

1 May 2019

Ms Cheng Tang
Senior Adviser, Listings Compliance
ASX Limited

By email: Cheng.Tang@asx.com.au

Dear Ms Cheng

Re: Your letter dated 24 April 2019 ("ASX letter")

I refer to your letter dated 24 April 2019 and respond as follows:

1. a) Yes. ?
b) Yes.
2. The Chairman has been involved at board level in the blockchain industry for some time. As a result, the Chairman was able, through his personal contacts, to introduce HT8's CEO to individuals connected to FGF and LINCD. There were no previous relationships or connections between HT8 and FGF and/or LINCD.
3. HT8 carried out its due diligence internally by the company's officers.
An objective of the due diligence was to assess LINCD's blockchain infrastructure hosting solution and to assess how that would allow HT8 to launch services that are complementary to HT8's Cloud Service. HT8 reviewed LINCD's technical capabilities and corporate and legal structure. It also reviewed past client engagements, interviewed the founder and reviewed industry and market research.
The financial accounts of LINCD from 1 July 2018 were reviewed. As a result, provisions were included in the HOA specifically dealing with items such as related party loans.

In relation to the specific items referred to in the ASX letter:

- a) HT8 did not use any external advisers for its due diligence prior to 17 January 2019. It has since utilised its auditors for accounting and valuation purposes. No other external advisers have been used.
- b) HT8 has not determined that LINCD will provide services in relation to digital tokens under its ownership. Therefore, no due diligence in relation to the legal issues relating to digital tokens has been carried out.

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4. Current and past clients and projects are set out as follows:

Jetpro

- System for Money Transfer Operators (MTOs) to track their customers and transactions.
- Problem: The processes and systems are various which leads to inability to track customers and transactions in a system.
- Solution: A system that enables MTOs to track their customers, transactions and be regulator compliant.
- Scope: Proof-of-Concept.

Kutumba

- Mobile app for expats to be able pay for their expenses back home.
- Problem: The legacy payment rails incurs a lot of fees and takes a lot of time for netting and settlements.
- Solution: A mobile app that is built on Web3 payment rails and thereby reducing fees and transaction time.
- Scope: Ranked Top 3, Proof-of-Concept

Freight Works

- Supply chain solution for the shipping, logistics and transport industry.
- Problem: The current value chain is complicated, disjointed, opaque and the parties involved use manual processes and Excel spreadsheets.
- Solution: A web-based platform that is blockchain ready for all parties involved from port to warehouse.
- Scope: Consulting, Solution Build.

integratedCAPITAL

- Lending solution for the family office sector.
- Problem: The current value chain for property development lending is transactional, multi-vendor based, manual and Excel based, with high operating expenditure.
- Solution: A web-based platform that is blockchain smart contract enabled from loan origination to approval.
- Scope: Consulting, Solution Build.

SleevesUp / Sorted

- Meta retailer for the utilities sector.
- Problem: The current utilities retail businesses are organised product-centric vs. customer-centric and as a result not ready to harness value created from the renewable energy and de-centralised energy resources i.e. solar roofs, battery installations at residences.
- Solution: A meta retailer who is able to provide a simple customer-centric utility subscription model.

- Scope: Consulting, Solution Build.
Academy Xi
- Courses on Blockchain, Solidity, Web3.
- Problem: Gaining latest and industry relevant education on above topics is hard.
- Solution: Tailored workshops, immersive days, weekend classes.
- Scope: Consulting, Curriculum Build.

All of the above clients have migrated their solutions and cloud work-loads to their respective cloud providers. No recurring fees are being received by LINCD from these clients.

5. No, all fees were received in cash.
6. There is only one employee, he is the CEO. Staff have previously been employed to assist in the development of the LINCD technology over the last three years.
7. HT8 did not obtain an independent valuation of LINCD prior to entering into the HOA.
 - a) The acquisition of LINCD will provide HT8 with the opportunity to deploy blockchain solutions internally to improve the competitiveness of its ecommerce business including the possibility of launching a royalty program using blockchain technology. Additionally, HT8 plans to bundle LINCD with its cloud service offering to create new revenue sources. It was determined that, under those circumstances, the HT8 board was far better placed to determine the valuation, based on its assessment of the value which would be created by the post-merger business, than an outside valuer.
 - b) i) At the time of signing the HOA, HT8 was trading at 1c per share. The 2.5c deemed issue price represented a significant premium to the then share price.
LINCD had spent 3 years developing its software and IP and had demonstrated its capability by deploying the solution with a number of clients (see above). The strategic rationale for the LINCD acquisition is to integrate LINCD blockchain software into HT8 existing cloud product and to use the LINCD technology and capability in the back-end systems of HT8 to improve competitiveness as an ecommerce company. Based on the business rationale, the HT8 board reviewed comparable transactions including the IPO of TYMLEZ (ASX: TYM) which was listed on the ASX at a market capitalisation of \$28M. LINCD had similar revenue to TYM. Based on those considerations, the deemed valuation of \$300,000 was considered to be appropriate.
 - ii) The number of and exercise price of the options was subject of a negotiation between the parties. The HT8 board added performance conditions to ensure that the options could only be exercised if LINCD achieved a minimum revenue of \$1.35 million and \$1.05 million respectively for each milestone. Given the share price at the time and the performance

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conditions, it was considered that the exercise price of 2.5c per share and 3.5c per share was appropriate in the circumstances.

iii) In the event that shareholder approval was not received, the only option to compensate FGF for the purchase consideration was the payment of cash in lieu.

Tranche 1 shares: The exact amount of cash required to pay FGF can only be determined at the date of the general meeting as the calculation requires the 30-day VWAP up to the day before the general meeting. However, if the meeting was held today, the cash in relation to the Tranche 1 shares would be approximately \$950,100.

Tranche 2 and 3 options: The calculation of the cash required in relation to the options is problematic to determine at this time. A simple Black Scholes calculation is not appropriate as that does not take into account the performance hurdle. The value would need to be determined by negotiation between the parties, which would need to take account of the effect on the valuation of the performance hurdles.

c) At the time of signing the HOA, HT8 was trading at 1c per share. Mr Rasam is the founder of LINCD and is expected to provide significant value to LINCD. Additionally, Mr Rasam is not entitled to draw a salary from LINCD until the revenue reaches no less than \$600,000 per annum. In these circumstances, the number of shares issued and the options was considered fair value.

8. HT8 is in compliance with the ASX Listing Rules and, in particular, Listing Rule 3.1.
9. HT8's responses to the above questions have been authorised by Garrison Huang with delegated authority from the board.

Yours faithfully
Garrison Huang
CEO

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24 April 2019

Mr Brett Crowley
Company Secretary
Harris Technology Group Limited
6/94 Abbott Rd
Hallam VIC 3803

By email

Dear Mr Crowley

Harris Technology Group Limited ('HT8'): Query Letter

ASX Limited ('ASX') refers to:

A. The announcement titled 'Shareholder Update - September 2018' released by First Growth Funds Limited ('FGF') on the ASX Market Announcements Platform ('MAP') on 21 September 2018, which included the following statements:

- i) *'FGF is pleased to announce the 100% acquisition of LINCD HQ Pty Ltd 'LINCD' for \$1000 cash payment. FGF has also provided a US\$250,000 loan at 10% interest to LINCD.*

Strategically, FGF can provide LINCD with an instant sales channel to its existing investee companies and also provide LINCD access to FGF's established partner network.

FGF has a growing portfolio of investments and sees an opportunity to introduce these companies to LINCD to generate revenue and also to receive Digital Currency tokens. LINCD can service any industry, including e-commerce and supply chain sectors.

FGF will be looking to sell down its shareholding in LINCD to a strategic investor in the short to medium term.'

- ii) Under the heading '**LINCD BUSINESS MODEL**':

- a) **'CONSULTS**

LINCD provides consultancy services at pre-launch stage

Token & Consulting Revenue

Receives consulting revenue and may also receive Digital Currency tokens.'

- b) **'BUILD**

LINCD designs and builds the blockchain solution via its consulting services.

Project Revenue

Fee range from \$100,000 to \$250,000 per client.'

- c) **'OPERATE**

Using the LINCD Platform, customers pay a monthly consumption fee, a similar model to an Amazon Web Services or Cloud Offering.

As customers scale their blockchain solution, they pay more for usage.

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Recurring Revenue

Fees range from thousands per month to tens of thousands per month per client.'

- iii) Under the heading 'Client Case Studies':
- a) **'Supply Chain Solution'**
A Supply Chain solution for the Shipping, Logistics & Transport industry problem ... Solution: A web-based platform that is blockchain ready streaming from port to warehouse'
 - b) **'Lending Solution'**
A Lending solution for the Family Office industry problem ... Solution: A web-based platform that is blockchain smart contract enabled from loan origination to approval.'
 - c) **'Customer Engagement Solution'**
The current utilities retail businesses are organised product-centric vs. customer-centric model. Solution: A meta retailer who is able to provide a simple customer-centric utility subscription model.'
- B. HT8's announcement titled 'Acquisition of Lincd HQ Pty Ltd' released on MAP on 17 January 2019 which disclosed that it had entered into a binding heads of agreement to acquire all of the shares in LINCD from FGF (the 'HoA').
- C. FGF's Half Year Financial Report – Amended released on MAP on 4 March 2019 which included the following statement:
- 'On 16 July 2018 First Growth Funds Limited acquired 100% of the issued shares in LINCD HQ Pty Ltd (a software and service company providing blockchain business solutions.) for a consideration of \$940.'*
- D. HT8's previous submissions to ASX which disclosed that LINCD's revenue and loss before tax for FY 2018 were \$33,000 and \$134,524 respectively.
- E. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.

Questions and Requests for Information

Having regard to the above, ASX asks HT8 to respond separately to each of the following questions and requests for information:

1. Prior to entering into the HoA, was HT8 aware that:
 - a) FGF had acquired LINCD for \$940 cash consideration approximately six months earlier (on 16 July 2018)?
 - b) FGF's intention 'to sell down its shareholding in LINCD' shortly after acquisition?
2. How was FGF/LINCD introduced to HT8? In your answer, please detail any previous relationships or connections between FGF and/or LINCD and HT8 (including between any directors, officers or executives of these companies).
3. Please detail the due diligence that HT8 undertook in relation to LINCD including (but not limited to) financial, technical and legal due diligence. In your answer, please disclose whether HT8:
 - a) utilised any advisers (financial, technical, legal etc.) for its due diligence; and
 - b) considered any potential legal requirements that LINCD must satisfy in order to lawfully provide services in relation to digital tokens (e.g. under its arrangements with YPB Group Ltd for the YPB tokens).

4. Please list LINCD's current and past clients together with the projects that LINCD has completed or is undertaking for these clients.

Please also indicate which of these clients are utilising the LINCD Platform and paying a 'monthly consumption fee' (i.e. recurring revenue).

5. Was any of LINCD's FY 2018 revenue received in the form of digital currency tokens?

If the answer to this question is 'yes', how much revenue was received the form of digital currency tokens? Please also detail the nature of the digital tokens (issuer, exchanges upon which they trade etc.)

6. How many staff are currently employed or engaged by LINCD? Please list their respective roles.

7. Did HT8 obtain an independent valuation of LINCD prior to entering into the HoA?

If the answer to this question is 'yes', please provide a copy of the valuation (not for release to the market).

If the answer to this question is 'no':

- a) Why wasn't an independent valuation obtained?
- b) On what basis did HT8 determine the consideration payable to FGF for LINCD? In answering this question, please specifically detail how HT8 determined:
 - i) the upfront consideration component (i.e. 30 million HT8 shares to be issued to FGF at 2.5 cents per share equating to a \$750k deemed valuation and a 15.4% shareholding on completion);
 - ii) the options component (i.e. 40.055 million options to be issued to FGF); and
 - iii) the cash payment that would be made to FGF (at the option of FGF) in lieu of the abovementioned securities if shareholder approval is not obtained for the issue of the securities (please also confirm the amount of this cash payment).
- c) On what basis did HT8 determine Prasanth Kumar Rasam's entitlement (i.e. 10 million HT8 shares to be issued at 2.5 cents per share equating to a \$250k deemed valuation, and 10 million options)?

8. Please confirm that HT8 is complying with the Listing Rules and, in particular, Listing Rule 3.1.

9. Please confirm that HT8's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of HT8 with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than **9.30 am AEST on Wednesday 1 May 2019**.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to HT8's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that HT8's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, providing the information requested in this letter.

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Further, if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, HT8's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in this letter.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

Cheng Tang

Senior Adviser, Listings Compliance (Melbourne)

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