposal of subsidiaries	259	—	—	—	—	—	259
<b>Other comprehensive loss for the year, net of tax</b>	<u>(1,205)</u>	<u>(16,720)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(17,925)</u>
<b>Total comprehensive income/ (loss) for the year</b>	<u>55,131</u>	<u>(7,741)</u>	<u>(4,000)</u>	<u>(358)</u>	<u>(8,027)</u>	<u>—</u>	<u>35,005</u>
<b>Total comprehensive income/ (loss) for the year attributable to:</b>							
Owners of the Company	53,117	(8,434)	(4,000)	(358)	(8,027)	693	32,991
Non-controlling interests	2,014	693	—	—	—	(693)	2,014
	<u>55,131</u>	<u>(7,741)</u>	<u>(4,000)</u>	<u>(358)</u>	<u>(8,027)</u>	<u>—</u>	<u>35,005</u>

### 3. Unaudited pro forma consolidated statements of cash flows of the Enlarged Group for the year ended 30 September 2024

	Audited consolidated statement of cash flows of the Group for the year ended 30 September 2024 <i>HK\$'000</i> <i>Note 1</i>	Audited consolidated statement of cash flows of the Target Group for the year ended 31 March 2024 <i>HK\$'000</i> <i>Note 2</i>	Pro forma adjustment <i>HK\$'000</i> <i>Note 4</i>	Pro forma adjustment <i>HK\$'000</i> <i>Note 5</i>	Pro forma adjustment <i>HK\$'000</i> <i>Note 6</i>	Unaudited pro forma consolidated statement of cash flow of the Enlarged Group <i>HK\$'000</i>
<b>Cash flows from operating activities</b>						
Profit/(Loss) before income tax	56,379	8,979	(4,000)	(466)	(8,027)	52,865
Adjustments for:						
Depreciation of property, plant and equipment	365	13	—	—	—	378
Depreciation of right-of-use assets	690	—	—	—	—	690
Amortisation of intangible assets		429		466	—	895
Imputed interest expense on other loans from a related company	4,419	—	—	—	—	4,419
Interest expenses on lease liabilities	336	61	—	—	—	397
Interest expense on other borrowings at FVTPL	—	2,924	—	—	—	2,924
Interest expense on loan from an intermediate holding company	—	1,080	—	—	—	1,080
Interest expense on customer cryptocurrencies deposits at FVTPL	—	475	—	—	—	475
Recognise equity-settled share-based compensation expenses	13,412	—	—	—	—	13,412
Interest income	(1,503)	(4)	—	—	—	(1,507)
Impairment loss on property, plant and equipment	480	78	—	—	—	558
Impairment loss on intangible assets	—	586	—	—	—	586
Impairment loss on other assets	4,800	—	—	—	—	4,800
Impairment loss on goodwill	—	—	—	—	8,027	8,027
Fair value loss on financial assets at fair value through profit and loss	48	—	—	—	—	48
Fair value gain on cryptocurrencies	(36,141)	(138,473)	—	—	—	(174,614)
Fair value gain on crypto investments	(2,334)	—	—	—	—	(2,334)
Fair value loss on other borrowings at FVTPL	—	100,088	—	—	—	100,088
Reversal of impairment of other assets	(85,897)	—	—	—	—	(85,897)
<b>Cash used in operations</b>	(44,946)	(23,764)	(4,000)	—	—	(72,710)
<b>Cash used in operations</b>	(44,946)	(23,764)	(4,000)	—	—	(72,710)
(Increase)/decrease in cryptocurrencies	(125,367)	66,181	—	—	—	(59,186)
Increase in trade and other receivables	(601)	(23,664)	—	—	—	(24,265)
Increase in other payables	160,977	44,078	—	—	—	205,055
Increase in contract liabilities	—	7,009	—	—	—	7,009



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	Audited consolidated statement of cash flows of the Group for the year ended 30 September 2024 <i>HK\$'000</i> <i>Note 1</i>	Audited consolidated statement of cash flows of the Target Group for the year ended 31 March 2024 <i>HK\$'000</i> <i>Note 2</i>	Pro forma adjustment <i>HK\$'000</i> <i>Note 4</i>	Pro forma adjustment <i>HK\$'000</i> <i>Note 5</i>	Pro forma adjustment <i>HK\$'000</i> <i>Note 6</i>	Unaudited pro forma consolidated statement of cash flow of the Enlarged Group <i>HK\$'000</i>
<b>Cash generated from/(used in) operations</b>	(9,937)	69,840	(4,000)	—	—	55,903
Income Tax paid	(795)	—	—	—	—	(795)
<b>Net cash generated from/(used in) operating activities</b>	(10,732)	69,840	(4,000)	—	—	55,108
<b>Cash flows from investing activities</b>						
Deposits paid for acquisition of investments	(17,789)	—	—	—	—	(17,789)
Purchase of property, plant and equipment	(25)	(92)	—	—	—	(117)
Purchase of financial assets at fair value through profit or loss	(5,605)	—	—	—	—	(5,605)
Purchase of intangible assets	—	(1,019)	—	—	—	(1,019)
Decrease in deposits in financial institutions	—	9,624	—	—	—	9,624
Interest received on bank deposits and bank balances	1,503	4	—	—	—	1,507
<b>Net cash generated from/(used in) investing activities</b>	(21,916)	8,517	—	—	—	(13,399)
<b>Cash flows from financing activities</b>						
Net cash outflow from other loans from a related company	(223,041)	—	—	—	—	(223,041)
Repayments of principal portion of lease liabilities	(654)	(3,461)	—	—	—	(4,115)
Repayments of interest portion of lease liabilities	(76)	(61)	—	—	—	(137)
Decrease in amounts due from related companies	—	666	—	—	—	666
Increase in amounts due to related companies	—	138	—	—	—	138
Repayment of other borrowings at FVTPL	—	(67,519)	—	—	—	(67,519)
Interest paid on other borrowings at FVTPL	—	(3,399)	—	—	—	(3,399)
Interest paid on loan from an intermediate holding company	—	(1,080)	—	—	—	(1,080)
<b>Net cash used in financing activities</b>	(223,771)	(74,716)	—	—	—	(298,487)
Net increase/(decrease) in cash and cash equivalents	(256,419)	3,641	(4,000)	—	—	(256,778)
Cash and cash equivalent at beginning of the year	320,161	110,326	—	—	—	430,487
Effect of foreign exchange rate changes	(1,460)	—	—	—	—	(1,460)
Cash and cash equivalents at end of the financial year	62,282	113,967	(4,000)	—	—	172,249

**NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**

1. The amounts are extracted from the consolidated statement of financial position, the consolidated statement of comprehensive income and the consolidated statement of cash flows of the Group as set out in the published annual report of the Group for the year ended 30 September 2024.
2. The amounts are extracted from the consolidated statement of financial position of the Target Group as at 30 September 2024 and the consolidated statement of comprehensive income and the consolidated statement of cash flows of the Target Group for the year 31 March 2024 as set out in Appendix II to this circular.

The functional currency and the presentation currency of the Target Group are Japanese yen (“JPY”). For the purpose of the unaudited pro forma consolidated statement of financial position, the balances denominated in JPY have been translated into Hong Kong dollars (“HK\$”) at HK\$1 to JPY18.3083, the exchange rate prevailing as at 30 September 2024. For the purpose of the unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows, the amounts denominated in JPY have been translated into HK\$ at HK\$1 to JPY18.5667, the average exchange rate prevailing for the year ended 31 March 2024. Such translation is for illustration purpose only, and does not constitute a representation that any amount has been, could have been, or may otherwise be exchanged or converted, or vice versa, at the above rate.

3. Pursuant to the Agreements, the consideration for the acquisition of the Target Group from BVI Vendors and BitTrade Vendor are USD30,462,086.38 (equivalent to approximately HK\$237,604,000) and USD2,769,435.22 (equivalent to approximately HK\$21,601,000), which shall be satisfied by the allotment and issue a total of 118,901,774 new shares of the Company (“Consideration Shares”), at the issue price of HK\$2.18 per share, to BVI Vendors and BitTrade Vendor.

The fair value of consideration will however be subject to changes upon actual completion of the Transactions in accordance with Hong Kong Financial Reporting Standard 3 (Revised) Business Combinations (“HKFRS 3”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). According to the HKFRS 3, it is stated that the consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer.

Upon the completion of the Transactions on fulfilment of the conditions as stipulated in the Agreements, the fair value of the consideration shall be measured at the fair value of the Consideration Shares issued by the Company at the completion date.

For the purpose of this Unaudited Pro Forma Financial Information of the Enlarged Group, the directors of the Company assumed the fair value of each Consideration Shares is HK\$2.24 per share, with reference to the closing price on 30 September 2024. The considerations satisfied by 118,901,774 Consideration Shares amounted to HK\$266,340,000, the difference to the par value of HK\$0.001 per Consideration Shares, totalling HK\$266,221,000, is recognised as share premium.

Upon the completion of the Transactions, the Target Group will become wholly-owned subsidiaries of the Company. The identifiable assets and liabilities of the Target Group will be accounted for by the Group at their fair values in accordance with HKFRS 3.

For the purpose of the Unaudited Pro Forma Financial Information of the Enlarge Group, in the opinion of the directors of the Company, the Target Group’s fair values of the assets and liabilities being acquired is subject to changes upon completion of the Transactions because the fair value of the assets and liabilities being

acquired shall be assessed at the completion date. Goodwill is measured as the excess of the fair value of the consideration transferred over the total amount of Target Group's net recognised identifiable assets and liabilities being acquired at the completion date.

The adjustment represents the recognition of provisional goodwill of approximately HK\$245,773,000 arising from the Transactions and is calculated as below:

	<i>HK\$'000</i>
Consideration satisfied by Consideration Shares	<u>266,340</u>
Net asset value of the Target Group as at 30 September 2024	5,231
Add: Fair value adjustments on intangible assets	
— Brand name	4,660
— Licences	15,309
Less: Deferred tax liabilities on fair value adjustment	<u>(4,633)</u>
Total amount of net assets and liabilities being acquired	<u>20,567</u>
Provisional goodwill arising from the Transactions	<u><u>245,773</u></u>

The fair value adjustments for identified intangible assets, which mainly represented the brand name and licences owned by the Target Group, and corresponding impact to the deferred tax liabilities arising from purchase price allocation upon completion of the Transactions made by the directors of the Company, and by reference to the fair value as at 30 September 2024 prepared by Masterpiece Valuation Advisory Limited (the "Valuer"), an independent valuer engaged by the Company. The goodwill arising on the Transactions is not expected to be deductible for tax purposes.

Actual goodwill depend on fair value of net identifiable assets and liabilities of the Target Group and the price of the Consideration Shares at the completion date. Therefore, actual goodwill shall be different from the amount calculated in the above table.

- For the purpose of the Unaudited Pro Forma Financial Information, the direct expenses and other professional services related to the Transactions are estimated to be approximately HK\$4,000,000 according to respective quotations from the professional parties, which should be charged to the profit or loss.

This adjustment on transaction costs is not expected to have continuing effect on the Enlarged Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

- The adjustment represents additional amortisation on the fair value adjustment of intangible assets of approximately HK\$466,000 and the reversal of deferred income tax liabilities of approximately HK\$108,000 as a consequence of the recognition of the fair value adjustment of intangible assets.

For the purpose of this Unaudited Pro Forma Financial Information, the directors of the Company, having considered the above factors, assumed that the fair values of the intangible assets as set out in the valuation report as at 30 September 2024 are the same as at 1 October 2023.

- According to the Group's accounting policy, after initial recognition, the goodwill will be measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit.

In the preparation of this Unaudited Pro Forma Financial Information of the Enlarge Group, the directors of the Company had performed an impairment assessment of the provisional goodwill in accordance with HKAS 36 Impairment of Assets and the Group's accounting policy.

For the purpose of impairment testing, the provisional goodwill and intangible assets are, from the acquisition date, allocated to the Target Group's cash generating unit that are expected to benefit from the synergies of the acquisition, irrespective of whether other assets or liabilities of the Enlarged Group are assigned to those units.

The recoverable amount of the Target Group's cash generating unit was based on fair value less cost of disposal and was determined by reference to the fair value of the Target Group as at 30 September 2024, as set out in Appendix VIIA to this circular, prepared by Masterpiece Valuation Advisory Limited, an independent valuer engaged by the Company. The fair value of the Target Group as at 30 September 2024 is US\$33,656,000 (equivalent to HK\$262,247,000). The cost of disposal, representing the incremental costs directly attributable to the disposal of Target Group, was estimated to be approximately HK\$3,934,000, with reference to the direct expenses incurred for similar transactions.

The adjustment represents the recognition of impairment loss on provisional goodwill of approximately HK\$8,027,000 and is calculated as below:

	<i>HK\$'000</i>
Total amount of net identifiable assets and liabilities being acquired (note 3)	20,567
Provisional goodwill arising from the Transactions (note 3)	<u>245,773</u>
Carrying amount of the Target Group	<u>266,340</u>
Fair value of the Target Group as at 30 September 2024, per valuation report as set out in Appendix VIIA to this circular	262,247
Less: Cost of disposal	<u>(3,934)</u>
Recoverable amount of the Target Group's cash generating unit	<u>258,313</u>
Impairment loss on provisional goodwill	<u><u>8,027</u></u>

Based on the impairment assessment of the provisional goodwill, the recoverable amount of the Target Group's cash generating unit in which the provisional goodwill and intangible assets were assigned is lower than the carrying amount of the Target Group. Accordingly, impairment loss on provisional goodwill of HK\$8,027,000 should be charged to the profit or loss in the Unaudited Pro Forma Financial Information for the Enlarged Group.

The impairment loss on provisional goodwill is primarily attributable to (1) decrease in the recoverable amount of the Target Group's cash generating unit, resulting from a decrease in the fair value of the Target Group to US\$33,656,000 as at 30 September 2024, and (2) increase in fair value of considerations due to increase in price of Considerations Shares to HK\$2.24 as at 30 September 2024.

Actual impairment loss on goodwill, if any, depend on fair value of net identifiable assets and liabilities of the Target Group, the price of the Consideration Shares at the completion date and the recoverable amount of the Target Group's cash generating unit to be assessed at the end of the reporting period (e.g. 30 September 2025). Therefore, actual impairment loss on goodwill shall be different from those amounts calculated in the above table.

Upon the completion of the Transactions and at the end of each reporting period, the directors of the Company will apply consistent accounting policies, principal assumptions and valuation method to assess impairment of the provisional goodwill at the end of each reporting period or earlier in accordance with the requirement of HKAS 36.

7. The amount represents the adjustments of approximate 7.69% share of profit and total comprehensive income of the Target Group to the non-controlling interests that is attributable to equity holders of the Group for the year ended 30 September 2024 assuming that the Transactions had been completed on 1 October 2023 for the purpose of the Unaudited Pro Forma Financial Information.

This pro forma adjustment is expected to have a continuing effect on the unaudited pro forma consolidated statement of profit or loss and other comprehensive income.

8. Apart from the Acquisition, no other adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by the Group on the Target Group subsequent to 30 September 2024 where applicable.

Other than the adjustments relating to the additional amortisation to be charged and the corresponding tax impact, the other adjustments are not expected to have continuing effect on the unaudited pro forma consolidated statement of comprehensive income.

Subsequent to 30 September 2024, the directors of the Target Group or its subsidiaries have not recommended any dividend.

**C. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF  
THE ENLARGED GROUP**

*The following is the text of a report received from the independent reporting accountants of the Company, Moore CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.*

**Moore CPA Limited**

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**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Sinohope Technology Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Sinohope Technology Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) and Avenir Asset Holding Limited and its subsidiaries (collectively the “**Target Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 September 2024, the unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows for the year ended 30 September 2024 and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages VI-1 to VI-12 of the Company’s circular dated 14 March 2025 (the “**Circular**”) issued by the Company, in connection with the proposed acquisition of the Target Group (the “**Transactions**”). The applicable criteria on the basis of which the directors of the Company have compiled the Unaudited Pro Forma Financial Information are described on pages VI-1 to VI-12 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the directors of the Company to illustrate the impact of Transactions on the Group’s financial position as at 31 March 2024 and the Group’s financial performance and cash flows for the year ended 30 September 2024 as if the Transactions had taken place at 31 March 2024 and 1 October 2023 respectively. As part of this process, information about the Group’s financial position,

financial performance and cash flows for the year ended 30 September 2024 has been extracted by the Directors from the Group's financial statements for the year ended 30 September 2024, on which an independent auditor's report has been published.

***Directors' Responsibilities for the Unaudited Pro Forma Financial Information***

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

***Our Independence and Quality Management***

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements", which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

***Reporting Accountants' Responsibilities***

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 30 September 2024 or 1 October 2023 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



**Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Moore CPA Limited**

*Certified Public Accountants*

**Chan King Keung**

Practising Certificate Number: P06057

Hong Kong, 14 March 2025

The Board of Directors

**Sinohope Technology Holdings Limited**

6/F & Unit 702-3, 7/F,  
100 Queen's Road Central,  
Hong Kong

14 March 2025

Dear Sirs/Madams,

**Re: Valuation of Equity Interest of Avenir Asset Holding Limited and its subsidiaries**

In accordance with your instruction, Masterpiece Valuation Advisory Limited (“**Masterpiece**” or “**we**”) has conducted a fair value valuation in connection with the equity interest of Avenir Asset Holding Limited and its subsidiaries. (“**Avenir Asset**” or the “**Target Group**”), which primarily holds a wholly owned operating subsidiary, BitTrade Inc. (“**BitTrade**” or the “**Target Company**”) as of 29 February 2024 (the “**Valuation Date**”). We understand that Sinohope Technology Holdings Limited (the “**Company**”, “**Sinohope**” or “**you**”) intends to acquire certain shareholding of the Target Group (the “**Proposed Acquisition**”).

It is our understanding that this appraisal is strictly addressed to the directors of the Company (the “**Directors**”) and used for the Proposed Acquisition solely for your financial reporting purpose. This report (the “**Report**”) does not constitute an opinion on the commercial merits and structure of the Proposed Acquisition. We are not responsible for unauthorized use of the Report.

We accept no responsibility for the realization and completeness of any estimated data, or estimates furnished by or sourced from any third parties which we have used in connection with this Report. We assumed that financial and other information provided to us are accurate and complete.

This Report presents the summary of the business appraised, describes the basis of analysis and assumptions and explains the analysis methodology adopted in this appraisal process to calculate the value.

**BASIS OF ANALYSIS**

We have appraised the fair value of 100% equity interest of the Target Group.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

## COMPANY BACKGROUND

The Target Group is investment holding company registered in the British Virgin Islands (the “BVI”). It primarily holds a wholly owned subsidiary, the Target Company. The Target Company is a private entity incorporated in Tokyo, Japan. The Target Company is principally engaged in the operation of virtual currency exchange platform.

We understand that the Company intends to acquire certain equity interest of the Target Group. As such, the Company would like to assess the fair value of the equity interest of the Target Group as of the Valuation Date.

## SCOPE OF WORK

In conducting this valuation exercise, we have

- Co-ordinated with the Company’s representatives to obtain the required information and documents for our valuation;
- Gathered the relevant information of the Target Group, including the legal documents, financial statements, etc. made available to us;
- Discussed with the Company and the Target Group to understand the history, business model, operations, business development plan, etc. of the Target Group for valuation purpose;
- Carried out research in the sector concerned and collected relevant market data from reliable sources for analysis;
- Studied the information of the Target Group made available to us and considered the bases and assumptions of our conclusion of value;
- Selected an appropriate valuation method to analyze the market data and derived the estimated fair value of the Target Group; and
- Compiled this Report on the valuation, which outlines our findings, valuation methodologies and assumptions, and conclusion of value.

When performing our valuation, all relevant information, documents, and other pertinent data concerning the assets, liabilities and contingent liabilities should have been 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 Company, the Target Group and their authorized representatives.

**INDUSTRY OVERVIEW**

**Global Economy**

The world economy in 2023 is navigating through a period of slowed growth and several challenges. The global growth rate has decelerated, with the IMF predicting a dip from 3.5% in 2022 to 3.0% in 2023, which is below the historical average of 3.8% between 2000 and 2019. Similarly, the OECD forecasts a modest global GDP growth of 2.7% in 2023, with a slight improvement to 2.9% in 2024. This subdued economic outlook is attributed to various factors.

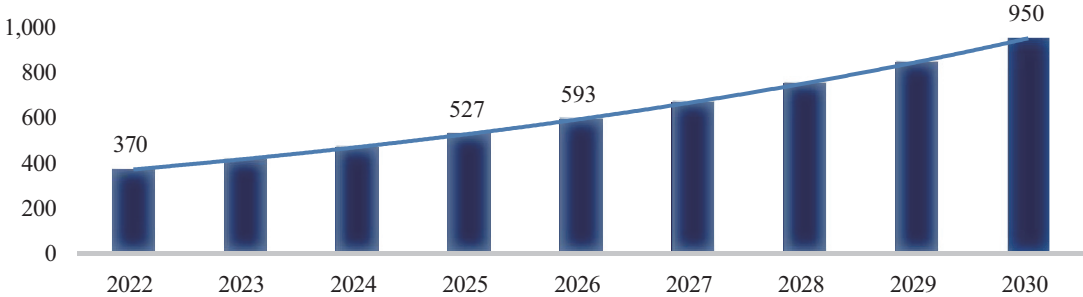
Persistent issues such as inflation, rising interest rates, and heightened uncertainties are posing hurdles for a robust global economic recovery. Moreover, a series of severe and interlinked shocks have had a profound impact. The ongoing COVID-19 pandemic, the war in Ukraine with its subsequent food and energy crises, surging inflation, debt tightening, and the climate emergency have all contributed to a fragile global economic landscape.

The repercussions of these challenges are more pronounced in advanced economies, where growth is expected to slow down considerably. For instance, growth in advanced economies is anticipated to decelerate from 2.6% in 2022 to 1.5%. The world is grappling with these economic headwinds amidst efforts to foster a sustainable recovery, although the path forward appears to be arduous given the prevailing global circumstances.

**Cryptocurrency exchange platform Industry**

The cryptocurrency exchange platform industry in 2023 demonstrates robust growth, driven by the rising popularity of cryptocurrencies, increased institutional adoption, and the development of advanced trading technologies. According to the Vantage Market Research, the global cryptocurrency exchange platforms market is valued at USD370.13 million in the year 2022 and is projected to reach a value of USD949.70 million by the year 2030. The Global Market is anticipated to grow to exhibit a compound annual growth rate of 12.50% over the forecast period.

**Cryptocurrency Exchange Platforms Market Size 2022 to 2030**  
(USD million)



Sourced: ESOMAR, Vantage Market Research

Financial institutions are also becoming more aware of the potential of digital assets as a profitable asset class. Cryptocurrencies are being acknowledged by major financial institutions as a non-correlated asset class, which means that its performance is not always consistent with that of conventional financial markets such as stocks and bonds. This diversification might act as a buffer against economic and market instability. The introduction of financial products that are focused on cryptocurrencies, including futures contracts and exchange-traded funds (ETFs) for Bitcoin, gives institutional investors regulated ways to get exposure to cryptocurrencies.

With the continuous increase in the number of identity-verified cryptoasset users driving broader acceptance and adoption of cryptocurrencies. This uptrend is fueling higher transaction volumes, benefiting exchange platforms through increased trading fees and other revenue streams, reflecting the industry's expansion and the cryptocurrencies' growing popularity.

The cryptocurrency exchange platforms are witnessing dynamic market activity as of March 2023. Dominated by crypto derivatives with a 74.8% market share, the total trading volume has soared to \$2.95 trillion. Centralized and decentralized exchanges followed with 22.8% and 2.4% shares, respectively. A remarkable \$6.1 trillion trading volume was reported by the top 10 exchanges in Q3 2023 alone, with Binance leading at \$3.2 trillion.

#### **LIMITATIONS OF THE REPORT**

The Report is addressed strictly to the Directors for their internal reference only. Accordingly, the Report may not be used nor relied upon in any other connection by, and are not intended to confer any benefit on, any person (including without limitation the respective shareholders of the Company and the Target Group).

The Report does not constitute an opinion on the commercial merits and structure of the Proposed Acquisition. The Report does not purport to contain all the information that may be necessary or desirable to fully evaluate the Proposed Acquisition. We are not required to and have not conducted a comprehensive review of the business, technical, operational, strategic or other commercial risks and merits of the Proposed Acquisition and such remain the sole responsibility of the Directors and the management of the Company.

We have assumed and relied upon, and have not independently verified the accuracy, completeness and adequacy of the information provided or otherwise made available to us or relied upon by us in the Report especially for the financial information of the Target Group provided by the management of the Company, whether written or verbal, and no representation or warrant, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of all such information.

Moreover, our valuation has also relied upon other information obtained from public sources which we believe to be reliable. We accept no responsibility for accuracy and reliability of any information obtained from public sources.

**VALUATION ASSUMPTIONS OF BUSINESS ENTERPRISE VALUE ANALYSIS**

In arriving at our opinion of value, we have considered the following principal factors:

- the economic outlook for the region operated by the Target Group and specific competitive environments affecting the industry;
- the business risks of the Target Group;
- the comparable companies are engaging in business operations similar to the Target Group;
- the experience of the management team of the Target Group and support from its shareholders; and
- the legal and regulatory issues of the industry in general.

A number of general assumptions have to be made in arriving at our value conclusion. The key assumptions adopted in this valuation include:

- There will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Group;
- We have assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported values. Further, we assume no responsibility for changes in market conditions after the Valuation Date;
- There will be no significant fluctuations in the cryptocurrency market that could adversely affect the operations and financial position of the Target Group;
- There will be no significant changes in the regulatory environment specifically governing cryptocurrencies, including tax laws, compliance requirements, and regulatory frameworks, that could adversely affect the operations of the Target Group; and
- The liquidity of cryptocurrencies will not experience any significant changes that would adversely affect their prices.

## VALUATION APPROACH

### General Valuation Approaches

There are three generally accepted approaches to appraise the fair value of the equity value of the Target Group, namely Income Approach, Cost Approach and Market Approach. All three of them have been considered regarding the valuation of the Target Group:

**Income Approach**     The income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset.

The fundamental method for income approach is the discounted cash flow (“**DCF**”) method. Under the DCF method, the value depends on the present value of future economic benefits to be derived from ownership of the enterprise. Thus, an indication of the equity value is calculated as the present value of the future free cash flow of a company less outstanding interest-bearing debt, if any. The future cash flow is discounted at the market-derived rate of return appropriate for the risks and hazards of investing in a similar business.

**Cost Approach**     The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history.

**Market Approach**     The market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset.

Under the market approach, the comparable company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. The comparable transaction method computes a price multiple using recent sales and purchase transactions of assets that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset.

### Selected Valuation Approach

Each of the abovementioned approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature. In this appraisal regarding the fair value of the equity value of the Target Group, we applied the Market Approach due to the following reasons:

- Cost Approach is not appropriate in current appraisal as it assumed the assets and liabilities of the Target Group are separable and can be sold separately. This methodology is more appropriate for the industry that their assets are highly liquid, like property development and financial institution. Thus, Cost Approach is not adopted in this valuation.
- Income Approach is also considered inappropriate as plenty of assumptions were involved in formulating the financial projection of the Target Group. and the assumptions might not be able to reflect the uncertainties in the future performance of the Target Group. Cryptocurrency markets are highly volatile, making the estimation of future cash flows uncertain and reliant on conjecture. Since improper assumptions will impose significant impact on the fair value, Income Approach is not adopted in this valuation.
- Fair value arrived from Market Approach reflects the market expectations over the corresponding industry as the price multiples of the comparable companies were arrived from market consensus. Since there are sufficient public companies in similar nature and business to that of the Target Group, their market values are good indicators of the industry. Therefore, Market Approach has been adopted in this valuation. Our valuation procedure under the guideline company method is illustrated as below.

#### *Guideline Company Method*

By adopting guideline company method, we have to select the appropriate comparable public companies. The selection of the comparable companies was based on the comparability of the overall industry sector. Although no two companies are ever exactly alike, behind the differences there are certain business universals such as required capital investment and overall perceived risks and uncertainties that guided the market in reaching the expected returns for companies with certain similar attributes.

The comparable public companies are selected by adopting FactSet and their latest audited annual reports, with reference to the following selection criteria:

- The primary business of the comparable public companies is cryptocurrency trading and exchanges, with over 50% of their revenues coming from these activities;



- The comparable public companies are listed on exchange markets in developed countries as identified by International Monetary Fund, including but not limited to the United States, Canada, Europe, Hong Kong, Singapore, and Japan, with the over-the-counter market excluded;
- The financial information of the comparable public companies is publicly available; and
- The revenue of the comparable public companies are positive.

Details of the selected comparable companies are listed as follows:

#	Company Name	Stock Code	Listing Location	Exchange Market	Business Description	Business Segment
1	Coinbase Global, Inc.	COIN-US	United States	NASDAQ	Coinbase Global, Inc. engages in technology and financial infrastructure products and services. It offers crypto-powered technologies including self-custody wallets, decentralized apps and services, and open community engagement platforms.	Transaction Revenue: 48.9% Subscription and Services Revenue: 45.3% Other Revenue: 5.9%
2	Bakkt Holdings, Inc.	BKKT-US	United States	NYSE	Bakkt Holdings, Inc. engages in the intersection of cryptoassets, loyalty and rewards, and payments. It also provides a platform to expand payment offerings, create new revenue streams, and increase customer loyalty.	Transaction Revenue: 96.9% Subscription and Services Revenue: 3.1%
3	Goobit Group AB	BTCX-SE	Sweden	NGM Exchange	Goobit Group AB engages in the provision of financial transaction activities. It offers cryptocurrency under the BTCX brand.	Cryptocurrency Trading Related 100.0%
4	Safello Group AB	SFL-SE	Sweden	Nasdaq Stockholm	Safello Group AB provides payment solutions. It offers direct payment methods and services to buy, sell and store bit coins.	Cryptocurrency Trading Related 100.0%
5	Banxa Holdings, Inc.	BNXA-CA	Canada	TSX	Banxa Holdings, Inc. operates as a payments service provider for the digital asset space. Its product Plug-and-Play allows access to digital currencies via multiple payment methods.	Sales of Cryptocurrencies: 80.0% Commissions and Spread from Services: 18.2% Integration Revenue: 1.8%

#	Company Name	Stock Code	Listing Location	Exchange Market	Business Description	Business Segment
6	BIGG Digital Assets Inc.	BIGG-CA	Canada	CSE	BIGG Digital Assets, Inc. engages in the development of blockchain technology solutions, search, and data analytics. Its solutions include QLUE.io and BitRank. It operates through the Blockchain Technology Development and Digital Currency Sales Brokerage segments.	Transaction Revenue: 72.8% Subscription Revenue: 19.9% Service Revenue: 7.3%
7	WonderFi Technologies Inc	WNDR-CA	Canada	TSX	Wonderfi Technologies, Inc. is a technology company, which engages in the creating unified access to digital assets through centralized and decentralized platforms. It operates under the Decentralized Finance (DeFi) and Centralized Finance (CeFi) segments.	Transaction Revenue: 89.6% Payments Revenue: 10.2% Other Revenue: 0.2%
8	Bitcoin Well Inc	BTCW-CA	Canada	TSX	Bitcoin Well, Inc. engages in the buy and sell of bitcoin through a bitcoin automated teller machine network and suite of web-based transaction services.	Sales of Cryptocurrency to Customers: 90.1% Arms-length Cryptocurrency exchanges: 9.9%

*Source: FactSet and annual reports of the comparable companies. FactSet Research Systems Inc., commonly known as FactSet, is a leading American financial data and software company publicly traded on the New York Stock Exchange under the ticker symbol FDS. Recognized as a component of the S&P 500 index since December 2021, FactSet provides integrated financial data, analytical tools, and services to investment professionals across the globe, including portfolio managers, market analysts, and risk managers. Its comprehensive suite of offerings includes business advisory services, data consolidation, advanced market analytics, and portfolio data management, catering to a diverse clientele.*

We have considered all the comparable companies listed in developed countries, including but not limited to the United States, Canada, Europe, Hong Kong, Singapore, and Japan. The reason for choosing comparable companies with over 50% of their revenues from cryptocurrency trading and exchanges is to identify businesses primarily engaged in similar activities as the Target Company. Based on the aforementioned selection criteria, there are no listed cryptocurrency trading and exchange-related companies with over 50% of their revenue coming from these activities in Japan, Singapore, or Hong Kong. Selecting listed companies in developed countries due to their strict laws and governance, transparency, and similar accounting standards, will lead to more accurate and reliable evaluations. Comparable companies from over-the-counter markets are not selected due to their lack of transparency, lower regulatory standards, and higher risk compared to listed exchanges. Additionally, companies on over-the-counter markets often have lower liquidity and less

reliable financial information, making accurate comparisons difficult. Having considered the above selection criteria and bases, besides the selected eight comparable public companies, we have not considered other comparable companies. The list of selected comparable companies is exhaustive based on our research and selection criteria on a best-effort basis.

We have noted that the comparable companies hold varying amounts of cryptocurrency assets and have significantly different capital structures. According to the Equity Investments and Equity Valuation chapters of CFA I and II curriculum, enterprise value (EV) is appropriate for comparing firms with substantial variations in capital structure. The rationale for subtracting cash and investment lies in the fact that an acquirer's net price paid for an acquisition target would be reduced by the amount of the target's liquid assets.

The formula for calculating the enterprise value of the comparable companies is as follows:

$$\text{Enterprise Value} = \text{Market Capitalization} - \text{Cryptocurrency Assets} + \text{Debts} - \text{Net Non-operating Assets and Liabilities} - \text{Cash} + \text{Minority Interest} + \text{Preferred Stock}$$

Set out below is the calculation (including the EV/S multiple) and adjustments for the above-mentioned items to arrive at the equity value of the Target Company:

Annualized Revenue of the Target Company	A
Adjusted Median EV/S Multiple of Comparable Companies	B
<hr/>	
Estimated 100% Enterprise Value of the Target Company	$C = A \times B$
Add: Cash	D
Add: Net non-operating assets and liabilities (including the Cryptocurrency assets)	E
Less: Debts	F
<hr/>	
Estimated 100% Equity Value of the Target Company	$G = C + D + E + F$

After screening eight comparable companies based on the aforementioned selection criteria, an additional criterion is applied to select the appropriate comparable companies for determining the multiples. In order to enhance the comparability between the selected comparable companies and the Target Company, the size of the sales amount is also taken into account as a determinant factor. In order to reflect the latest financial performance of the Target Company, it is considered that the suitable multiple in this valuation is the enterprise value-to-sales ratio (the “**EV/S Ratio**”).

We have also considered other common pricing multiples, such as price-to-earnings ratio, price-to-book ratio and price-to-EBITDA ratio. The price-to-earnings ratio is deemed inappropriate for valuation due to the Target Company’s history of net losses over three years and the first eleven months for the year 2024, and the recent profitability within the month may not be stable and could exhibit higher fluctuations comparing to revenue due to its business characteristics, rendering earnings-based metrics less reliable. The price-to-book ratio is considered not appropriate for this valuation because book value captures only the tangible assets of a company. A company’s intangible assets as well as company-specific competencies and advantages are not captured in the price-to-book ratio. The price-to-EBITDA ratio is not selected in this valuation because the Target Company has experienced three consecutive years of negative EBITDA historically, aligning with the rationale behind excluding the price-to-earnings ratio. Therefore, EV/S Ratio is considered appropriate and adopted in this valuation.

The EV/S of the Comparable Companies are calculated by dividing their respective enterprise value by their respective revenue. The enterprise values of the comparable companies are computed based on the market capitalization of the comparable companies as of the valuation date and the latest financial data of the comparable companies available as of the Valuation Date.

The EV/S multiples, along with the enterprise value of the following comparable companies as of the Valuation Date, are listed in the below table:

No	Company Name	Currency	Enterprise Value as of Valuation Date <sup>(1), (3)</sup>	LTM Sales <sup>(2), (3)</sup>	EV/S <sup>(4)</sup>
1	Coinbase Global, Inc.	USD million	45,898.1	3,108.4	14.77x (outlier) <sup>(6)</sup>
2	Bakkt Holdings, Inc.	USD million	175.1	581.2	0.30x (outlier) <sup>(6)</sup>
3	Goobit Group AB	USD million	3.5	8.6	0.40x
4	Safello Group AB	USD million	5.1	54.3	0.09x
5	Banxa Holdings, Inc.	USD million	35.9	136.5	0.26x
6	BIGG Digital Assets Inc.	USD million	54.4	4.1	13.41x
7	WonderFi Technologies Inc	USD million	92.0	11.9	7.73x
8	Bitcoin Well Inc	USD million	23.9	43.6	0.55x
<b>Median<sup>(3)</sup> excluding outlier Before LoMD and Control Premium</b>					0.48x
Lack of Marketability Discount (“LoMD”) <sup>(4)</sup>					42.9%
Control Premium <sup>(4)</sup>					13.6%
<b>Median excluding outlier After LoMD and Control Premium</b>					0.31x

*Notes:*

- (1) Data sourced from FactSet and annual reports of the comparable companies. The enterprise value of the comparable companies is computed based on the market capitalization of the companies and the latest financial data of the comparable companies available as of 29 February 2024.
- (2) Data sourced from FactSet. Revenue of the comparable companies are based on the trailing twelve months financial data of the comparable companies available as of 29 February 2024.
- (3) Exchange Rate based on the spot rate from FactSet as of 29 February 2024.
- (4) Median and average share the same role in understanding the central tendency of a sets of numbers. Median, which would not be affected by extreme values, is regarded a better mid-point measure for skewed number distributions. Hence, median is adopted to derive the result, which we consider to be a more reasonable approach to prevent the outliers from distorting the result.
- (5) *Marketability Discount and Control Premium*

Lack of Marketability Discount (“LOMD”) reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company.

The EV/S multiple adopted in the valuation was calculated from public listed companies, which represents marketable ownership interest. Fair value calculated using such EV/S multiple, therefore, represents the marketable interest. Thus, LOMD was adopted to adjust such marketable interest fair value to non-marketable interest fair value.

The report “Stout Restricted Stock Study Companion Guide (2022 edition)” by Stout Risius Ross, LLC, a reputable research company, suggested a median marketability discount for the 5th quintile of 772 transactions is about 42.9%. The median marketability discount in the 5th quintile has been with reference to because the median market value is similar to the Target Company. A marketability discount of 42.9% is considered appropriate and suitable for this valuation as we understand that the Target Company is a privately held company.

The value of non-marketable interest can be calculated from marketable interest using the following formula:

$$\text{Fair Value of Non-Marketable Interest} = \text{Fair Value of Marketable Interest} \times (1 - \text{LOMD})$$

Control premium is the amount that a buyer is willing to pay over the minority equity value of the company in order to acquire a controlling interest in that company. The EV/S multiple adopted in the valuation was calculated from public listed companies, which represents minority ownership interest; market value calculated using such EV/S multiple, therefore, represents the minority interest. Thus, control premium was adopted to adjust such minority interest market value to controlling interest market value.

Adjustment for control is made by the application of a control premium to the value of the Target Company’s shares. The report “Control Premium Study: 4th Quarter 2023” by FactSet Mergerstat, LLC, a reputable research company, suggested a median control premium for the category of Finance, Insurance and Real Estate is about 13.6%. A control premium of 13.6% is considered appropriate and suitable for this valuation as we understand that the Company intends to acquire a controlling stake in the Target Company.

The value of controlling interest can be calculated from minority interest using the following formula:

$$\text{Fair Value of Controlling Interest} = \text{Fair Value of Minority Interest} \times (1 + \text{Control Premium})$$

Combining the adjustments on LOMD and control premium,

$$\text{Adjusted EV/S multiple} = \text{EV/S multiple} \times (1 - \text{LOMD}) \times (1 + \text{Control Premium})$$

- (6) Based on the list of comparable companies, the sales range from a minimum of USD4.1 million to a maximum of USD3,108.4 million. The exceptions that we consider as outliers are Coinbase Global, Inc. and Bakkt Holdings, Inc. We further calculated that the standard deviation of the sales of these comparable companies lies outside of the BitTrade Inc.’s sales amount plus or minus 1 standard deviation of sales, hence we conclude that Coinbase Global, Inc. and Bakkt Holdings, Inc. are outliers. The comparable companies with similar sales sizes to the Target Company are Goobit Group AB, Safello Group AB, Banxa Holdings, Inc., BIGG Digital Assets Inc., WonderFi Technologies Inc, and Bitcoin Well Inc. The median EV/S multiple before LoMD and Control Premium for these six comparable companies is 0.48x.

**Valuation Result***Guideline Company Method*

Annualized Revenue of the Target Company (JPY'000) <sup>(1)</sup>	13,205,681
Adjusted Median EV/S Multiple <sup>(2)</sup>	<u>0.31x</u>
Estimated 100% Enterprise Value of the Target Company (JPY'000) <sup>(6)</sup>	4,093,761
Add: Cash (JPY'000) <sup>(3)</sup>	2,652,789
Add: Net non-operating assets and liabilities (JPY'000) <sup>(3)</sup>	3,787,647
Less: Debts (JPY'000) <sup>(4)</sup>	<u>4,174,678</u>
<b>Estimated 100% Equity Value of the Target Company (JPY'000)<sup>(7)</sup></b>	<b>6,400,000</b>
Less: Share Repurchase (JPY'000) <sup>(5)</sup>	<u>1,000,000</u>
<b>Adjusted 92.31% Equity Value of the Target Company (JPY'000)</b>	<b>5,400,000</b>
Add: Net non-operating assets and liabilities of Target Group (JPY'000) <sup>(5)</sup>	<u>7,120</u>
<b>Adjusted 100% Equity Value of the Target Group (JPY'000)</b>	<b>5,407,120</b>
Exchange Rate (USD/JPY) <sup>(7)</sup>	<u>150</u>
<b>100% Equity Value of the Target Group (USD)<sup>(7)</sup></b>	<b>36,127,000</b>

*Notes:*

- (1) Revenue is referred to the LTM revenue up to the 29 February 2024 financial statement (i.e., from 1 March 2023 to 29 February 2024) of the Target Company, which is obtained as follows:

	For the year ended		For the eleven	For the last
	31 March 2023		months ended	twelve months
	29 February		ended	ended
	2024		29 February	29 February
	JPY\$'000		JPY\$'000	JPY\$'000
	(audited)		(audited)	(audited)
	A	B = A/12	C	D = B + C
Total Revenue	4,949,764	412,280	12,793,201	13,205,681
Duration (Months)	12	1	11	12

- (2) Selected EV/S Multiple is based on the median EV/S multiple computed through Guideline Company Method.
- (3) Cash, net non-operating assets and liabilities based on the 29 February 2024 financial statement of the Target Company. Cash refers to the cash on hand or in banks. The non-operating assets and liabilities include the Target Company's own crypto assets, crypto assets of the Target Company's clients, long-term equity investments, foreign exchange margin, trust fund and client deposits with mismatched names, etc. These items are unrelated to the Target Company's regular operational activities.

- (4) Debts based on the 29 February 2024 financial statement of the Target Company include the borrowings from an intermediate holding company, Avenir Cayman Holding Limited (“**Avenir Cayman**”), long-term debt, short-term lease obligations and long-term lease obligations. The Target Company entered into several borrowing agreements in cryptocurrencies with Avenir Cayman, resulting in an outstanding amount of JPY3,147,564,121 as of 29 February 2024. Besides, the Target Company has also entered into a loan agreement with a former fellow subsidiary, Huobi Cayman Holding Limited (formerly known as Huobi Global Limited) (“**Huobi Global**”), amounting to JPY1,000,000,000 for five years from 16 May 2022 to 15 May 2027, thereby representing the long-term debt. On 1 October 2022, Huobi Global signed a novation agreement with Avenir Cayman, and transferred the rights and obligations of the said long-term debt to Avenir Cayman. As such, there is a total outstanding amount of JPY4,147,564,121 owed to Avenir Cayman as of 29 February 2024. The Target Company has decided not to settle the aggregate outstanding debt balance prior to the completion of the Proposed Acquisitions. The management of the Target Group anticipates that the aggregate outstanding debt balance will be settled by 31 December 2024. Additionally, the amount of total short and long-term lease obligations as of 29 February 2024 is approximately JPY27,114,000. Overall, the total amount of debt is JPY4,147,564,121 in debt and JPY27,114,000 in lease obligations, totaling approximately JPY4,174,678,000. Furthermore, there is an outstanding amount payable to 海南樂朋商務信息諮詢有限公司 (Hainan Lepeng Business Information Consulting Co., Ltd.) (“**Hainan Lepeng**”), totaling JPY89,946,000 as at 29 February 2024. However, this amount payable is associated with the Target Company’s regular operational activities, specifically technical service fees payable to Hainan Lepeng, and it has been included in the calculation of the Enterprise Value of the Target Company.
- (5) FPG and Tokai are able to request the Target Company, or a third party designated by the Target Company, to repurchase their equity interests in the Target Company if Mr. Li is no longer the ultimate beneficial owner of the Target Company, or if Avenir Investment disposes of more than 50% of the Target Company’s shares. The Target Company has committed to FPG and Tokai that, after completion of the Proposed Acquisitions, it will repurchase FPG’s and Tokai’s shares in the Target Company for a total consideration equivalent to their initial investment costs amounting to JPY1,000,000,000. The said amount has been factored into the valuation.
- (6) The net non-operating assets and liabilities of the Target Group, excluding the net assets of the Target Company, based on the financial statements of the Target Group as of 29 February 2024.
- (7) Exchange Rate based on the spot rate from FactSet as of 29 February 2024.
- (8) Figures may not exactly add up due to rounding.



**CONCLUSION OF VALUE**

Based on our investigation and analysis method employed, it is our opinion that the fair value of the 100% equity interest of the Target Group as of the Valuation Date is USD36,127,000.

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

We hereby certify that we have neither present nor prospective interests in Sinohope Technology Holdings Limited, nor the value reported.

Yours faithfully,  
For and on behalf of  
**Masterpiece Valuation Advisory Limited**

**Oswald Au**  
*MHKIS (GP), AAPI MSc (RE), ICPA*  
*Registered Professional Surveyor (GP)*  
Managing Director

Analyzed and Reported by:

**Paul Hau**  
*F CPA*  
*Director*

**Billy But**  
*Senior Analyst*

*Note:* Mr. Oswald W Y Au is a member of Hong Kong Institute of Surveyors (General Practice), Associate Member of Australian Property Institute and a Registered Professional Surveyor (General Practice) registered with Surveyors Registration Board. He has over 10 years' experience in financial valuation and property valuation in Hong Kong, the PRC, the U.S. and Asia Pacific region.

**APPENDIX — GENERAL LIMITATIONS AND CONDITIONS**

This Report was prepared based on the following general assumptions and limiting conditions:

- All data, including historical financial data, which we relied upon in reaching opinions and conclusions or set forth in the Report are true and accurate to our best knowledge. Whilst reasonable care has been taken to ensure that the information contained in the Report is accurate, we cannot guarantee its accuracy and we assume no liability for the truth or accuracy of any data, opinions, or estimates furnished by or sourced from any third parties which we have used in connection with the Report.
- We also assume no responsibilities in the accuracy of any legal matters. In particular, we have not carried out any investigation on the title of or any encumbrances or any interest claimed or claimable against the property appraised. Unless otherwise stated in the Report, we have assumed that the owner's interest is valid, the titles are good and marketable, and there are no encumbrances that cannot be identified through normal processes.
- We have not verified particulars of property, including their areas, sizes, dimensions, and descriptions, which we have used or have referred to in connection with the preparation of this Report, unless otherwise stated in this Report. Any information regarding areas, sizes, dimensions, and descriptions of property mentioned in this Report are for identification purposes only, and no one should use such information in any conveyance or other legal document. Any plans or graphical illustrations presented in this Report are intended only for facilitating the visualization of the property and its surroundings and such plans or graphical illustrations should not be regarded as a survey or a scale for size.
- The value opinion presented in this Report is based on the prevailing or then prevailing economic conditions and on the purchasing power of the currency stated in the Report as of the date of analysis. The date of value on which the conclusions and opinions expressed apply is stated in this Report.
- This Report has been prepared solely for the use or uses stated. Except for extraction of or reference to the Report by the Company, its financial advisor and/or its independent financial advisor for their respective work in relation to the Proposed Acquisition, it is not intended for any other use or purpose or use by any third parties. We hereby disclaim that we are not liable for any damages and/or loss arisen in connection with any such unintended use.

- Prior written consent must be obtained from Masterpiece Valuation Advisory Limited for publication of this Report. Except for disclosure in the Circular in relation to the Proposed Acquisition, no part of this Report (including without limitation any conclusion, the identity of any individuals signing or associated with this Report or the firms/companies with which they are connected, or any reference to the professional associations or organisations with which they are affiliated or the designations awarded by those organisations) shall be disclosed, disseminated or divulged to third parties by any means of publications such as prospectus, advertising materials, public relations, news.
- No environmental impact study has been carried out, unless otherwise stated in this Report. We assume all applicable laws and governmental regulations are being complied with unless otherwise stated in this Report. We have also assumed responsible ownership and that all necessary licenses, consents, or other approval from the relevant authority or private organisations have been or to be obtained or renewed for any use that is relevant to value analysis in this Report.
- Unless otherwise stated in this Report, the value estimate set out in this Report excludes the impact of presence of any harmful substances such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, or other potentially hazardous materials or of structural damage or environmental contamination. For purposes of evaluating potential structural and/or environmental defects, where their existence could have a material impact on value of the property, we would recommend that advices from the relevant experts, such as a qualified structural engineer and/or industrial hygienist, should be sought.

The Board of Directors

**Sinohope Technology Holdings Limited**

6/F & Unit 702-3, 7/F,  
100 Queen's Road Central,  
Hong Kong

14 March 2025

Dear Sirs/Madams,

**Re: Valuation of Equity Interest of Avenir Asset Holding Limited and its subsidiaries**

In accordance with your instruction, Masterpiece Valuation Advisory Limited (“**Masterpiece**” or “**we**”) has conducted a fair value valuation in connection with the equity interest of Avenir Asset Holding Limited and its subsidiaries. (“**Avenir Asset**” or the “**Target Group**”), which primarily holds a wholly owned operating subsidiary, BitTrade Inc. (“**BitTrade**” or the “**Target Company**”) as of 30 September 2024 (the “**Valuation Date**”). We understand that Sinohope Technology Holdings Limited (the “**Company**”, “**Sinohope**” or “**you**”) intends to acquire certain shareholding of the Target Group (the “**Proposed Acquisition**”).

It is our understanding that this appraisal is strictly addressed to the directors of the Company (the “**Directors**”) and used for the Proposed Acquisition solely for your financial reporting purpose. This report (the “**Report**”) does not constitute an opinion on the commercial merits and structure of the Proposed Acquisition. We are not responsible for unauthorized use of the Report.

We accept no responsibility for the realization and completeness of any estimated data, or estimates furnished by or sourced from any third parties which we have used in connection with this Report. We assumed that financial and other information provided to us are accurate and complete.

This Report presents the summary of the business appraised, describes the basis of analysis and assumptions and explains the analysis methodology adopted in this appraisal process to calculate the value.

**BASIS OF ANALYSIS**

We have appraised the fair value of 100% equity interest of the Target Group.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

## COMPANY BACKGROUND

The Target Group is investment holding company registered in the British Virgin Islands (the “BVI”). It primarily holds a wholly owned subsidiary, the Target Company. The Target Company is a private entity incorporated in Tokyo, Japan. The Target Company is principally engaged in the operation of virtual currency exchange platform.

We understand that the Company intends to acquire certain equity interest of the Target Group. As such, the Company would like to assess the fair value of the equity interest of the Target Group as of the Valuation Date.

## SCOPE OF WORK

In conducting this valuation exercise, we have

- Co-ordinated with the Company’s representatives to obtain the required information and documents for our valuation;
- Gathered the relevant information of the Target Group, including the legal documents, financial statements, etc. made available to us;
- Discussed with the Company and the Target Group to understand the history, business model, operations, business development plan, etc. of the Target Group for valuation purpose;
- Carried out research in the sector concerned and collected relevant market data from reliable sources for analysis;
- Studied the information of the Target Group made available to us and considered the bases and assumptions of our conclusion of value;
- Selected an appropriate valuation method to analyze the market data and derived the estimated fair value of the Target Group; and
- Compiled this Report on the valuation, which outlines our findings, valuation methodologies and assumptions, and conclusion of value.

When performing our valuation, all relevant information, documents, and other pertinent data concerning the assets, liabilities and contingent liabilities should have been 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 Company, the Target Group and their authorized representatives.

INDUSTRY OVERVIEW

Global Economy

The world economy in 2023 is navigating through a period of slowed growth and several challenges. The global growth rate has decelerated, with the IMF predicting a dip from 3.5% in 2022 to 3.0% in 2023, which is below the historical average of 3.8% between 2000 and 2019. Similarly, the OECD forecasts a modest global GDP growth of 2.7% in 2023, with a slight improvement to 2.9% in 2024. This subdued economic outlook is attributed to various factors.

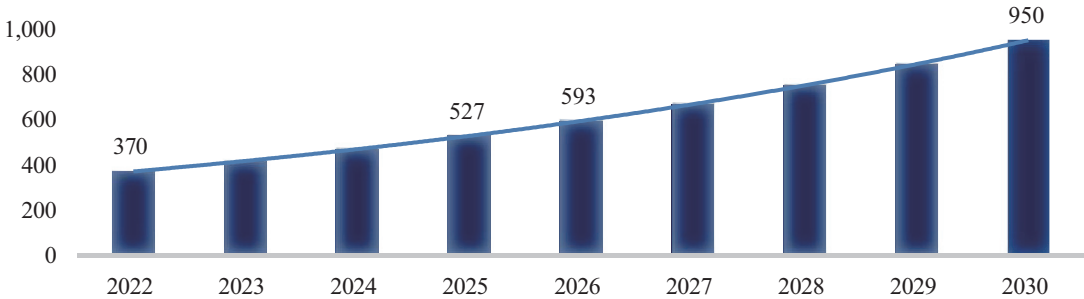
Persistent issues such as inflation, rising interest rates, and heightened uncertainties are posing hurdles for a robust global economic recovery. Moreover, a series of severe and interlinked shocks have had a profound impact. The ongoing COVID-19 pandemic, the war in Ukraine with its subsequent food and energy crises, surging inflation, debt tightening, and the climate emergency have all contributed to a fragile global economic landscape.

The repercussions of these challenges are more pronounced in advanced economies, where growth is expected to slow down considerably. For instance, growth in advanced economies is anticipated to decelerate from 2.6% in 2022 to 1.5%. The world is grappling with these economic headwinds amidst efforts to foster a sustainable recovery, although the path forward appears to be arduous given the prevailing global circumstances.

Cryptocurrency exchange platform Industry

The cryptocurrency exchange platform industry in 2023 demonstrates robust growth, driven by the rising popularity of cryptocurrencies, increased institutional adoption, and the development of advanced trading technologies. According to the Vantage Market Research, the global cryptocurrency exchange platforms market is valued at USD370.13 million in the year 2022 and is projected to reach a value of USD949.70 million by the year 2030. The Global Market is anticipated to grow to exhibit a compound annual growth rate of 12.50% over the forecast period.

Cryptocurrency Exchange Platforms Market Size 2022 to 2030 (USD Million)



Sourced: ESOMAR, Vantage Market Research

Financial institutions are also becoming more aware of the potential of digital assets as a profitable asset class. Cryptocurrencies are being acknowledged by major financial institutions as a non-correlated asset class, which means that its performance is not always consistent with that of conventional financial markets such as stocks and bonds. This diversification might act as a buffer against economic and market instability. The introduction of financial products that are focused on cryptocurrencies, including futures contracts and exchange-traded funds (ETFs) for Bitcoin, gives institutional investors regulated ways to get exposure to cryptocurrencies.

With the continuous increase in the number of identity-verified cryptoasset users driving broader acceptance and adoption of cryptocurrencies. This uptrend is fueling higher transaction volumes, benefiting exchange platforms through increased trading fees and other revenue streams, reflecting the industry's expansion and the cryptocurrencies' growing popularity.

The cryptocurrency exchange platforms are witnessing dynamic market activity as of March 2023. Dominated by crypto derivatives with a 74.8% market share, the total trading volume has soared to \$2.95 trillion. Centralized and decentralized exchanges followed with 22.8% and 2.4% shares, respectively. A remarkable \$6.1 trillion trading volume was reported by the top 10 exchanges in Q3 2023 alone, with Binance leading at \$3.2 trillion.

#### **LIMITATIONS OF THE REPORT**

The Report is addressed strictly to the Directors for their internal reference only. Accordingly, the Report may not be used nor relied upon in any other connection by, and are not intended to confer any benefit on, any person (including without limitation the respective shareholders of the Company and the Target Group).

The Report does not constitute an opinion on the commercial merits and structure of the Proposed Acquisition. The Report does not purport to contain all the information that may be necessary or desirable to fully evaluate the Proposed Acquisition. We are not required to and have not conducted a comprehensive review of the business, technical, operational, strategic or other commercial risks and merits of the Proposed Acquisition and such remain the sole responsibility of the Directors and the management of the Company.

We have assumed and relied upon, and have not independently verified the accuracy, completeness and adequacy of the information provided or otherwise made available to us or relied upon by us in the Report especially for the financial information of the Target Group provided by the management of the Company, whether written or verbal, and no representation or warrant, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of all such information.

Moreover, our valuation has also relied upon other information obtained from public sources which we believe to be reliable. We accept no responsibility for accuracy and reliability of any information obtained from public sources.

**VALUATION ASSUMPTIONS OF BUSINESS ENTERPRISE VALUE ANALYSIS**

In arriving at our opinion of value, we have considered the following principal factors:

- the economic outlook for the region operated by the Target Group and specific competitive environments affecting the industry;
- the business risks of the Target Group;
- the comparable companies are engaging in business operations similar to the Target Group;
- the experience of the management team of the Target Group and support from its shareholders; and
- the legal and regulatory issues of the industry in general.

A number of general assumptions have to be made in arriving at our value conclusion. The key assumptions adopted in this valuation include:

- There will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Group;
- We have assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported values. Further, we assume no responsibility for changes in market conditions after the Valuation Date;
- There will be no significant fluctuations in the cryptocurrency market that could adversely affect the operations and financial position of the Target Group;
- There will be no significant changes in the regulatory environment specifically governing cryptocurrencies, including tax laws, compliance requirements, and regulatory frameworks, that could adversely affect the operations of the Target Group; and
- The liquidity of cryptocurrencies will not experience any significant changes that would adversely affect their prices.



## VALUATION APPROACH

### General Valuation Approaches

There are three generally accepted approaches to appraise the fair value of the equity value of the Target Group, namely Income Approach, Cost Approach and Market Approach. All three of them have been considered regarding the valuation of the Target Group:

**Income Approach**     The income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset.

The fundamental method for income approach is the discounted cash flow (“**DCF**”) method. Under the DCF method, the value depends on the present value of future economic benefits to be derived from ownership of the enterprise. Thus, an indication of the equity value is calculated as the present value of the future free cash flow of a company less outstanding interest-bearing debt, if any. The future cash flow is discounted at the market-derived rate of return appropriate for the risks and hazards of investing in a similar business.

**Cost Approach**     The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history.

**Market Approach**     The market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset.

Under the market approach, the comparable company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. The comparable transaction method computes a price multiple using recent sales and purchase transactions of assets that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset.

### Selected Valuation Approach

Each of the abovementioned approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature. In this appraisal regarding the fair value of the equity value of the Target Group, we applied the Market Approach due to the following reasons:

- Cost Approach is not appropriate in current appraisal as it assumed the assets and liabilities of the Target Group are separable and can be sold separately. This methodology is more appropriate for the industry that their assets are highly liquid, like property development and financial institution. Thus, Cost Approach is not adopted in this valuation.
- Income Approach is also considered inappropriate as plenty of assumptions were involved in formulating the financial projection of the Target Group, and the assumptions might not be able to reflect the uncertainties in the future performance of the Target Group. Cryptocurrency markets are highly volatile, making the estimation of future cash flows uncertain and reliant on conjecture. Since improper assumptions will impose significant impact on the fair value, Income Approach is not adopted in this valuation.
- Fair value arrived from Market Approach reflects the market expectations over the corresponding industry as the price multiples of the comparable companies were arrived from market consensus. Since there are sufficient public companies in similar nature and business to that of the Target Group, their market values are good indicators of the industry. Therefore, Market Approach has been adopted in this valuation. Our valuation procedure under the guideline company method is illustrated as below.

#### *Guideline Company Method*

By adopting guideline company method, we have to select the appropriate comparable public companies. The selection of the comparable companies was based on the comparability of the overall industry sector. Although no two companies are ever exactly alike, behind the differences there are certain business universals such as required capital investment and overall perceived risks and uncertainties that guided the market in reaching the expected returns for companies with certain similar attributes.

The comparable public companies are selected by adopting FactSet and their latest audited annual reports, with reference to the following selection criteria:

- The primary business of the comparable public companies is cryptocurrency trading and exchanges, with over 50% of their revenues coming from these activities;

- The comparable public companies are listed on exchange markets in developed countries as identified by International Monetary Fund, including but not limited to the United States, Canada, Europe, Hong Kong, Singapore, and Japan, with the over-the-counter market excluded;
- The financial information of the comparable public companies is publicly available; and
- The revenue of the comparable public companies are positive.

Details of the selected comparable companies are listed as follows:

#	Company Name	Stock Code	Listing Location	Exchange Market	Business Description	Business Segment
1	Coinbase Global, Inc.	COIN-US	United States	NASDAQ	Coinbase Global, Inc. engages in technology and financial infrastructure products and services. It offers crypto-powered technologies including self- custody wallets, decentralized apps and services, and open community engagement platforms.	Transaction Revenue: 48.9% Subscription and Services Revenue: 45.3% Other Revenue: 5.9%
2	Bakkt Holdings, Inc.	BKKT-US	United States	NYSE	Bakkt Holdings, Inc. engages in the intersection of cryptoassets, loyalty and rewards, and payments. It also provides a platform to expand payment offerings, create new revenue streams, and increase customer loyalty.	Transaction Revenue: 96.9% Subscription and Services Revenue: 3.1%
3	Goobit Group AB	BTCX-SE	Sweden	NGM Exchange	Goobit Group AB engages in the provision of financial transaction activities. It offers cryptocurrency under the BTCX brand.	Cryptocurrency Trading Related 100.0%
4	Safello Group AB	SFL-SE	Sweden	Nasdaq Stockholm	Safello Group AB provides payment solutions. It offers direct payment methods and services to buy, sell and store bit coins.	Cryptocurrency Trading Related 100.0%
5	Banxa Holdings, Inc.	BNXA-CA	Canada	TSX	Banxa Holdings, Inc. operates as a payments service provider for the digital asset space. Its product Plug- and-Play allows access to digital currencies via multiple payment methods.	Sales of Cryptocurrencies: 94.3% Commissions and Spread from Services: 5.4% Integration Revenue: 0.4%

#	Company Name	Stock Code	Listing Location	Exchange Market	Business Description	Business Segment
6	BIGG Digital Assets Inc.	BIGG-CA	Canada	CSE	BIGG Digital Assets, Inc. engages in the development of blockchain technology solutions, search, and data analytics. Its solutions include QLUE.io and BitRank. It operates through the Blockchain Technology Development and Digital Currency Sales Brokerage segments.	Transaction Revenue: 76.8% Subscription Revenue: 18.7% Service Revenue: 4.4% Metaverse Studio and Advisory Revenue: 0.1%
7	WonderFi Technologies Inc	WNDR-CA	Canada	TSX	Wonderfi Technologies, Inc. is a technology company, which engages in the creating unified access to digital assets through centralized and decentralized platforms. It operates under the Decentralized Finance (DeFi) and Centralized Finance (CeFi) segments.	Transaction Revenue: 89.6% Payments Revenue: 10.2% Other Revenue: 0.2%
8	Bitcoin Well Inc	BTCW-CA	Canada	TSX	Bitcoin Well, Inc. engages in the buy and sell of bitcoin through a bitcoin automated teller machine network and suite of web-based transaction services.	Sales of Cryptocurrency to Customers: 90.2% Arms-length Cryptocurrency exchanges: 9.8%

*Source: FactSet and annual reports of the comparable companies. FactSet Research Systems Inc., commonly known as FactSet, is a leading American financial data and software company publicly traded on the New York Stock Exchange under the ticker symbol FDS. Recognized as a component of the S&P 500 index since December 2021, FactSet provides integrated financial data, analytical tools, and services to investment professionals across the globe, including portfolio managers, market analysts, and risk managers. Its comprehensive suite of offerings includes business advisory services, data consolidation, advanced market analytics, and portfolio data management, catering to a diverse clientele.*

We have considered all the comparable companies listed in developed countries, including but not limited to the United States, Canada, Europe, Hong Kong, Singapore, and Japan. The reason for choosing comparable companies with over 50% of their revenues from cryptocurrency trading and exchanges is to identify businesses primarily engaged in similar activities as the Target Company. Based on the aforementioned selection criteria, there are no listed cryptocurrency trading and exchange-related companies with over 50% of their revenue coming from these activities in Japan, Singapore, or Hong Kong. Selecting listed companies in developed countries due to their strict laws and governance, transparency, and similar accounting standards, will lead to more accurate and reliable evaluations. Comparable companies from over-the-counter markets are not selected due to their lack of transparency, lower regulatory standards, and higher risk compared to listed exchanges. Additionally, companies on over-the-counter markets often have lower liquidity and less

reliable financial information, making accurate comparisons difficult. Having considered the above selection criteria and bases, besides the selected eight comparable public companies, we have not considered other comparable companies. The list of selected comparable companies is exhaustive based on our research and selection criteria on a best-effort basis.

We have noted that the comparable companies hold varying amounts of cryptocurrency assets and have significantly different capital structures. According to the Equity Investments and Equity Valuation chapters of CFA I and II curriculum, enterprise value (EV) is appropriate for comparing firms with substantial variations in capital structure. The rationale for subtracting cash and investment lies in the fact that an acquirer's net price paid for an acquisition target would be reduced by the amount of the target's liquid assets.

The formula for calculating the enterprise value of the comparable companies is as follows:

$$\text{Enterprise Value} = \text{Market Capitalization} - \text{Cryptocurrency Assets} + \text{Debts} - \text{Net Non-operating Assets and Liabilities} - \text{Cash} + \text{Minority Interest} + \text{Preferred Stock}$$

Set out below is the calculation (including the EV/S multiple) and adjustments for the above-mentioned items to arrive at the equity value of the Target Company:

Annualized Revenue of the Target Company	A
Adjusted Median EV/S Multiple of Comparable Companies	B
<hr/>	
Estimated 100% Enterprise Value of the Target Company	$C = A \times B$
Add: Cash	D
Add: Net non-operating assets and liabilities (including the Cryptocurrency assets)	E
Less: Debts	F
<hr/>	
Estimated 100% Equity Value of the Target Company	$G = C + D + E + F$

After screening eight comparable companies based on the aforementioned selection criteria, an additional criterion is applied to select the appropriate comparable companies for determining the multiples. In order to enhance the comparability between the selected comparable companies and the Target Company, the size of the sales amount is also taken into account as a determinant factor. In order to reflect the latest financial performance of the Target Company, it is considered that the suitable multiple in this valuation is the enterprise value-to-sales ratio (the “**EV/S Ratio**”).

We have also considered other common pricing multiples, such as price-to-earnings ratio, price-to-book ratio and price-to-EBITDA ratio. The price-to-earnings ratio is deemed inappropriate for valuation due to the Target Company’s fluctuating profit and loss history over the past three years ended 31 March 2021, 2022 , 2023 and 2024 and the net loss recorded in the first half of 2025, and the recent profitability within the six months ended 30 September 2024 may not be stable and could exhibit higher fluctuations comparing to revenue due to its business characteristics, rendering earnings- based metrics less reliable. The price-to-book ratio is considered not appropriate for this valuation because book value captures only the tangible assets of a company. A company’s intangible assets as well as company-specific competencies and advantages are not captured in the price-to-book ratio.

The price-to-EBITDA ratio has not been selected for this valuation because, although the Target Company posted positive EBITDA in 2024, it has experienced a fluctuating EBITDA history, along with a net loss recorded in the first half of 2025. This rationale aligns with the decision to exclude the price-to-earnings ratio. Therefore, EV/S Ratio is considered appropriate and adopted in this valuation.

The EV/S of the Comparable Companies are calculated by dividing their respective enterprise value by their respective revenue. The enterprise values of the comparable companies are computed based on the market capitalization of the comparable companies as of the valuation date and the latest financial data of the comparable companies available as of the Valuation Date.

The EV/S multiples, along with the enterprise value of the following comparable companies as of the Valuation Date, are listed in the below table:

No	Company Name	Currency	Enterprise Value as of Valuation Date <sup>(1), (3)</sup>	LTM Sales <sup>(2), (3)</sup>	EV/S <sup>(4)</sup>
1	Coinbase Global, Inc.	USD million	39,692.3	4,703.7	8.44x (outlier) <sup>(6)</sup>
2	Bakkt Holdings, Inc.	USD million	147.4	1,783.8	0.08x (outlier) <sup>(6)</sup>
3	Goobit Group AB	USD million	4.0	12.1	0.33x
4	Safello Group AB	USD million	5.8	66.3	0.09x
5	Banxa Holdings, Inc.	USD million	18.9	189.6	0.10x
6	BIGG Digital Assets Inc.	USD million	23.8	7.2	3.31x
7	WonderFi Technologies Inc	USD million	31.6	39.5	0.80x
8	Bitcoin Well Inc	USD million	17.0	49.2	0.35x
<b>Median<sup>(3)</sup> excluding outlier Before LoMD and Control Premium</b>					0.34x
Lack of Marketability Discount (“LoMD”) <sup>(4)</sup>					42.9%
Control Premium <sup>(4)</sup>					30.2%
<b>Median excluding outlier After LoMD and Control Premium</b>					0.25x

*Notes:*

- (1) Data sourced from FactSet and annual reports of the comparable companies. The enterprise value of the comparable companies is computed based on the market capitalization of the companies and the latest financial data of the comparable companies available as of 30 September 2024.
- (2) Data sourced from FactSet. Revenue of the comparable companies are based on the trailing twelve months financial data of the comparable companies available as of 30 September 2024.
- (3) Exchange Rate based on the spot rate from FactSet as of 30 September 2024.
- (4) Median and average share the same role in understanding the central tendency of a sets of numbers. Median, which would not be affected by extreme values, is regarded a better mid-point measure for skewed number distributions. Hence, median is adopted to derive the result, which we consider to be a more reasonable approach to prevent the outliers from distorting the result.
- (5) *Marketability Discount and Control Premium*

Lack of Marketability Discount (“LOMD”) reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company.

The EV/S multiple adopted in the valuation was calculated from public listed companies, which represents marketable ownership interest. Fair value calculated using such EV/S multiple, therefore, represents the marketable interest. Thus, LOMD was adopted to adjust such marketable interest fair value to non-marketable interest fair value.

The report “Stout Restricted Stock Study Companion Guide (2023 edition)” by Stout Risius Ross, LLC, a reputable research company, suggested a median marketability discount for the 5th quintile of 772 transactions is about 42.9%. The median marketability discount in the 5th quintile has been with reference to because the median market value is similar to the Target Company. A marketability discount of 42.9% is considered appropriate and suitable for this valuation as we understand that the Target Company is a privately held company.

The value of non-marketable interest can be calculated from marketable interest using the following formula:

$$\text{Fair Value of Non-Marketable Interest} = \text{Fair Value of Marketable Interest} \times (1 - \text{LOMD})$$

Control premium is the amount that a buyer is willing to pay over the minority equity value of the company in order to acquire a controlling interest in that company. The EV/S multiple adopted in the valuation was calculated from public listed companies, which represents minority ownership interest; market value calculated using such EV/S multiple, therefore, represents the minority interest. Thus, control premium was adopted to adjust such minority interest market value to controlling interest market value.

Adjustment for control is made by the application of a control premium to the value of the Target Company’s shares. The report “Control Premium Study: 3rd Quarter 2024” by FactSet Mergerstat, LLC, a reputable research company, suggested a median control premium for the category of Security, Commodity brokers, and services from Finance, Insurance and Real Estate is about 30.2%. A control premium of 30.2% is considered appropriate and suitable for this valuation as we understand that the Company intends to acquire a controlling stake in the Target Company.

The value of controlling interest can be calculated from minority interest using the following formula:

$$\text{Fair Value of Controlling Interest} = \text{Fair Value of Minority Interest} \times (1 + \text{Control Premium})$$

Combining the adjustments on LOMD and control premium,

$$\text{Adjusted EV/S multiple} = \text{EV/S multiple} \times (1 - \text{LOMD}) \times (1 + \text{Control Premium})$$

- (6) Based on the list of comparable companies, the sales range from a minimum of USD7.2 million to a maximum of USD4,703.7 million. The exceptions that the Valuer considers as outliers are Coinbase Global, Inc. and Bakkt Holdings, Inc. The Valuer further calculated that the standard deviation of the sales of these comparable companies lies outside of the BitTrade Inc.’s sales amount plus or minus 1 standard deviation of sales, hence the Valuer concludes that Coinbase Global, Inc. and Bakkt Holdings, Inc. are outliers. The comparable companies with similar sales sizes to the Target Company are Goobit Group AB, Safello Group AB, Banxa Holdings, Inc., BIGG Digital Assets Inc., WonderFi Technologies Inc, and Bitcoin Well Inc. The median EV/S multiple before LoMD and Control Premium for these six comparable companies is 0.34x.



**Valuation Result***Guideline Company Method*

Annualized Revenue of the Target Company (JPY'000) <sup>(1)</sup>	16,832,864
Adjusted Median EV/S Multiple <sup>(2)</sup>	<u>0.25x</u>
Estimated 100% Enterprise Value of the Target Company (JPY'000)	4,239,117
Add: Cash (JPY'000) <sup>(3)</sup>	2,335,975
Add: Net non-operating assets and liabilities of the Target Company (JPY'000) <sup>(3)</sup>	3,376,438
Less: Debts (JPY'000) <sup>(3)</sup>	<u>4,144,156</u>
<b>Adjusted 100% Equity Value of the Target Company (JPY'000)<sup>(6)</sup></b>	<b>5,807,374</b>
Less: Redeemable Capital Contribution (JPY'000)	<u>999,974</u>
<b>Adjusted 92.31% Equity Value of the Target Company (JPY'000)<sup>(6)</sup></b>	<b>4,807,400</b>
Add: Net non-operating assets and liabilities of Target Group (JPY'000) <sup>(4)</sup>	<u>6,693</u>
<b>Adjusted 100% Equity Value of the Target Group (JPY'000)</b>	<b>4,814,093</b>
Exchange Rate (USD/JPY) <sup>(6)</sup>	<u>143</u>
<b>100% Equity Value of the Target Group (USD)<sup>(6)</sup></b>	<b>33,656,000</b>

*Notes:*

- (1) Revenue is referred to the LTM revenue up to the 30 September 2024 financial statement (i.e., from 1 October 2023 to 30 September 2024) of the Target Company, which is obtained as follows:

	For the six months ended 30 September 2023 JPY'000 (audited)	For the year ended 31 March 2024 JPY'000 (audited)	For the six months ended 31 March 2024 JPY'000 (audited)	For the six months ended 30 September 2024 JPY'000 (audited)	For the year ended 30 September 2024 JPY'000 (audited)
	A	B	C = B - A	C	E = C + D
Total Revenue	5,689,284	14,647,614	8,958,330	7,874,534	16,832,864
Duration (Months)	6	12	6	6	12

- (2) Selected EV/S Multiple is based on the median EV/S multiple computed through Guideline Company Method.

Cash, net non-operating assets and liabilities and debts based on the 30 September 2024 financial statement of the Target Company. Cash refers to the cash on hand or in banks. The non-operating assets and liabilities include the Target Company's own crypto assets, crypto assets of the Target Company's clients, foreign exchange margin, trust fund and client deposits with mismatched names, etc. These items are unrelated to the Target Company's regular operational activities.

- (3) The debts include the borrowings from an intermediate holding company, Avenir Cayman Holding Limited (“**Avenir Cayman**”), long-term debt, short-term lease obligations and long-term debt, short-term lease obligations and long-term lease obligations, etc.
- (4) The net non-operating assets and liabilities of the Target Group, excluding the net assets of the Target Company, based on the financial statements of the Target Group as of 30 September 2024.
- (5) Exchange Rate based on the spot rate from FactSet as of 30 September 2024.
- (6) Figures may not exactly add up due to rounding.

**CONCLUSION OF VALUE**

Based on our investigation and analysis method employed, it is our opinion that the fair value of the 100% equity interest of the Target Group as of the Valuation Date is USD33,656,000.

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

We hereby certify that we have neither present nor prospective interests in Sinohope Technology Holdings Limited nor the value reported.

Yours faithfully,  
For and on behalf of  
**Masterpiece Valuation Advisory Limited**

**Oswald Au**  
*MHKIS (GP), AAPI MSc (RE), ICPA*  
*Registered Professional Surveyor (GP)*  
Managing Director

Analyzed and Reported by:

**Paul Hau**

*FCPA*

*Director*

**Billy But**

*Senior Analyst*

*Note:* Mr. Oswald W Y Au is a member of Hong Kong Institute of Surveyors (General Practice), Associate Member of Australian Property Institute and a Registered Professional Surveyor (General Practice) registered with Surveyors Registration Board. He has over 10 years' experience in financial valuation and property valuation in Hong Kong, the PRC, the U.S. and Asia Pacific region.

**APPENDIX — GENERAL LIMITATIONS AND CONDITIONS**

This Report was prepared based on the following general assumptions and limiting conditions:

- All data, including historical financial data, which we relied upon in reaching opinions and conclusions or set forth in the Report are true and accurate to our best knowledge. Whilst reasonable care has been taken to ensure that the information contained in the Report is accurate, we cannot guarantee its accuracy and we assume no liability for the truth or accuracy of any data, opinions, or estimates furnished by or sourced from any third parties which we have used in connection with the Report.
- We also assume no responsibilities in the accuracy of any legal matters. In particular, we have not carried out any investigation on the title of or any encumbrances or any interest claimed or claimable against the property appraised. Unless otherwise stated in the Report, we have assumed that the owner's interest is valid, the titles are good and marketable, and there are no encumbrances that cannot be identified through normal processes.
- We have not verified particulars of property, including their areas, sizes, dimensions, and descriptions, which we have used or have referred to in connection with the preparation of this Report, unless otherwise stated in this Report. Any information regarding areas, sizes, dimensions, and descriptions of property mentioned in this Report are for identification purposes only, and no one should use such information in any conveyance or other legal document. Any plans or graphical illustrations presented in this Report are intended only for facilitating the visualization of the property and its surroundings and such plans or graphical illustrations should not be regarded as a survey or a scale for size.
- The value opinion presented in this Report is based on the prevailing or then prevailing economic conditions and on the purchasing power of the currency stated in the Report as of the date of analysis. The date of value on which the conclusions and opinions expressed apply is stated in this Report.
- This Report has been prepared solely for the use or uses stated. Except for extraction of or reference to the Report by the Company, its financial advisor and/or its independent financial advisor for their respective work in relation to the Proposed Acquisition, it is not intended for any other use or purpose or use by any third parties. We hereby disclaim that we are not liable for any damages and/or loss arisen in connection with any such unintended use.

- Prior written consent must be obtained from Masterpiece Valuation Advisory Limited for publication of this Report. Except for disclosure in the Circular in relation to the Proposed Acquisition, no part of this Report (including without limitation any conclusion, the identity of any individuals signing or associated with this Report or the firms/companies with which they are connected, or any reference to the professional associations or organisations with which they are affiliated or the designations awarded by those organisations) shall be disclosed, disseminated or divulged to third parties by any means of publications such as prospectus, advertising materials, public relations, news.
- No environmental impact study has been carried out, unless otherwise stated in this Report. We assume all applicable laws and governmental regulations are being complied with unless otherwise stated in this Report. We have also assumed responsible ownership and that all necessary licenses, consents, or other approval from the relevant authority or private organisations have been or to be obtained or renewed for any use that is relevant to value analysis in this Report.
- Unless otherwise stated in this Report, the value estimate set out in this Report excludes the impact of presence of any harmful substances such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, or other potentially hazardous materials or of structural damage or environmental contamination. For purposes of evaluating potential structural and/or environmental defects, where their existence could have a material impact on value of the property, we would recommend that advices from the relevant experts, such as a qualified structural engineer and/or industrial hygienist, should be sought.

TABLE OF THE PROPOSED AMENDMENTS TO THE MEMORANDUM OF  
ASSOCIATION

No.	Existing Memorandum	Amended Memorandum
10	The Company is authorised to issue a maximum of 500,000,000 shares of one class of HK\$0.001 par value each.	The Company is authorised to issue a maximum of <del>500,000,000</del> <u>700,000,000</u> shares of one class of HK\$0.001 par value each.
14	Subject to the provisions of the Act, the Company may from time to time amend the Memorandum or the Articles by Special Resolution of Members, except the members may from time to time amend the Memorandum or the Articles to increase the maximum number of shares the Company is authorised to issue by Resolution of Members. The Directors shall not have the power to amend the Memorandum or the Articles.	Subject to the provisions of the Act, the Company may from time to time amend the Memorandum or the Articles by Special Resolution of Members, <del>except the members may from time to time amend the Memorandum or the Articles to increase the maximum number of shares the Company is authorised to issue by Resolution of Members.</del> The Directors shall not have the power to amend the Memorandum or the Articles.

TABLE OF THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

No.	Existing Articles	Amended Articles
2.1	The Company is authorised to issue a maximum of 500,000,000 shares of one class of HK\$0.001 par value each.	The Company is authorised to issue a maximum of <del>500,000,000</del> <u>700,000,000</u> shares of one class of HK\$0.001 par value each.



**SINOHOPE 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)**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “**EGM**”) of Sinohope Technology Holdings Limited (“**Company**”, and together with its subsidiaries, the “**Group**”) will be held at Unit 702–3, 7/F, 100 Queen’s Road Central, Central, Hong Kong on Monday, 31 March 2025 at 10:30 a.m. to consider, if thought fit, passing with or without modification, the following resolutions as ordinary resolutions of the Company.

Unless otherwise defined, capitalised terms used herein shall have the same meaning as those defined in the circular dated 14 March 2025 of the Company (the “**Circular**”).

**ORDINARY RESOLUTIONS**

1. To consider and approve the resolution (with or without modification) in relation to the BVI Agreement, further details of which are set out in the Circular:

**“THAT**

- (a) the agreement entered into between the Company and BVI Vendors dated 16 August 2024 (as amended and supplemented by the supplemental deed dated 31 December 2024) (the “**BVI Agreement**”), as defined and described in the Circular, a copy of which has been produced to the EGM marked “A” and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the allotment and issue of the Consideration Shares A (as defined and described in the Circular) at the issue price of HK\$2.18 per Consideration Share to the BVI Vendors be and are hereby approved;
- (c) subject to the Listing Committee having granted the listing of, and permission to deal in the Consideration Shares A, the Directors be and are hereby granted the specific mandate (the “**BVI Specific Mandate**”) which shall entitle the Directors to exercise all the powers of the Company to allot, issue and credited as fully paid, the Consideration Shares A, on and subject to the terms and conditions of the BVI Agreement, providing that the BVI Specific Mandate shall be in addition to, and

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution; and

- (d) any Director be and is hereby authorised to sign and execute all such documents or agreements or deeds on behalf of the Company and to do all such other things and to take all such actions as he/she considers necessary, appropriate, desirable and expedient for the purposes of, or in connection with, the implementation of and giving effect to the terms of the BVI Agreement and the transactions contemplated thereunder or in connection therewith and to agree to and make such variation, amendments or waiver of matters relating thereto or in connection therewith.”

- 2. To consider and approve the resolution (with or without modification) in relation to the BitTrade Agreement, further details of which are set out in the Circular:

**“THAT**

- (a) the agreement entered into between the Company and Goldenway dated 16 August 2024 (as amended and supplemented by the supplemental deed dated 31 December 2024) (the “**BitTrade Agreement**”), as defined and described in the Circular, a copy of which has been produced to the EGM marked “B” and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the allotment and issue of the Consideration Shares B (as defined and described in the Circular) at the issue price of HK\$2.18 per Consideration Share to Goldenway be and are hereby approved;
- (c) subject to the Listing Committee having granted the listing of, and permission to deal in the Consideration Shares B, the Directors be and are hereby granted the specific mandate (the “**BitTrade Specific Mandate**”) which shall entitle the Directors to exercise all the powers of the Company to allot, issue and credited as fully paid, the Consideration Shares B, on and subject to the terms and conditions of the BitTrade Agreement, providing that the BitTrade Specific Mandate shall be in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution; and
- (d) any Director be and is hereby authorised to sign and execute all such documents or agreements or deeds on behalf of the Company and to do all such other things and to take all such actions as he/she considers necessary, appropriate, desirable and expedient for the purposes of, or in connection with, the implementation of and giving effect to the terms of the BitTrade Agreement and the transactions contemplated thereunder or in connection therewith and to agree to and make such variation, amendments or waiver of matters relating thereto or in connection therewith.”



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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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3. To consider and if thought fit, pass the following resolution (with or without modification) as an ordinary resolution of the Company:

“**THAT** subject to and conditional upon the Listing Committee granting the listing of, and permission to deal in, the additional shares of HK\$0.001 each in the shares of the Company to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme, the refreshment of the limit in respect of the grant of options to subscribe for Shares under the Share Option Scheme be and is hereby approved provided that:

- (a) the total number of Shares which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as refreshed hereby shall not exceed 10% of the total number of Shares in issue as at the date of passing this resolution (the “**Refreshed Limit**”);
  - (b) options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the Refreshed Limit; and
  - (c) any Director be and is hereby authorised to do all such acts and things and execute and deliver all such documents, deeds or instruments (including affixing the common seal of the Company thereon) and take all such steps as the Director in his or her sole opinion and absolute discretion may consider necessary appropriate or desirable to give effect to the foregoing arrangement.”
4. To consider and if thought fit, pass the following resolution (with or without modification) as an ordinary resolution of the Company:

“**THAT**

- (a) the authorised shares of the Company be and is hereby increased from 500,000,000 Shares of par value HK\$0.001 each to 700,000,000 Shares by the creation of an additional 200,000,000 Shares (the “**Increase of Authorised Shares**”), each ranking *pari passu* in all respects with the existing Shares upon issued and fully paid; and
- (b) any Director be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things he may consider necessary, desirable or expedient for the purpose of, or in connection with the matters contemplated in and for the implementation of and giving effect to the Increase of Authorised Shares.”

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### SPECIAL RESOLUTION

5. To consider and if thought fit, pass the following resolution (with or without modification) as a special resolution of the Company:

**“THAT:**

- (a) the existing amended and restated memorandum of association and amended and restated articles of association of the Company (collectively, the **“Existing M&A”**) be amended in the manner as set out in the Appendix VIII to the Circular (the **“Proposed Amendments”**);
- (b) the new amended and restated memorandum of association and amended and restated articles of association of the Company (the **“New M&A”**), a copy of which has been produced to this meeting and marked “C”, be and is hereby approved and adopted respectively as the memorandum of association and articles of association of the Company, in substitution for, and to the exclusion of, the Existing M&A of the Company with effect from the date of registration of the New M&A by the Registrar of Corporate Affairs in the British Virgin Islands (the **“Proposed Adoption”**); and
- (c) that any one director, secretary or officer of the Company be and is hereby authorised to execute all such documents and do all such other acts and things as he/they may, in his/their absolute discretion, consider necessary, desirable or expedient to effect the Proposed Amendments and the Proposed Adoption and any of the foregoing.”

By order of the Board

**SINOHOPE TECHNOLOGY HOLDINGS LIMITED**

**Du Jun**

*Executive Director*

Hong Kong, 14 March 2025

*Notes:*

1. A form of proxy for use in connection with the EGM is enclosed herewith and published on the website of The Stock Exchange of Hong Kong Limited ([www.hkex.com.hk](http://www.hkex.com.hk)). Whether or not you are able to attend the EGM, please complete and return the form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not later than 48 hours before the time designated for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.
2. Any member entitled to attend and vote at the EGM is entitled to appoint one or two proxies to attend and vote instead of him/her/it. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her/it and vote on his/her/its behalf at the EGM. A proxy need not be a member of the Company. On a poll, votes may be given either personally or by proxy.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
4. To be valid, a form of appointment of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 48 hours before the time appointed for the time appointed for holding the EGM or any adjournment thereof.
5. No instrument appointing a proxy shall be valid after expiration of 12 months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll demanded at the Meeting or any adjournment thereof in cases where the EGM was originally held within 12 months from such date.
6. Where there are joint registered holders of any share of the Company, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
7. For determining the entitlement to attend and vote at the EGM, the register of members will be closed from 26 March 2025 to 31 March 2025, both days inclusive. During this period, no transfer of shares will be registered. Shareholders whose names appear on the register of members of the Company on 31 March 2025 will be entitled to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on 25 March 2025.
8. If Typhoon Signal No. 8 or above, or "black" rainstorm warning is in effect any time after 8:00 a.m. and before the above time of EGM, the EGM will be postponed. The Company will post an announcement on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.newhuotech.com](http://www.newhuotech.com)) to notify the Shareholders (as defined herein) of the date, time and place of the rescheduled meeting.

*As at the date of this EGM notice, the Board comprises (1) Mr. Li Lin (Chairman) as a non-executive Director; (2) Mr. Du Jun (Chief Executive Officer) and Ms. Zhang Li as executive Directors; and (3) Mr. Yu Chun Kit, Mr. Yip Wai Ming and Dr. LAM, Lee G., BBS, JP as independent non-executive Directors.*