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HUOBI TECHNOLOGY HOLDINGS LIMITED

火币科技控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock code: 1611)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO (1) CUSTODIAL SERVICE AGREEMENT; AND (2) COMPLIANCE SERVICE AGREEMENT

(1) CUSTODIAL SERVICE AGREEMENT

Huobi Trust, an indirect wholly-owned subsidiary of the Company, entered into the Custodial Service Agreement with Stable Universal, a connected person of the Company, pursuant to which Stable Universal has agreed to appoint Huobi Trust as the custodian of the Assets. The Custodial Service Agreement is for a term until 30 September 2023 unless terminated by either party by giving to the other notice in writing.

(2) COMPLIANCE SERVICE AGREEMENT

Huobi Trust entered into the Compliance Service Agreement with Stable Universal, pursuant to which Stable Universal has agreed to engage Huobi Trust as an agent to provide the Compliance Services to Stable Universal. The Compliance Service Agreement is for a term until 30 September 2023 unless terminated by either party by giving to the other notice in writing.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Li is beneficially interested in approximately 58.19% of the issued shares in the Company and is therefore a controlling shareholder of the Company. As such, Mr. Li is a connected person of the Company under Rule 14A.07 of the Listing Rules. As Stable Universal is ultimately controlled by Mr. Li, Stable Universal is an associate of Mr. Li under Chapter 14A of the Listing Rules. Therefore, the entering into the Agreements and the Transactions will constitute continuing connected transactions of the Company under the Listing Rules.

As the highest percentage ratio (as defined in the Listing Rules) in respect of the proposed annual caps under the Agreements (on an aggregated basis) exceeds 0.1% but is less than 5%, the Transactions are subject to the reporting, announcement, annual review, but exempted from shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Li has abstained from voting on the Board resolution approving the Agreements. Save as disclosed above, as none of the other Directors has a material interest in the Transactions, none of the Directors (save for Mr. Li) is required to abstain from voting on the relevant Board resolution.

BACKGROUND

On 26 January 2021, Huobi Trust entered into the Custodial Service Agreement and the Compliance Service Agreement with Stable Universal. Huobi Trust is a wholly-owned subsidiary and Stable Universal is a connected person of the Company. Pursuant to the Agreements:

- (a) Stable Universal has agreed to appoint Huobi Trust as the custodian of the Assets; and
- (b) Stable Universal has agreed to engage Huobi Trust as an agent to provide the Compliance Services to Stable Universal.

Each of the Agreements is for a term until 30 September 2023 unless terminated by either party by giving to the other notice in writing.

THE AGREEMENTS

1. Custodial Service Agreement

The principal terms of the Custodial Service Agreement are summarized as follows:

Date:	26 January 2021
Parties:	Huobi Trust; and Stable Universal.
Term:	The period commencing from the Commencement Date to 30 September 2023 (both days inclusive). Subject to compliance with the Listing Rules, the term of the Custodial Service Agreement may be renewed by the parties by writing.
Subject matter:	With effect from the Commencement Date, Stable Universal has agreed to appoint Huobi Trust, and Huobi Trust has agreed act, as custodian of the Assets received from or on account of Stable Universal. During the term of the Custodial Service Agreement, Huobi Trust shall establish and maintain a Custody Account to custody the Assets backing HUSD and any other stable-coins token(s) that will or may be issued and managed by Stable Universal, and shall hold in safe custody, the Assets in the Custody Account at all times. Only upon the receipt of specific instructions provided by Stable Universal, Huobi Trust shall receive or deliver any Assets or carry out any actions affecting the Assets or the Custody Account.
Asset custody fees and pricing principle:	Huobi Trust is authorized by Stable Universal to determine the way of holding and/or investment of the Assets without prior written approval from Stable Universal, subject to conformance with any investment criteria or thresholds earlier specified by Stable Universal.

Any interest and/or other earnings generated from Huobi Trust's holding and/or investment of the Assets, whereby such interest and/or earnings shall be generated based on the US Federal Funds Overnight rate or equivalent short-term funding rate as a percentage of the total Assets held by Huobi Trust on behalf of Stable Universal, shall be retained solely by Huobi Trust and Stable Universal will not receive any portion of such interest and/or earnings. The foregoing shall constitute the asset custody fees payable by Stable Universal to Huobi Trust as consideration to the custodial services provided under the Custodial Service Agreement.

The Parties agree that, in the event that the interest and/or earnings generated as described above is less than 0.08% (being the US Federal Funds Overnight rate as at 22 January 2021, being the date on which the latest update of the US Federal Funds Overnight rate is available) of the total Assets held by Huobi Trust on behalf of Stable Universal for any given month during the term of the Custodial Service Agreement, Stable Universal shall pay to Huobi Trust a monthly custody fee for that month in an amount equivalent to 0.08% of the total Assets held by Huobi Trust on behalf of Stable Universal. Huobi Trust has the right to review and adjust the rate of the above monthly custody fee every December during the term of the Custodial Service Agreement to ensure such rates are commercially competitive and reflective of the then prevailing US Federal Funds Overnight rate or equivalent short-term funding rate.

The asset custody fee standards were determined based on arm's length negotiations between the parties with reference to the US Federal Funds Overnight rate or equivalent short-term funding rate, taking into consideration factors including industry practice, regulatory requirements, market competition, customer demand, cost structure and service content, and represent terms that are no less favorable to Huobi Trust than those available to/from independent third parties.

Termination: Either party may terminate the Custodial Service Agreement with immediate effect by giving written notice within three months upon (i) any material breach committed by the other party thereunder and where applicable, its failure to remedy; (ii) the other party being subject to insolvency, liquidation, bankruptcy or other similar action.

Proposed Annual Caps and Basis of Determination

Annual Caps

Since Huobi Trust and Stable Universal did not conduct any similar transactions prior to the Commencement Date, there were no further historical amounts to be provided.

The table below sets out the proposed annual caps for the Custodial Service Agreement for the period from the Commencement Date to 30 September 2021 (both days inclusive) and the two years ending 30 September 2022 and 2023:

	Period from the Commencement Date to 30 September 2021 (both days inclusive) (US\$)	Year ending 30 September 2022 (US\$)	Year ending 30 September 2023 (US\$)
Amount of asset custody fee under the Custodial Service Agreement	600,000	800,000	800,000

Basis of Determination

In determining the above annual caps, the Directors have taken into account: (1) the pricing principles of the asset custody fee stated above; (2) the projected value of the Assets to be deposited at the Custody Account during the term of the Custodial Service Agreement as advised by Stable Universal; and (3) the projected US Federal Funds Overnight Rate or equivalent short-term funding rate during the term of the Custodial Service Agreement.

2. Compliance Service Agreement

The principal terms of the Compliance Service Agreement are summarized as follows:

Date:	26 January 2021
Parties:	Huobi Trust; and Stable Universal.
Term:	The period commencing from the Commencement Date to 30 September 2023 (both days inclusive). Subject to compliance with the Listing Rules, the term of the Compliance Service Agreement may be renewed by the parties by writing.
Subject matter:	Stable Universal has agreed to engage Huobi Trust, and Huobi Trust has agreed to, act as an agent to provide the Compliance Services to Stable Universal.
Service fees and pricing principle:	<p>In consideration of the provision of the Compliance Services, Stable Universal has agreed to pay Huobi Trust a service fee calculated on a monthly basis, based on the rates set out in the Compliance Service Agreement, which represent Huobi Trust's actual costs plus a 25% profit margin. Such rates were determined based on arm's length negotiations between the parties taking into consideration (i) analysis of public and private data relating to similar recurring services; (ii) cost data in 2020 as charged to Stable Universal by its existing service providers; and (iii) other factors including industry practice, market competition, customer demand, cost structure and service content, and represent terms that are no less favorable to Huobi Trust than those available to/from independent third parties.</p> <p>Huobi Trust has the right to review the rates every December during the term of the Compliance Service Agreement, and adjust the rates accordingly to ensure such rates are commercially competitive.</p>

Termination: Either party may terminate the Compliance Service Agreement immediately by given written notice within three months upon (i) any material breach committed by the other party under the Compliance Service Agreement and where applicable, its failure to remedy; (ii) the other party being subject to insolvency, liquidation, bankruptcy or other similar action.

Proposed Annual Caps and Basis of Determination

Annual Caps

Since Huobi Trust and Stable Universal did not conduct any similar transactions prior to the Commencement Date, there were no further historical amounts to be provided.

The table below sets out the proposed annual caps for the Compliance Service Agreement for the period from the Commencement Date to 30 September 2021 (both days inclusive) and the two years ending 30 September 2022 and 2023:

	Period from the Commencement Date to 30 September 2021 (both days inclusive) (US\$)	Year ending 30 September 2022 (US\$)	Year ending 30 September 2023 (US\$)
Amount of service fee under the Compliance Service Agreement	150,000	200,000	200,000

Basis of Determination

In determining the above annual caps, the Directors have taken into account: (1) the pricing principles of the service fees, including the rates set out in the Compliance Service Agreement as mentioned in the pricing principle above, in particular, the variable service fee rates charged depending on the types and quantity of customers and the various required level of due diligence for each; and (2) the projected volume of Compliance Services to be provided under the Compliance Service Agreement.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Reference is made to the Company's announcement dated 22 December 2020. Huobi Trust has recently obtained a Trust Company License from the Financial Institutions Division of the Department of Business and Industry in Nevada, the United States, to engage in the trust company business within the meaning of Chapter 669 of the Nevada Revised Statutes.

The Company considers that the Agreements provide an opportunity to strengthen the business of Huobi Trust in the market, by building up its customer base of institutional clients and management portfolio of funds of considerable sizes and bringing in additional earnings and to further diversify the Group's income source. As a result of the prospective development of Huobi Trust, the Group's income sources can be broadened, its scope of business diversified and its financial performance can be enhanced in the long run. The Directors further believe that the engagements secured under the Agreements will contribute to increasing competitiveness of Huobi Trust in the market, which the Directors consider to be essential to the future business growth of the Group in the area of trust company business.

The Board (including the independent non-executive Directors) is of the view that the Transactions are conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the Agreements and the proposed annual caps for the period from the Commencement Date to 30 September 2021 (both days inclusive) and the two years ending 30 September 2022 and 2023 thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES FOR THE TRANSACTIONS

As at the date of this announcement, Mr. Li is beneficially interested in approximately 58.19% of the issued shares in the Company and is therefore a controlling shareholder of the Company. As such, Mr. Li is a connected person of the Company under Rule 14A.07 of the Listing Rules. As Stable Universal is ultimately controlled by Mr. Li, Stable Universal is an associate of Mr. Li under Chapter 14A of the Listing Rules. Therefore, the entering into the Agreements and the Transactions will constitute continuing connected transactions of the Company under the Listing Rules.

As the highest percentage ratio (as defined in the Listing Rules) in respect of the proposed annual caps under the Agreements (on an aggregated basis) exceeds 0.1% but is less than 5%, the Transactions are subject to the reporting, announcement, annual review, but exempted from shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Li has abstained from voting on the Board resolution approving the Agreements. Save as disclosed above, as none of the other Directors has a material interest in the Transactions, none of the Directors (save for Mr. Li) is required to abstain from voting on the relevant Board resolution.

INFORMATION ABOUT THE PARTIES

The Group

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

Huobi Trust

Huobi Trust is an indirect wholly-owned subsidiary of the Company. Huobi Trust holds a Trust Company License granted by the Financial Institutions Division of the Department of Business and Industry in Nevada, the United States, and is principally engaged in trust company business within the meaning of Chapter 669 of the Nevada Revised Statutes.

Stable Universal

Stable Universal is principally engaged in the issuance of U.S. dollar backed stable-coin HUSD token. The ultimate beneficial owner(s) of Stable Universal is Mr. Li.

PRICING AND INTERNAL CONTROL POLICIES FOR THE GROUP

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

- (a) the finance division of the Company will be responsible for closely monitoring the aggregated amount of fees receivable under the Agreements on a monthly basis to ensure that it does not exceed the proposed annual cap;
- (b) the internal audit department of the Company is responsible for reviewing and assessing the internal control procedures of the Group, including but not limited to the relevant information in relation to the Agreements on an annual basis. In addition, the internal audit department will prepare an internal control report and submit to the Board for review and approval;

- (c) the Company’s external auditors will conduct an annual review on the pricing and annual caps of the continuing connected transactions under the Agreements; and
- (d) the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions to ensure that (i) such transactions are conducted in the ordinary and usual course of business of the Group, (ii) and the internal control policies and measures are in place, and (iii) the terms and conditions under the Agreements are fair and reasonable and in the interests of the Company and its Shareholders as a whole. The Company will facilitate the provision of necessary information to the independent non-executive Directors and the auditors for the purpose of such review.

DEFINITIONS

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

“Agreements”	collectively, the Custodial Service Agreement and the Compliance Service Agreement
“Assets”	any crypto asset, fiat currency, financial instrument or any type of other assets held from time to time by Huobi Trust on behalf of Stable Universal pursuant to the terms of the Custodial Service Agreement
“associate”	has the meaning as ascribed thereto in the Listing Rules
“Board”	the board of the Directors
“Commencement Date”	26 January 2021 (or, in the case of the Custodial Services Agreement and the Compliance Services Agreement, any such later date as Stable Universal and Huobi Trust may agree)
“Company”	Huobi Technology Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, the issued shares of which are listed on the Stock Exchange with stock code 1611

“Compliance Services”	the compliance services to be carried out by Huobi Trust in connection with (i) the mandatory process of identifying and verifying the identity of the client when opening an account and periodically over time; (ii) the customer identification program in compliant with Section 326 of the USA Patriot Act and its implementing regulations; and (iii) ongoing compliance services including the monitoring and review of onboarded Customers to (a) determine continued compliance with applicable anti-money laundering regulations and sanctions, (b) detect suspicious activity and (c) provide Stable Universal with integrated case management services
“Compliance Service Agreement”	the agreement entered into between Huobi Trust and Stable Universal on 26 January 2021 in relation to the Compliance Services
“connected person”	has the meaning as ascribed thereto in the Listing Rules
“Custodial Service Agreement”	the agreement entered into between Huobi Trust and Stable Universal on 26 January 2021, pursuant to which Stable Universal appointed Huobi Trust as its custodian to provide custodial services with respect to the Assets
“Custody Account”	the custody account(s) established for the receipt, safekeeping and maintenance of Assets by Huobi Trust for and on behalf of service recipients
“Customers”	customers of Stable Universal
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Huobi Trust”	Huobi Trust Company, a company incorporated in the State of Nevada, the United States and an indirect wholly owned subsidiary of the Company
“HUSD”	a U.S. dollar-backed stablecoin issued by Stable Universal

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Mr. Li”	Mr. Li Lin, the chairman of the Board, an executive Director, the chief executive officer, and a controlling shareholder of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stable Universal”	Stable Universal Limited, a company incorporated in the British Virgin Islands, and a connected person of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning as ascribed thereto in the Listing Rules
“Transactions”	the transactions contemplated under the Agreements
“United States”	the United States of America
“%”	per cent.

By order of the Board
HUOBI TECHNOLOGY HOLDINGS LIMITED
Lan Jianzhong
Executive Director

Hong Kong, 26 January 2021

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