HENG TAI CONSUMABLES GROUP LIMITED
亨泰消費品集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 00197)

DISCLOSEABLE TRANSACTION – ACQUISITION OF 17.5% EQUITY INTEREST IN THE TARGET COMPANY INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

SUPPLEMENTAL AGREEMENT AND SUPPLEMENTAL INFORMATION

Reference is made to the announcement dated 20 October 2021 of Heng Tai Consumables Group Limited (the "**Company**") in relation to the acquisition of 17.5% equity interest in the Target Company (the "**Announcement**"). Unless otherwise defined herein, capitalised terms used herein shall have the meanings ascribed to them in the Announcement.

As disclosed in the Announcement and pursuant to the SP Agreement, the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell the Sale Shares (representing 17.5% of the issued share capital of the Target Company) at the Consideration of HK$28,760,000, which shall be satisfied by the allotment and issue of 284,752,000 Consideration Shares by the Company at the issue price of HK$0.101 each, credited as fully paid, at the Completion Date to the Vendor.

After further negotiation, the Purchaser and the Vendor agreed to apply a discount for lack of control ("**DLOC**") on the amount of the Consideration (details of which are set out in the section headed "Basis for the determination of the Consideration" below). In addition, additional time is required for the parties to satisfy certain conditions precedent as set out in the SP Agreement. Subsequently, on 2 December 2021 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, the Vendor and the Guarantor entered into a supplemental agreement to amend the SP Agreement (the "**Supplemental Agreement**").

PRINCIPAL TERMS OF THE SUPPLEMENTAL AGREEMENT

The principal terms of the Supplemental Agreement are set out below:

Adjustment to the Consideration, Consideration Shares and issue price:	The Consideration for the sale and purchase of the Sale Shares shall be HK$23,786,000 which shall be satisfied by way of the Purchaser procuring the Company to allot and issue 228,711,000 Consideration Shares at the issue price of HK$0.104 each, credited as fully paid, at the Completion Date to the Vendor.
Extension of Long Stop Date	The Long Stop Date will be extended to 31 December 2021 or such later date as agreed between the Purchaser and the Vendor in writing.

Save as varied by the terms of the Supplemental Agreement disclosed above, all the other provisions of the SP Agreement (as supplemented by the Supplemental Agreement) shall remain unchanged and in full force and effect.

BASIS FOR THE DETERMINATION OF THE CONSIDERATION

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor and was determined after taking into account, among other things, (i) the financial information of the Target Group; (ii) the purchases of a total of 18% equity interest in the Target Company by Greenpro, which involved the initial purchase of 10% equity interest in the Target Company at a consideration of US$1 million conducted in December 2020 and the purchase of additional 8% equity interest in the Target Company at an aggregate consideration of approximately US$1.3 million conducted in December 2020 and February 2021, which represented an implied valuation of the Target Company of approximately US$16.3 million (i.e. US$1.3 million/0.08); (iii) the valuation of 100% equity interest in the Target Company as at 31 August 2021. The investment value of 100% interest in the Target Company is US$21,071,000 (equivalent to approximately HK$164,354,000) as at 31 August 2021 according to the latest draft of the Valuation Report applying the market approach, prepared and to be issued by Valplus Consulting Limited, an independent professional valuer; and (iv) the DLOC applied on the amount of the Consideration.

(1) Financial information of the Target Company

According to the latest financial information of the Target Company available to the Company as at the date of the Announcement, since one of the businesses of the Target Company is provision of digital asset trading services, the revenue of the Target Company was adjusted by cost of trading of digital asset. Therefore, the adjusted revenue of the Target Company was approximately US$196,000 for the year ended 31 December 2020 and US$685,000 for the eight months ended 31 August 2021. The unaudited adjusted revenue (i.e. revenue minus cost of trading of digital asset) of the Target Company increased from approximately US$196,000 for the year ended 31 December 2020 to approximately US$685,000 for the eight months ended 31 August 2021. The increase in revenue was mainly attributable to the increase in the number of issuers which have been listed and traded on Cryptosx from one issuer as at 31 December 2019 to four issuers as at 31 August 2021, which in turn generated more relevant fee for the Target Company (the "**Listing Fee**"), including registration fee, offering application processing fee, regulatory documentation fee, token offering fee, and recurring management fee charged to the issuers of the security tokens. Moreover, the number of potential issuers which have entered into application agreements with the Target Company for potential listing and trading on Cryptosx increased from zero potential issuer as at 31 December 2019 to twelve potential issuers as at 31 August 2021. As such, it is expected that the number of issuers listed and traded on Cryptosx will continue to increase and generate Listing Fee income for the Target Company.

Also, the number of registered customers of Cryptosx as at 31 August 2021 have increased by approximately 35.5% as compared with that as at 31 December 2019. It is expected that a growing pool of investors thereon will attract more potential issuers to apply for listing and trading on Cryptosx.

The above shows the historical growth and future potential of the Target Company.

(2) The purchase of 18% equity interest in the Target Company by Greenpro

Pursuant to the information provided by the Target Company as at the date of the Announcement and according to the quarterly report of Greenpro for the quarterly period ended 30 June 2021 as published in the website of U.S. Securities and Exchange Commission, the Company understands that Greenpro, the Guarantor and the Target Company entered into a non-binding letter of intent in April 2020 in which Greenpro intended to acquire up to 18% in the equity interest of the Target Company from the Guarantor at a consideration of US$1.8 million. In October 2020, Greenpro, the Guarantor and the Target Company entered into the stock purchase and option agreement in which Greenpro would purchase 10% equity interest in the Target Company and was granted an option to purchase an additional 8% equity interest in the Target Company with a term of 180 days.

Pursuant to disclosure as stated in the aforesaid quarterly report of Greenpro, Greenpro purchased a total of 18% equity interest in the Target Company from the Guarantor, which involved the initial purchase of 10% equity interest in the Target Company at a consideration of US$1 million conducted in December 2020 and the purchase of additional 8% equity interest in the Target Company at an aggregate consideration of approximately US$1.3 million conducted in December 2020 (approximately US$0.4 million) and February 2021 (approximately US$0.9 million) (the "**Greenpro Investment**"), which represented an implied valuation of the Target Company of approximately US$16.3 million (i.e. US$1.3 million/0.08). The implied valuation of the Target Company for the Greenpro Investment of approximately US$16.3 million is close to the investment value of 100% interest in the Target Company as at 31 August 2021 in the amount of US$21,071,000 (equivalent to approximately HK$164,354,000) according to the latest draft of the Valuation Report applying the market approach, prepared and to be issued by Valplus Consulting Limited.

(3) Valuation Report

The investment value of 100% interest in the Target Company is US$21,071,000 (equivalent to approximately HK$164,354,000) as at 31 August 2021 according to the latest draft of the Valuation Report applying the market approach, prepared and to be issued by Valplus Consulting Limited, an independent professional valuer ("**Valuer**").

The Consideration in the amount of HK$23,786,000 is determined by applying a DLOC of 17.3% (please refer to the paragraph headed "(4) View of the Directors" for more details) to the investment value of 100% interest in the Target Company as at 31 August 2021 in the amount of US$21,071,000 (equivalent to approximately HK$164,354,000) as stated above and multiplied by 17.5% (being the percentage of shareholding interests of the Target Company to be purchased by the Purchaser), i.e. HK$164,354,000 x 17.5% x (1–17.3%).

Qualifications and experience of the Valuer

The Board has reviewed and enquired into the qualifications and experience of the Valuer in relation to the preparation of the Valuation Report, and noted that the Valuer is composed of a team of valuation professionals with various international professional accreditations, including but not limited to, Chartered Financial Analyst, Certified Financial Risk Manager, Registered Valuer of Royal Institution of Chartered Surveyors and Registered Professional Surveyor in Hong Kong. The Valuer has accomplished numerous valuation assignments for various types of tangible and intangible assets and financial instruments in order to meet a variety of purposes including but not limited to mergers and acquisitions and financial reporting. Mr. Damon Wan, being the director of the Valuer, has been working in the professional valuation field since 2008 and he has 13 years of experiences in performing properties, financial instruments, intangible assets and business valuations for the purposes of corporate advisory, merger & acquisition and public listing and completed over 30 valuation exercises with listed companies in Hong Kong for transaction disclosure purposes.

Besides, the Board have enquired whether the Valuer has any current or prior relationships with the Company and core connected persons of either the Company or the Purchaser. The Valuer confirmed to the Board that it is independent of and not connected with the Company or the Purchaser, any Director, or any member of the management, executive officer or employee of the Company or the Purchaser. The Valuer and its employees do not or will not hold any Shares or beneficial interest in the Company or the Purchaser, do not have any financial relationship with the Company or the Purchaser (save for being entitled to the service fee for preparing the Valuation Report), do not have any guarantees from the Company or the Purchaser that would be reasonably considered to affect its independence in performing the valuation on the Target Company (the "**Valuation**"). Based on the above, the Board considers the Valuer as an independent expert for the purpose of conducting the Valuation.

Methodology adopted in the Valuation

In performing the Valuation, the Valuer had adopted the market approach as there are readily available and identifiable comparable public companies and transactions. The income approach and the asset approach had been rejected as (i) the use of projections would involve a lot of long-term forecast estimates and assumptions which are not reliable and well-supported given the historical data and available information of the Target Company; and (ii) the cost of assets ignores the future economic benefits of the business as a whole.

Comparable companies and transactions

Under the market approach, the Valuer applied two common valuation methods, namely (i) guideline public company method ("**GPC Method**") and (ii) comparable transaction method ("**CT Method**"). The Valuer had conducted comprehensive research and identified an exhaustive list of comparable public companies (the "**Comparable Companies**") and transactions (the "**Comparable Transactions**") in which their or the acquirees' principal business activities are similar to that of the Target Company. Details of the Comparable Companies and acquirees of the Comparable Transactions (collectively, "**Comparables**") are summarized below:

Name of Comparable Companies	Business
BC Technology Group Limited (HK 0863)	BC Technology Group Ltd is an investment holding company and its subsidiaries are mainly engaged in digital assets and blockchain platform. Its digital assets and blockchain platform business segment provides software-as-a-service (SaaS), brokerage services, automated trading platforms and insured custody services for institutional and professional investors.
Coinbase Global Inc. (US COIN)	Coinbase Global, Inc. provides financial infrastructure and technology for the cryptoeconomy. It offers the primary financial account in the cryptoeconomy for retail users; a marketplace with a pool of liquidity for transacting in crypto assets for institutions; and technology and services that enable ecosystem partners to build crypto-based applications and securely accept crypto assets as payment.
Voyager Digital Ltd. (CN VYGR)	Voyager Digital Ltd., through its subsidiaries, engages in the development and commercialization of a digital platform that enables users to buy and sell digital assets (cryptocurrencies) across multiple exchanges in one account primarily in the United States and Canada.

Name of acquirees of Comparable Transactions	Business
FTX Trading LTD	FTX Trading LTD operates as a cryptocurrency derivatives exchange. It builds a platform for professional trading firms. FTX Trading serves customers globally.
BTC KoreaCom Company Ltd.	BTC KoreaCom Corporation operates as a financial platform company. It provides cryptocurrency, blockchain, and fintech services. BTC KoreaCom offers services throughout South Korea.
eToro (UK) Ltd.	Etoro Group Limited provides trading technology solutions. It offers social trading platform, offering a wide array of tools to invest in the capital markets, including but not limited to stocks and crypto assets.
BlockFi, Inc.	BlockFi Inc. provides consumer financing services. It offers loans to cryptoasset owners who collateralize the loan with their cryptoassets. BlockFi provides risk management, financial technology, and digital financing solutions. BlockFi serves customers worldwide.

A comparative analysis of the Target Company and the Comparables has been made by the Valuer on the basis of business model, geographical locations, scale of operation and financial performance. Similar to the Target Company, all the Comparables are principally engaged in the provision of digital assets trading platform and related transaction services with target customers across worldwide. The operational scale of the Target Company is smaller than the Comparables due to the fact that the Target Company is newly established with a relatively short operating history. Pursuant to the management of the Target Company, the existing userbase and the revenue of the Target Company are both lower than those of the Comparables but have exhibited a strong and continuous growth for potential expansion. In terms of financial performance, the revenue growth and the profit margins of the Target Company are within the ranges of the industry peers. Considering the pipeline of listing projects of the Target Company as scheduled in the coming years, the management of the Target Company expects that both the operating and financial matrices of the Target Company will further improve and converge to the industry level.

In terms of the scale of operation, profitability and revenue growth, the Comparables may not be considered as perfect comparable to the Target Company as they are all well established and listed. However, there is no ideal comparable which is identical to the Target Company in every single aspect or attribute. Practically, when determining the appropriateness of the comparable, it is normal to consider all aspects and attributes of the comparable on a collective, comprehensive and balanced basis. Based on general practice and experiences of valuation profession in the market, business nature and scope are the most important and determinant factors in selecting guideline comparable companies, while the scale of operation and market capitalization are relatively secondary, in which the Valuer was not aware of any valuation standard against such adopted selection criteria. Even if the comparable companies of same business nature do not share identical attributes or characteristics in some aspects (in particular, the size difference between the Target Company and the Comparables in the Valuation), this does not preclude their comparability with their peers, provided that they share some other primary similarities including but not limited to source of revenue, industry forces and operational risks etc. According to the International Valuation Standard, a widely recognised international standard for valuation, it is reasonable and applicable to make certain adjustments for any differences between the comparable and the subject. In general, small companies like the Target Company are perceived to be riskier in terms of business operation and financial performance, and thus resulting in higher expected returns and lower multiples. Concerning the size difference between the Target Company and the Comparables, the Valuer added risk premium in arriving at the multiple ratios for controlling such difference by using generally accepted valuation approach, without affecting the comparability of the Comparables to the Valuation. Therefore, though the Comparable Companies may not be perfect match to the Target Company, appropriate adjustments have been made to reflect differences between the Target Company and the Comparables, which are considered to be meaningful and representative for multiple valuation and in accordance with generally accepted valuation approach.

The Valuer applied the following formula in deriving the size adjustment for each of the multiple ratios of the Comparables:

Adjusted multiple = (Base multiple) x 1/(1 + (Base multiple) x (Size risk premium differential factor))

The size risk premium differential factor was mainly attributable to the differences in size risk premiums ("**Risk Premiums**") between the Target Company and the Comparables. According to the CRSP Deciles Size Premia from Duff & Phelps Cost of Capital Navigator published on 31 December 2020 and considering the market capitalization and net book value, the Risk Premiums ranging from 0.0% to 2.4% were added to each Comparable for size adjustment.

Following the above adjustments, after excluding outliers, the adjusted multiple ratios are set forth as below:

	GPC Method		CT Method	
	Pre-adjustment	Post-adjustment	Pre-adjustment	Post-adjustment
Enterprise value to sales ratio (“**EV/S**”)	29.3	20.2	N/A	N/A
Price-to-sales ratio (“**P/S**”)	31.5	20.6	20.2	14.6

Please refer to the paragraph headed “Multiple ratios and implied value” below for details of EV/S and P/S ratios.

In searching the comparable public companies, to the best endeavours and understanding of the Valuer, the Comparable Companies identified are the exhaustive list of samples based on certain selection criteria. The Valuer considers that the screening result represented a fair and reasonable sample size provided that the Target Company is engaged in a fast growing, new economy and specialized market segment with a very limited number of public listed companies. To expand the sample size by loosing the selection criteria, there would be more comparable samples shortlisted but would be subject to a concern of relevancy and reliability, which may adversely affect the accuracy of the Valuation. Despite the limited number of sample size, after taking into account comparability, the Comparable Companies are still considered to be the most representative and comprehensive set of peers to the Target Company as (i) they are subject to same industry force; and (ii) they are exposed to similar risks and rewards. On balance, the Valuer is of the view that a sample size of three is sufficient and justified for a meaningful comparison in the Valuation.

The Directors have reviewed the Comparable Companies and Comparable Transactions as set out above and have discussed with the Valuer on their criteria for selecting the Comparable Companies as well as the Comparable Transactions. The Directors understood that the Comparable Companies and Comparable Transactions were selected based on comparability to the Target Company in terms of business nature. In particular, the Comparable Companies were selected primarily based on the following criteria: (i) publicly listed with financial information available as at the date of valuation; and (ii) similarity in the nature of business with the Target Company. The Comparable Transactions were selected primarily based on the following criteria: (i) the acquirees were principally engaged in similar business with the Target Company; and (ii) the transactions were announced and/or completed within 2 years prior to the date of the Valuation. Based on the characteristics of the Comparable Transactions above, the Directors noted that the Comparable Companies and the Comparable Transactions were all selected globally, including Hong Kong and United State of America as the type of the Target Company’s business segment is relatively new. While the Directors noted that the Comparables may have different attributes or characteristics (in particular, the size) from those of the Target Company, their business nature is nevertheless the same and the Valuer also take into account the Risk Premiums in arriving at the multiple ratios in accordance with the International Valuation Standard to control the size difference. The Directors also searched for other transactions conducted by companies listed on the Stock Exchange in Hong Kong which include valuation reports in the circulars to understand the selection criteria for comparable companies/transactions. It is noted that the selection criteria generally only include (a) similar business nature (b) availability of financial information; and (c) public listing status (in the case of comparable companies), and risk premium for adjustment of company size are adopted. As such, the Directors consider that the method of selecting the Comparables and the adoption of the Risk Premiums for adjustment is consistent with market practice. In light of the above, the Company is of the view that the list of Comparable Transactions and Comparable Companies as identified by the Valuer represents an exhaustive list of the comparable transactions/ companies and is appropriate for the purpose of the Valuation.

Multiple ratios and implied value

Among various multiples, the Board noted that the Valuer was of the view that sales multiple is the most appropriate for the valuation of the Target Company as (i) book value is generally considered as irrelevant because the Target Company is a service-based company which is neither an asset intensive business nor heavy asset model; (ii) the Target Company was loss-making; (iii) it is a common practice to value a fast growing new economy company like the Target Company based on sales, which is always positive and not as susceptible to manipulation or distortion as earning and book value; and (iv) the value of the Target Company can be easily reflected in the sales generated by listing projects and trading turnover, indicating a strong correlation between revenue and profitability for a digital asset exchange service business. Based on the foregoing, the Valuer had determined to use both EV/S and P/S ratios for the Valuation, based on (i) the business nature of the Target Company, i.e. digital asset exchange service business; (ii) the Target Company was loss making for the year ended 31 December 2020; and (iii) the Target Company is a fast growing new economy company.

According to the latest publicly available financial data, after excluding outliers and adjustment for comparability, the multiple ratios adopted for the Valuation are summarised as below:

	GPC Method	**CT Method**
EV/S	20.2	N/A
P/S	20.6	14.6

As the Comparable Companies selected represented the minority stake trading in the market, control premiums of 18.1% and 23.9% were added for the EV/S ratio and the P/S ratio respectively in the course of valuation. In addition, a lack of marketability discount of approximately 15.8% was applied as the Target Company was a privately held company which is not readily marketable as compared to similar interests in publicly listed companies. Taking into account the historical sales (i.e the adjusted revenue of approximately US$685,000 for the eight months ended 31 August 2021) and projected sales based on the pipeline of listing projects of the Target Company as scheduled in 2021 (i.e. the projected adjusted revenue of approximately US$1.1 million for the year ending 31 December 2021), the implied value of the Target Company under the GPC Method and CT Method ranged from approximately USD16.3 million to USD24.1 million, indicating an average value of approximately USD21.1 million.

Prior to the entering into of the SP Agreement, the Purchaser and the Vendor had negotiated on the terms of the Acquisition including, among others, the amount of Consideration and the percentage of shareholding interests of the Target Company to be purchased by the Purchaser, which were not fixed until the date of the SP Agreement. To facilitate the process of negotiation, the Company engaged the Valuer for the valuation of the investment value of 100% equity interest in the Target Company (instead of a specific portion, i.e. 17.5%). As discussed with the Valuer, given that the Valuation Report is prepared on the basis of investment value of 100% interest in the Target Company, it is in line with market practice to apply a control premium in the valuation and apply a DLOC, if any, for determination of the consideration. Please refer to the paragraph headed "(4) View of the Directors" below for more details.

Key assumptions adopted in the Valuation

The key assumptions adopted in the Valuation are as follows:

- The Target Company is assumed to have no contingent assets and liabilities or any other off-balance sheet items which should be recognized or valued attributable to the Target Company;

- To continue as a going concern, the Target Company will successfully carry out all necessary activities for the development of its business;

- The contractual parties of relevant agreements will act in accordance with the terms and conditions of the agreements and understandings between the parties and will be renewable upon expiry, if applicable;

- The audited/unaudited financial and operational information of the Target Company as supplied to the Valuer have been prepared in a manner which truly and accurately reflect the financial position of the Target Company as at the respective balance sheet dates;

- Market trends and conditions where the Target Company operates will not deviate significantly from the economic forecasts in general;

- Key management, competent personnel and technical staff will all be retained to support ongoing operations of the Target Company;

- There will be no material changes in the business strategy of the Target Company and its expected operating structure;

- Interest rates and exchange rates in the localities for the operations of the Target Company will not differ materially from those presently prevailing;

- All relevant consents, business certificates, licenses or other legislative or administrative approvals from any local, provincial or national government, or private entity or organization required to operate in the localities where the Target Company operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and

- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the Target Company operates or intends to operate, which would adversely affect the revenues and profits attributable to the Target Company.

Work done by the Directors

In verifying the fairness and reasonableness of the key assumptions (including the Comparables) and the valuation methodology adopted in the valuation of the Target Company, the Directors have:

(i) examined the key assumptions and noted that they generally assume the truth and accuracy of the audited/unaudited financial and operational information of the Target Group supplied, as well as the lack of material change in (a) the Target Group's business, key management and staff, business strategy, and relevant consents, business certificates, licenses or other legislative or administrative approvals; and (b) relevant political, legal, economic or financial conditions and taxation laws. Based on the experience of the Directors from acquisitions involving valuation in the past and discussion with the Valuer, the Directors understood that these are commonly adopted assumptions in valuations and are in line with market practice;

(ii) performed independent investigation on the Comparable Companies and Comparable Transactions, including but not limited to the review of annual reports (if available) and websites of relevant companies to understand their business model, scale of operation, geographical location of operation, business growth, etc. While the scales and business growth may differ among the Comparables and the Target Group, the Directors consider that since their business nature is very similar and that the Valuer has took Risk Premium into account to control the size difference, the Comparables are relevant for comparative analysis purpose;

(iii) reviewed the valuation methodology and noted that market approach was adopted in the valuation. The Directors noted that the income approach and the asset approach had been rejected by the Valuer as (a) the use of projections would involve a lot of long-term forecast estimates and assumptions which are not reliable and well-supported given the historical data and available information of the Target Company; and (b) the cost of assets ignores the future economic benefits of the business as a whole. Having considered that the Target Group is newly established with a relatively short operating history while experiencing continuous growth in terms of revenue, the Directors concurred that it may not be fair and reasonable to use the income method without reliable forecasts or the asset approach which neglects the potential growth of the Target Group's business operation, and that the market approach is an appropriate and reasonable valuation approach out of the three valuation approaches; and

(iv) noted that under the market approach, the Valuer applied two common valuation methods, namely GPC Method and CT Method and compared the EV/S and P/S ratios of the Comparables. After discussion with the Valuer and review of the Comparable Companies and Comparable Transactions, the Directors are of the view that (a) the book value (i.e. net asset value) is not relevant as the Target Company is a service-based company, which neither engage in an asset intensive business nor have a heavy asset model; (b) the Target Company was loss-making so commonly used ratio based on earnings is not applicable; (c) it is a common practice to value a fast growing new economy company like the Target Company based on sales, which is always positive and not as susceptible to manipulation or distortion as earning and book value. Based on the above, the Directors concur with the view of the Valuer that the adoption of EV/S and P/S ratios for the valuation is appropriate.

Having taking into account the above, the Board is of the view that the key assumptions and the valuation methodology adopted in the valuation of the Target Company are fair and reasonable.

(4) View of the Directors

Having discussed with the management of the Target Company, the Directors understood that the Target Company is a service-based company which neither engage in an asset intensive business nor have a heavy asset model. Meanwhile, the book value does not take into account the business license, customer base, pipeline of future listing projects, etc, all of which are crucial to the business operation and growth of the Target Company. Accordingly, Directors consider that the net asset of the Target Group is not relevant to the value of the Target Company and the valuation arrived at in the Valuation Report based on the key assumptions and the valuation methodology adopted in the valuation of the Target Company as discussed above is fair and reasonable.

The Purchaser and the Vendor agreed to apply a DLOC on the amount of the Consideration. In particular, after discussion with the Valuer, the Directors noted that DLOC is generally calculated based on the following formula which is calculated from the relevant control premium:

DLOC = 1 – (1/(1 + control premium))

Based on the control premiums applied by the Valuer as stated in the Valuation Report, which were 18.1% and 23.9% for EV/S and P/S ratios respectively under the GPC Method and corresponded to DLOCs of approximately 15.3% and 19.3% respectively after applying the above formula, the Directors intend to apply a DLOC of 17.3% (being the average of 15.3% and 19.3%) for the determination of the revised Consideration. Under such basis, the Consideration is HK$23,786,000 which is calculated as HK$164,354,000 (being the valuation of 100% equity interest in the Target Company prepared by the Valuer) x 17.5% (being the percentage of equity interest of the Target Company to be acquired) x (1–17.3%). The Directors are of the view that the rate of DLOC of 17.3% is fair and reasonable as it is the average of the aforesaid two rates of DLOC, i.e. 15.3% and 19.3%, which are derived from the control premiums applied by the Valuer as stated in the Valuation Report.

Given that

(i) the valuation methodology adopted and the valuation of the Target Company arrived at in the Valuation Report are fair and reasonable;

(ii) the Consideration in the amount of HK$23,786,000 is determined by applying a DLOC of 17.3% to the investment value of 100% interest in the Target Company as at 31 August 2021 in the amount of US$21,071,000 (equivalent to approximately HK$164,354,000) and multiplied by 17.5% (being the percentage of shareholding interests of the Target Company to be purchased by the Purchaser), i.e. HK$164,354,000 x 17.5% x (1–17.3%);

(iii) several region/countries such as Hong Kong, the US, the United Kingdom and Singapore implemented their own legislative frameworks for the regulation of virtual asset trading platforms and several platforms have been granted relevant licences. Also, according to the Valuation Report, the number of security token offerings worldwide similar to those on Cryptosx increased rapidly, from only 5 offerings in 2017 to 107 in 2019. These reflect that the digital asset market in which the Target Company operates has been gaining momentum in recent years; and

(iv) the Target Company experienced substantial growth in terms of adjusted revenue from the year ended 31 December 2019 to the eight months ended 31 August 2021. The number of registered customers of Cryptosx as at 31 August 2021 have increased by approximately 35.5% as compared with that as at 31 December 2019 and there were 12 potential issuers of potential issuers which have entered into application agreements with the Target Company for potential listing and trading on Cryptosx as at 31 August 2021, which reflects future potential of the Target Company,

the Board considers that the Consideration (including the fact that the Company only acquired a minority interest in the Target Company) is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

ISSUANCE OF THE CONSIDERATION SHARES

The 228,711,000 Consideration Shares represent (i) approximately 12.21% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 10.88% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there is no other change to the issued share capital of the Company from the date of this announcement to the date of issue of the Consideration Shares).

The issue price of the Consideration Shares of HK$0.104 represents:

(i) a discount of approximately 19.38% to the closing price of HK$0.129 per Share as quoted on the Stock Exchange on the date of the Supplemental Agreement;

(ii) a discount of approximately 17.20% to the average closing price of approximately HK$0.1256 per Share as quoted on the Stock Exchange for the five trading days immediately preceding the date of the Supplemental Agreement;

(iii) a discount of approximately 13.84% to the average closing price of approximately HK$0.1207 per Share as quoted on the Stock Exchange for the ten trading days immediately preceding the date of the Supplemental Agreement; and

(iv) a discount of approximately 13.55% to the average closing price of approximately HK$0.1203 per Share as quoted on the Stock Exchange for the 15 trading days immediately preceding the date of the Supplemental Agreement.

The issue price of the Consideration Shares was determined after arm's length negotiations between the Purchaser and the Vendor with reference to the recent market prices of the Shares. Taking into account the analysis as detailed in the paragraph headed "Comparable analysis" below, the Directors (including the independent non-executive Directors) consider that the issue price is fair and reasonable and on normal commercial terms.

The Consideration Shares will be issued under the General Mandate. The maximum number of Shares that can be issued under the General Mandate is 374,539,236 Shares. As at the date of this announcement, the General Mandate has not been used before and accordingly, the General Mandate will be sufficient for the allotment and issue of the Consideration Shares and is not subject to the Shareholders' approval.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when issued, will rank pari passu in all respects with the Shares in issue.

Comparable analysis

The Directors have conducted market research on recent transactions of companies listed in Hong Kong which involved consideration issue. To the best endeavours of the Directors, there was an exhaustive list of twelve such transactions (the "**Comparable Issue(s)**") within the one month period from 20 September 2021 to 20 October 2021 (being the date of the SP Agreement) and further up to 1 December 2021 (being the date immediately prior to the date of the Supplemental Agreement). Details of the Comparable Issues are summarised as follows:

	(Discount)/ Premium of issue price to the share price on the last trading day ("LTD Price") *(%)*	(Discount)/ Premium of issue price to the average share price for the last five (5) consecutive trading days prior to the last trading day ("5-LTD Price") *(%)*	(Discount)/ Premium of issue price to the average share price for the last ten (10) consecutive trading days prior to the last trading day ("10-LTD Price") *(%)*	(Discount)/ Premium of issue price to the average share price for the last fifteen (15) consecutive trading days prior to the last trading day ("15-LTD Price") *(%)*	(Discount)/ Premium of issue price to the net asset value per share ("NAV") *(%)*
Maximum (discount)	(18.61)	(18.91)	(16.56)	(22.03)	(83.97)
Maximum premium	51.16	50.46	62.50	68.18	806.63
Average premium	2.10	1.94	1.98	1.46	117.31
Company	(19.38)	(17.20)	(13.84)	(13.55)	(84.85)

It is noted that although the discounts represented by the issue price of the Consideration Shares to LTD Price and its NAV were slightly above the maximum discount represented by the issue prices of the Comparables Issues, the discounts represented by the issue price of the Consideration Shares to 5-LTD Price, 10-LTD Price and 15-LTD Price were within the range of discounts represented by the issue prices of the Comparables Issues. Notwithstanding the substantial discount to NAV of approximately 84.85%, taking into account that (i) the closing price of the Shares (ranging from HK$0.057 to HK$0.137 per Share during the one year period from 1 December 2020 to 1 December 2021) has always represented substantial discount to NAV (approximately HK$0.804 and HK$0.687 based on the net asset of the Group as at 30 June 2020 and 30 June 2021 respectively) ranging from approximately 81.4% to 92.9%; and (ii) the potential dilution effect on shareholding and NAV is justifiable as stated in the section headed "Fund Raising Alternatives" below, the Directors consider that the issue price of the Consideration Shares, which was based on the recent market prices of the Shares with discounts which are comparable to those represented by the Comparable Issues, is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

FUND RAISING ALTERNATIVES

The Board has considered other alternative fundraising methods such as debt financing, rights issue or open offer. The Board considered that debt financing would incur interest burden on the Group and increase the gearing ratio of the Group, and may be subject to lengthy due diligence and negotiations with the banks with reference to the Group's financial position and the then financial market condition and it may be relatively uncertain and time-consuming. On the other hand, rights issue or open offer may also involve relatively substantial time and cost, such as issue of listing documents and underwriting commission, as compared to the equity financing through issue of the new Shares under the General Mandate.

The Company has also considered cash payment as an alternative settlement method for the Consideration. However, as there are many uncertainties ahead including the development of the pandemic, the political tension among different major nations and the global economic slowdown, the Company takes a more cautious stance by maintaining a strong and healthy financial position to weather any unforeseeable headwinds. As stated in the Annual Report, the bank and cash balances of the Group as at 30 June 2021 was approximately HK$223.4 million, out of which approximately HK$110.6 million was the remaining balance of the net proceeds generated from the rights issue conducted by the Company and completed on 10 January 2017 (the "**Rights Issue**") (details of which are set out in the prospectus of the Company dated 15 December 2016) and has other intended usage (details of the use of net proceeds from the Rights Issue are set out in the section headed "Management Discussion and Analysis" in the Annual Report) and could not be utilised for payment of the consideration. The remaining cash of approximately HK$112.8 million is intended to be (i) used as to approximately HK$90.0 million for the general working capital the Company's existing business for the next 12 months, based on the net cash used in operating activities of the Group for the year ended 30 June 2021 of approximately HK$95.2 million as disclosed in the Annual Report; and (ii) reserved as to approximately HK$22.8 million for maintaining the Group's financial flexibility in view of the uncertain market outlook of the Company's business.

Accordingly, the Directors consider that financing the Consideration by way of issuance of Consideration Shares is fair and reasonable and in the interest of the Company and the Shareholders as a whole after taking into account that (i) when compared with other means of fundraising, the issuance of the Consideration Shares will allow the Group to maintain its financial flexibility by reserving its cash balance, and enlarge shareholders' base of the Company which may in turn enhance the liquidity of the Shares, and provide additional funding without incurring any interest burden or underwriting commission, within a relatively shorter time frame and at lower costs; (ii) the potential dilution impact on the existing Shareholders is approximately 10.9% and the net asset value per Shares (based on net assets of the Group of approximately HK$1,285.9 million as at 30 June 2021) would decrease from approximately HK$0.687 to HK$0.623 representing a dilution effect of approximately 9.3% upon issuance of the Consideration Shares; (iii) the reasons for and benefits of the Acquisition as stated in the section headed "Reasons for and benefits of the Acquisition" below; (iv) the Consideration is fair and reasonable as stated in the paragraph headed "(4) View of the Directors" above; and (v) the issue price of the Consideration Shares is fair and reasonable as stated in the section headed "Issuance of the Consideration Shares" above.

INFORMATION OF THE GUARANTOR, THE VENDOR AND GREENPRO

As at the date of this announcement, the Target Company is owned as to 64.5% by the Guarantor, 17.5% by the Vendor and 18% by Greenpro.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) the Vendor is wholly and beneficially owned by the Guarantor; (ii) each of the Vendor and the Guarantor is an Independent Third Party; (iii) the Vendor is principally engaged in investment holding; and (iv) the Guarantor is a Hong Kong businessman and also a management of the Target Company with more than four years of experience in the digital assets industry.

To the best at the Directors' knowledge, information and belief, having made all reasonable enquiries, Greenpro is a subsidiary of Greenpro Capital Corp. which is a company listed on Nasdaq and each of them are an Independent Third Party. Based on public information available, Greenpro is engaged in venture capital business in Hong Kong with a focus on companies located in South-East Asia and East Asia, while Greenpro Capital Corp. also operates and provides a wide range of business solution services (e.g. cross-border business solutions, record management services, and accounting outsourcing services) to small and medium-size businesses located in South-East Asia and East Asia.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Although the business of the Target Group is not in line with the Company's existing businesses, given there are many uncertainties such as the development of the pandemic, the intensifying tensions among different nations, the global supply chain disruptions and the increasingly keen competition, which cast a significant negative outlook and uncertainty over the Group's business performance as stated in the section headed "Chairman's Statement" of the annual report of the Group for the year ended 30 June 2021 (the "**Annual Report**"), the management of the Company are of the view that it is in the interest of the Company to diversify the Group's operations and not highly concentrate on the existing trading businesses (which accounted for over 90% of the Group's total revenue for the year ended 30 June 2021) which are vulnerable in a highly competitive market and continuously explore suitable investment opportunities to enhance the Group's investment portfolios and generate alternate income streams. The Acquisition would allow the Group to expand, diversify and enhance the Company's investment portfolio to include equity interests in the Target Company. Having considered that the digital asset trading services business in which the Target Group is engaged is relatively new and has only grown in recent years, the Directors are of the view that there is huge potential in the digital assets industry and the Acquisition provides a good investment opportunity for the Group to tap into the digital assets industry as a passive investor holding minority interest in the Target Company without substantial commitment and thereby setting ground for future business cooperation with the Target Group if opportunities arise.

Given that the digital assets industry is relatively new and has only grown in recent years, the Directors do not have the relevant experience in the Target Group's business and the Group does not have expertise in the Target Group's Business.

However, the Board considers there is huge potential in the digital assets industry and given that (i) the Purchaser will only acquire 17.5% shareholding interest in the Target Company and will be a passive investor with no control over the Target Company; (ii) the management team of the Target Group has over 20 years of experience in business development, financial management and over 3 years of experience in the operation of digital assets exchanges; (iii) there would be regular meetings to be held between the management of the Company and the Target Group which would allow the Company to discuss and scrutinise the business operation and development of the Target Group from time to time; (iv) the Target Group would provide its periodic management accounts and audited accounts to the Company for review and assessment of the Target Group's financial position; and (v) the Company intends to recruit personnel with the relevant experience and expertise in the digital asset industry which will allow the Company to further participate in and monitor the business operations and performance of the Target Group, the Director are of the view that it can regularly monitor and assess the business operations and performance of the Target Group even though currently the Company do not have the relevant expertise and the Directors do not have relevant experience in the Target Company's business, and that the Acquisition is in the interest of the Company and its shareholders as a whole. Having also taking into account the basis for the determination of the Consideration and issuance of Consideration Shares as detailed above, the Directors are of the view that the terms of the SP Agreement (as supplemented by the Supplemental Agreement) are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As at the date of this announcement, there is (i) no concrete plan of future business cooperation with the Target Group; (ii) no further commitment into the Target Group apart from the Consideration; and (iii) no plan or intention to conduct future acquisition of new businesses (including the digital assets business) by the Company. Nevertheless, the management of the Company believes digital assets will likely become a trend of the worldwide capital market in the near coming future and the Company is interested to further explore the development and opportunities in digital assets industry. In the event that the Company intends to further develop the business of digital assets, it may recruit more personnel with the relevant experience and expertise in the digital asset industry and establish a new team which would focus on the operation and development of the digital asset business, and allow the Company to further participate in and monitor the business operations and performance of the Target Group.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon Completion and issue of the Consideration Shares (assuming that there is no change of the issued share capital and shareholding structure of the Company between the date of this announcement up to the Completion Date and issue of the Consideration Shares (other than the issue of the Consideration Shares)):

	As at the date of this announcement		**Immediately upon Completion and issue of the Consideration Shares**	
	Number of Shares	*%*	*Number of Shares*	*%*
Glazy Target Limited *(Note 1)*	436,755,073	23.32	436,755,073	20.78
Best Global Asia Limited *(Note 2)*	275,078,914	14.69	275,078,914	13.09
Sub-total	711,833,987	38.01	711,833,987	33.87
Vendor	—	—	228,711,000	10.88
Public Shareholders	1,160,862,195	61.99	1,160,862,195	55.25
Total	1,872,696,182	100.00	2,101,407,182	100.00

Notes:

1. Glazy Target Limited, a company incorporated in BVI with its entire issued share capital beneficially owned by Mr. Chan Cheuk Yu Stephen, being an executive Director.

2. Best Global Asia Limited, a company incorporated in BVI with its entire issued share capital beneficially owned by Mr. Lam Kwok Hing, being the Chairman, Chief Executive Officer and an executive Director and the spouse of Ms. Lee Choi Lin, Joecy, an executive Director.

On behalf of the Board
Heng Tai Consumables Group Limited
Lam Kwok Hing
Chairman

Hong Kong, 2 December 2021

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Lam Kwok Hing (Chairman), Ms. Lee Choi Lin Joecy, Ms. Gao Qin Jian and Mr. Chan Cheuk Yu Stephen; and three independent non-executive directors, namely Ms. Mak Yun Chu, Mr. Poon Yiu Cheung Newman and Mr. Hung Hing Man.

For the purpose of this announcement, unless otherwise specified, conversion of US$ into HK$ is based on the approximate exchange rate of US$1.00=HK$7.80. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK$ and US$ have been, could have been or may be converted at such rate or any other exchange rate.