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Imperium Technology Group Limited

帝國科技集團有限公司

(formerly known as Imperium Group Global Holdings Limited

帝國集團環球控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0776)

SUPPLEMENTAL ANNOUNCEMENT CONTINUING CONNECTED TRANSACTION IN RELATION TO LEASE AGREEMENT

Reference is made to the announcement (the “**Announcement**”) of Imperium Technology Group Limited (the “**Company**”) dated 23 July 2021 in relation to, among others, the Lease Agreement. Unless otherwise defined, capitalised terms used in this announcement shall bear the same meanings as those defined in the Announcement.

The Board would like to provide the following further information in relation to the Lease Agreement to the Shareholders and potential investors of the Company:

Leasing Fees

Number of the underlying Filecoin

The Leasing Fees shall be settled by Best Master in Filecoin on a monthly basis during the term of the Lease Agreement. The number of the underlying Filecoin is calculated based on the daily output of Filecoin released by the official Inter Planetary File System i.e. the Filecoin System for the Equipment after the mining process.

Vesting mechanism

The current vesting mechanism in respect of the mining of Filecoin is as follows (i) 25% of the Filecoin are made available to the miners immediately after mining; and (ii) the remaining 75% of the Filecoin (known as block rewards) earned by the miners are to be vested linearly over 180 days period. After consulting with the Group's auditor, the Company considered that the Leasing Fees should be determined based on the number of Filecoin vested and the market price of the Filecoin on the date of vesting.

Settlement of the Leasing Fees

Each of Seven Elements and Best Master will be able to obtain information relating to the daily output of Filecoin released by the Filecoin System for the Equipment from the relevant Filecoin user account through publicly available software such as Filefox and FileScan. After Seven Elements and Best Master have agreed on the Leasing Fees for the relevant month, Best Master will then transfer the relevant number of Filecoin from its Filecoin wallet to Seven Element's Filecoin wallet for settlement of the relevant Leasing Fees.

Caps

Prevailing market price

The Directors have adopted a prudent approach in determining the Caps. The prevailing market price in determining the Caps was determined with reference to (i) the market price of approximately US\$40 per Filecoin as at the date of the Lease Agreement; (ii) the market prices in the past 12 months ranging from approximately US\$20 per Filecoin to approximately US\$200 per Filecoin; and (iii) the maximum market price of approximately US\$100 per Filecoin during the period from 1 June 2021 to the date of the Lease Agreement (the "**Relevant Period**") when negotiations took place between Seven Elements and Best Master in relation to the Lease Agreement. In view that the market price of Filecoin is expected to rise over time due to limited supply and increasing demand and the potential volatility of the market price of Filecoin, the Directors decided to adopt the prevailing market price of US\$100 per Filecoin (the "**Market Price**") (being the maximum market price of US\$100 per Filecoin during the Relevant Period) instead of the market price of approximately US\$40 per Filecoin as at the date of the Lease Agreement in determining the Caps.

Expected number of Filecoin

The Directors have also taken into account the expected number of Filecoin (i.e. the maximum capacity of the Equipment) to be released by the Filecoin System for the Equipment after the mining process during the term of the Lease Agreement in determining the Caps, which was based on a forecast prepared by a technical consultant, being an independent third party. The said technical consultant had considered, among others, the specifications and capacity/computing power of the Equipment, to estimate the total output (the “**Estimated Output**”) of Filecoin to be mined by the Equipment for the relevant financial year/period. Further, the Estimated Output is expected to decline over time as the total capacity of the Filecoin network increases. According to the information currently available to the Company, the Estimated Output for the financial year/period from 1 August 2021 to 31 December 2021, from 1 January 2022 to 31 December 2022, from 1 January 2023 to 31 December 2023 and from 1 January 2024 to 31 July 2024 is 26,541, 26,142, 21,900 and 1,800 respectively.

In light of the said vesting period of 180 days and the term of the Lease Agreement ending on 31 July 2024, the mining of Filecoin by the Equipment will be ceased by end of January 2024 in order to ensure that the vesting of all remaining Filecoin mined by the Equipment will be completed before the expiry of the Lease Agreement. Hence, the Estimated Output for the period from 1 January 2024 to 31 July 2024 represented the estimated number of Filecoin to be mined by the Equipment from 1 January 2024 to 31 January 2024 only.

Basis of determining the Caps

Based on the Market Price, the Estimated Output and the revenue recognition policy of the Company, the Caps for the financial year/period from 1 August 2021 to 31 December 2021, from 1 January 2022 to 31 December 2022, from 1 January 2023 to 31 December 2023 and from 1 January 2024 to 31 July 2024 is HK\$6,500,000, HK\$8,600,000, HK\$6,000,000 and HK\$1,500,000 respectively.

The above basis for determining the Caps has been agreed between Best Master and Seven Elements.

Internal control measures

With regards to the Company's internal control measures to ensure that it will comply with the requirement of Rule 14A.54(1) before the Caps are exceeded, the Group will conduct checks on a weekly basis to monitor the actual market price of the Filecoin and the actual daily output of the Filecoin released by the Filecoin System for the Equipment after the mining process during the term of the Lease Agreement. A monthly report will be prepared by designated staff of the Group which shall set out, among others, (i) the actual aggregate amounts payable by Best Master to Seven Elements for the relevant month; (ii) the estimated aggregate amounts payable by Best Master to Seven Elements based on the Market Price multiplied by the Estimated Output for the relevant month; and (iii) the balance of the unutilised Caps for the relevant financial year/period. The said monthly report will be reviewed by the management of the Company to ensure that the Caps are not exceeded.

The Company will take necessary actions to ensure continuous compliance with the requirements of the Listing Rules in the event that the Caps are potentially at risk of being exceeded during the remaining term of the Lease Agreement.

Miner collateral and Gas fees

Gas fees

The Gas fees refers to the Filecoin that are required to be provided to other miners, being independent third parties, in the Filecoin Network during the process for the provision of the cloud computing and data storage services and mining of Filecoin. As the Gas fees are payable to other miners in the Filecoin Network, they do not form part of the Caps.

Sufficient number of Filecoin as miner collateral and Gas fees

The number of Filecoin as miner collateral and Gas fees are determined according to the Filecoin System's requirements for collateral coins and the then prevailing rate for Gas fees based on the capacity/computing power of the Filecoin network and the demand for such computing power, which is subject to change from time to time. As such, the exact number of Filecoin as miner collateral and Gas fees required for the mining by the Equipment cannot be determined as at the date of the Lease Agreement.

Based on the information currently available to Seven Elements and Best Master and assuming that there are no material fluctuations in the Filecoin System's requirements for collateral coins and the prevailing rate for Gas fees, (i) the estimated number collateral coins required for mining of Filecoin by the Equipment during the term of the Lease Agreement will be approximately 6,200 Filecoin per pebibytes of effective storage mining power; and (ii) the estimated Gas fee required for mining of Filecoin by the Equipment during the term of the Lease Agreement will be approximately 220 Filecoin per pebibytes of effective storage mining power.

Seven Elements shall monitor the relevant information in the Filecoin user account on a weekly basis. If Seven Elements finds out that the miner collateral and Gas fees as shown in the relevant Filecoin user account falls below an acceptable level, Seven Elements will inform Best Master to deposit sufficient Filecoin within seven days.

Compensation

If Best Master fails to deposit sufficient number of Filecoin as collateral and Gas fees, the actual number of Filecoin mined by the Equipment in the period during which Best Master fails to deposit sufficient number of Filecoin would be less than that if sufficient number of Filecoin are deposited by Best Master. As such, the Loss of Profit would serve as a compensation to Seven Elements for the reduction in the Leasing Fees payable to Seven Elements due to the failure to deposit sufficient number of Filecoin as collateral and Gas fees on the part of Best Master.

Where Best Master is able to deposit sufficient Filecoin within seven days, if the actual number of Filecoin (the "**Actual Output**") mined by Best Master in the period during which Best Master fails to deposit sufficient number of Filecoin is more than the number of Filecoin (the "**Expected Output**") mined by Best Master on the date immediately preceding the date on which Best Master fails to deposit sufficient number of Filecoin multiplied by the number of days which Best Master fails to deposit sufficient number of Filecoin, Seven Elements is not required to compensate the difference to Best Master given that neither Seven Elements nor Best Master would incur any actual loss in such circumstances.

Where Best Master is unable to deposit the same within seven days, it will constitute a default of the Lease Agreement on the part of Best Master and the amount of the Compensation payable to Seven Elements shall be the sum of (1) the Loss of Profit; (2) all the Leasing Fees not yet paid to Seven Elements; and (3) a handling charge of HK\$800,000. The handling charge is part of the liquidated damages payable by Best Master to Seven Elements in the event of termination of the Lease Agreement due to the default of Best Master.

The said handling charge is based on the calculation of the actual loss that Seven Elements is likely to incur (in addition to the Loss of Profit and outstanding Leasing Fees) if Best Master fails to meet its obligations under the Lease Agreement and includes, among others, logistic costs, reformatting fee for the Equipment, and administrative fee and/or termination fee to be charged by the relevant data center. Seven Elements will also need to incur additional costs for engaging independent third-party consultant to handle matters relating to the early termination of the Lease Agreement with the official Inter Planetary File System/Filecoin System and the relevant data center.

Reasons for and benefits of entering into the Lease Agreement

Taking into account that (a) the Directors had adopted a prudent approach in determining the Market Price with reference to the maximum market price of US\$100 per Filecoin during the Relevant Period; (b) the expected number of Filecoin to be released by the Filecoin System for the Equipment after the mining process, which is expected to decline over time as the total capacity of the Filecoin network increases, was based on a forecast prepared by a technical consultant having considered, among others, the specifications and capacity/computing power of the Equipment; (c) the Company had in place internal control measures to ensure that it will comply with the requirement of Rule 14A.54(1) before the Caps are exceeded; (d) the Gas fees are payable to other miners in the Filecoin Network and do not form part of the Caps; and (e) under the compensation arrangement, Seven Elements would be compensated for the Loss of Profit and estimated actual loss incurred arising from the default of the Lease Agreement by Best Master, the Directors (excluding Mr. Cheng, Ms. Yeung and Mr. Lin Junwei) considered that the Lease Agreement was entered into in the ordinary and usual course of business of the Group and the terms of the Lease Agreement, including the Leasing Fees and the Caps, were on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

By order of the Board
Imperium Technology Group Limited
Cheng Ting Kong
Chairman

Hong Kong, 9 August 2021

As at the date of this announcement, the executive Directors are Mr. Cheng Ting Kong, Ms. Yeung So Mui, Mr. Lin Junwei and Mr. Yau Chak Fung; and the independent non-executive Directors are Mr. Fung Tze Wa, Mr. Ting Wong Kacee and Mr. Tse Ting Kwan.