

MICT, Inc.  
Form PREM14A  
February 05, 2019

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**SCHEDULE 14A**

**(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Under Rule 14a-12

**MICT, INC.**

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

Title of each class of securities to which transaction applies:

(1)

Ordinary Shares, Ordinary Shares Issuable Upon Conversion of outstanding Convertible Notes, Ordinary Shares Issuable Upon the Exercise of Warrants, Ordinary Shares Issuable Upon the Exercise of certain Options.

Aggregate number of securities to which transaction applies:

(2)

165,397,293

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

\$1.65 per Ordinary Share with respect to 156,359,260 Ordinary Shares; \$1.65 per Ordinary Share with respect to the 5,293,533 Ordinary Shares underlying the Convertible Notes; \$2.00 per Ordinary Share with respect to the 1,187,500 Ordinary Shares underlying the Warrants; \$4.30 per Ordinary Shares with respect to 436,000 Ordinary Shares underlying the outstanding employee stock options of MICT exercisable at \$4.30 per option; \$1.32 per Ordinary Share with respect to the 891,000 Ordinary Shares underlying the outstanding employee stock options of MICT exercisable at \$1.32 per option; and \$1.65 per Ordinary Share with respect to the 1,200,000 Ordinary Shares underlying the options to be issued to the directors and officers of MICT prior to the closing of the Acquisition Agreement.

Proposed maximum aggregate value of transaction:

(4)

\$274,182,528.45

Total fee paid:

(5)

\$33,230.92

Fee paid previously with preliminary materials:

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

Amount previously paid:

(1)

\$33,230.92

Form, Schedule or Registration Statement No.:

(2)

Form F-4 Registration Statement File No. 333-229518

Filing Party:

(3)

Global Fintech Holdings Ltd.

Date Filed:

(4)

February 5, 2019



**The information in this proxy statement/prospectus is not complete and may be changed. The Registrant may not issue the securities offered by this proxy statement/prospectus until the registration statement filed with the Securities and Exchange Commission, of which this proxy statement/prospectus is a part, is declared effective. This proxy statement/prospectus does not constitute an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale of these securities is not permitted.**

PRELIMINARY — SUBJECT TO COMPLETION, DATED FEBRUARY 5, 2019

**MICT, Inc.**

**28 West Grand Avenue, Suite 3**

**Montvale, NJ 07645**

Prospectus for up to 156,389,260 ordinary shares, 5,293,533 ordinary shares underlying convertible notes, 1,187,500 ordinary shares underlying warrants and 2,527,000 ordinary shares underlying options.

To the Stockholders of MICT, Inc.:

On behalf of the board of directors of MICT, Inc. (“**MICT**”), we are pleased to enclose the proxy statement/prospectus relating to, amongst other proposals, the proposed business combinations (the “**Business Combination**”) consisting of (i) a merger between MICT and GFH Merger Subsidiary, Inc. (“**Merger Sub**”), a Delaware corporation and a wholly-owned subsidiary of Global Fintech Holdings Ltd. (“**GFH**” or the “**Registrant**”), a company formed under the laws of the British Virgin Islands; and (ii) the acquisition of each of Brookfield Interactive (Hong Kong) Limited, a Hong Kong company (“**BI China**”), a subsidiary of BNN Technology PLC (“**BNN**”), and ParagonEX, Ltd., a British Virgin Islands company (“**ParagonEx**”), by GFH, pursuant to an acquisition agreement dated as of December 18, 2018 (as may be further amended or supplemented from time to time, the “**Acquisition Agreement**”) by and among GFH, MICT, BNN, BI China, ParagonEx and certain other parties.

Stockholders of MICT are cordially invited to attend the special meeting of the stockholders of MICT (the “**Special Meeting**”) to be held at \_\_\_ a.m. Eastern Time on \_\_\_\_\_, 2019 at the offices of Ellenoff Grossman & Schole LLP, at 1345 Avenue of the Americas, 11<sup>th</sup> Floor, New York, New York 10105. Only stockholders who held common stock of MICT at the close of business on \_\_\_\_\_, 2019 will be entitled to vote at the Special Meeting and at any adjournments and postponements thereof.

MICT's common stock, par value \$0.001 per share (the "**MICT Common Stock**"), are traded on The Nasdaq Capital Market ("**Nasdaq**") under the symbol "MICT." GFH has applied for the listing of GFH's ordinary shares, par value \$0.001 per share, on Nasdaq following the consummation of the Business Combination, under the symbol "GFH."

At the Special Meeting, MICT's Stockholders will be asked to vote on the following proposals, as defined and more fully described in the accompanying proxy statement/prospectus: (i) the Business Combination Proposal, (ii) the Golden Parachute Proposal and (iii) the Adjournment Proposal (collectively, the "**Proposals**").

**MICT's board of directors has unanimously determined that the Proposals are advisable, fair to and in the best interests of MICT and its stockholders and unanimously recommends that MICT's Stockholders vote "FOR" each of the Proposals.**

**Your vote is important.** As a condition to the completion of the Business Combination, the affirmative vote of the holders of a majority of the voting power of the shares of MICT Common Stock entitled to vote on the Business Combination Proposal is required. Abstentions and broker non-votes will have the same effect as voting against the Business Combination Proposal. The affirmative vote of a majority of the voting power of the votes cast at the Special Meeting is required for the Golden Parachute Proposal and the Adjournment Proposal. Abstentions and broker non-votes will have no effect on the outcome of the Golden Parachute Proposal and the Adjournment Proposal.

The obligation of MICT to complete the Business Combination is subject to a number of conditions set forth in the Acquisition Agreement and are summarized in the accompanying proxy statement/prospectus. More information about MICT, the Special Meeting and the transactions contemplated by the Acquisition Agreement, is contained in the accompanying proxy statement/prospectus. **You are encouraged to read the accompanying proxy statement/prospectus in its entirety, including the section entitled “Risk Factors” beginning on page 54.**

Very truly yours,

David Lucatz  
President and Chief Executive Officer

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under the accompanying proxy statement/prospectus or determined that the accompanying proxy statement/prospectus is accurate or complete. Any representation to the contrary is a criminal offense.**

The accompanying proxy statement/prospectus is dated \_\_\_\_\_, 2019 and is first being mailed to the stockholders of MICT on or about \_\_\_\_\_, 2019.

(ii)

## ADDITIONAL INFORMATION

**The accompanying document is the proxy statement of MICT for its Special Meeting of its stockholders, and the prospectus of GFH for the securities to be issued in the Business Combination. The accompanying proxy statement/prospectus incorporates by reference important business and financial information about MICT that is not included in or delivered with this proxy statement/prospectus. This information is available without charge to stockholders of MICT upon request. You can obtain the documents incorporated by reference into the accompanying proxy statement/prospectus through the Securities and Exchange Commission website at [www.sec.gov](http://www.sec.gov) (if publicly filed) or by requesting them in writing or by telephone at the address or telephone number below:**

David Lucatz

President and Chief Executive Officer

MICT, INC.

28 West Grand Avenue, Suite 3, Montvale

New Jersey, 07645

(201) 225 0190

In addition, if you have questions about the Business Combination or the accompanying proxy statement/prospectus, would like additional copies of the accompanying proxy statement/prospectus or need to obtain proxy cards or other information related to the proxy solicitation, please contact Morrow Sodali LLP, the proxy solicitor for MICT, toll-free at (800) 662-5200. You will not be charged for any of these documents that you request.

See the section entitled “*Where You Can Find More Information*” beginning on page 300 of the accompanying proxy statement/prospectus for further information.

**Information contained on the MICT, BNN and ParagonEx websites are expressly not incorporated by reference into this proxy statement/prospectus.**

**To obtain timely delivery of the documents, you must request them no later than five business days before the date of the applicable Special Meeting, or no later than \_\_\_\_\_, 2019.**



(iii)

## NOTE ON PRESENTATION OF FINANCIAL STATEMENTS AND DISCLOSURE

### IN THIS PROXY STATEMENT/PROSPECTUS

MICT's audited financial statements as of and for the years ended December 31, 2017 and 2016 and unaudited financial statements as of and for the nine months period ended September 30, 2018 and 2017, and the data derived therefrom, included in this proxy statement/prospectus were prepared, as stated therein, in accordance with U.S. Generally Accepted Accounting Principles ("**U.S. GAAP**").

ParagonEx's audited financial statements as of and for the years ended December 31, 2017 and 2016 included in this proxy statement/prospectus were prepared, as stated therein, in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and are presented in U.S. dollars. ParagonEx's unaudited financial statements as of and for the six months period ended June 30, 2018 were prepared, as stated therein, in accordance with IAS 34 – Interim Financial Reporting and are presented in U.S. dollars.

BNN's consolidated financial statements as of December 31, 2017 and 2016 and for each of the two years in the period ended December 31, 2017 included in this proxy statement/prospectus are prepared in accordance with IFRS as issued by the IASB and are presented in pounds sterling. BNN's unaudited interim condensed consolidated financial statements as of June 30, 2018 and for each of the six-month periods ended June 30, 2018 and 2017, included in this proxy statement/prospectus are prepared in accordance with IAS 34 Interim Financial Reporting as issued by the IASB and are presented in pounds sterling.

GFH's audited consolidated balance sheet as of December 31, 2018 and its audited consolidated statements of operations and changes in stockholders' deficit for the period from October 2, 2018 (inception) through December 31, 2018, included in this proxy statement/prospectus were prepared, as stated therein, in accordance with IFRS as issued by the IASB.

As a result, MICT's U.S. GAAP historical financial statements are not directly comparable to ParagonEx's and BNN's IFRS historical financial statements. Furthermore, the BNN financial statements are not directly comparable to any of the other financial statements included herein as they are stated in pounds sterling.

This proxy statement/prospectus also includes unaudited pro forma condensed combined financial information as of June 30, 2018 and for the six months ended June 30, 2018 and the year ended December 31, 2017 of ParagonEx to

give effect to events that are directly attributable to the Transactions (as defined herein) and have a continuing impact on the operations of GFH (with respect to the unaudited pro forma condensed combined Statement of Operations for the periods presented) and are based on available data and certain assumptions that management believes are factually supportable. See “*Unaudited Pro Forma Condensed Combined Financial Information*” included elsewhere in this proxy statement/prospectus.

## **Rounding**

Rounding adjustments have been made in calculating some of the financial information included in this proxy statement/prospectus. As a result, figures shown as totals in some tables and elsewhere may not be exact arithmetic aggregations of the figures that precede them.

Percentages and amounts reflecting changes over time periods relating to financial and other data set forth in “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” or the “*Operating and Financial Review and Prospects*” are calculated using the numerical data in the consolidated financial statements or the tabular presentation of other data (subject to rounding) contained in this proxy statement/prospectus, as applicable, and not using the numerical data in the narrative description thereof.

(iv)

**MICT, Inc.**

**28 West Grand Avenue, Suite 3**

**Montvale, NJ 07645**

NOTICE OF SPECIAL MEETING  
OF STOCKHOLDERS  
TO BE HELD ON \_\_\_\_\_, 2019

**TO THE STOCKHOLDERS OF MICT, INC.:**

NOTICE IS HEREBY GIVEN that a special meeting of stockholders (the “**Special Meeting**”) of MICT, Inc. (“**MICT**”), a Delaware corporation, will be held at \_\_\_ a.m. Eastern Time, on \_\_\_\_\_, 2019 at the offices of Ellenoff Grossman & Schole LLP, at 1345 Avenue of the Americas, 11<sup>th</sup> Floor, New York, New York 10105. You are cordially invited to attend the Special Meeting, which will be held for the following purposes:

(1) *The Business Combination Proposal* — To consider and vote upon a proposal to approve the acquisition agreement dated as of December 18, 2018 (as amended or supplemented from time to time, the “**Acquisition Agreement**”) by and among MICT, Brookfield Interactive (Hong Kong) Limited, a Hong Kong company (“**BI China**”), a majority-owned subsidiary of BNN Technology PLC (“**BNN**”), BNN, ParagonEX, Ltd., a British Virgin Islands company (“**ParagonEx**”) and certain other parties thereto, and the transactions contemplated by the Acquisition Agreement, including the acquisition of all the outstanding securities of BI China and ParagonEx (collectively, the “**Business Combination**”), by Global Fintech Holdings Ltd. (“**GFH**,” or the “**Registrant**”) and the merger of MICT into a subsidiary of GFH with MICT continuing as the surviving entity and which will result in each of the then outstanding shares of MICT Common Stock to be exchanged for 0.93 Ordinary Shares of GFH. Pursuant to the Acquisition Agreement, MICT, BI China and ParagonEx will become wholly-owned subsidiaries of GFH as described in more detail in the attached proxy statement/prospectus. We refer to this proposal as the “**Business Combination Proposal**.” A copy of the Acquisition Agreement and certain other agreements entered into pursuant to the Acquisition Agreement are attached to the accompanying proxy statement/prospectus as *Annex B*.

(2) *The Golden Parachute Proposal* — To consider and vote, on an advisory basis, upon a proposal to approve a “golden parachute” payment to David Lucatz, the Chief Executive Officer of MICT in connection with the Business Combination. We refer to this proposal as the “**Golden Parachute Proposal**.”

(3) *The Adjournment Proposal* — To consider and vote upon a proposal to adjourn the Special Meeting to a later date or dates, if necessary to permit further solicitation and vote of proxies if it is determined by MICT that more time is necessary or appropriate to approve one or more proposals presented at the Special Meeting. We refer to this proposal as the “**Adjournment Proposal**” and, together with the Business Combination Proposal and the Golden Parachute Proposal, as the “**Proposals**.”

The Proposals are described in the accompanying proxy statement/prospectus, **which we encourage you to read in its entirety before voting**. Only holders of record of common stock of MICT at the close of business on \_\_\_\_\_, 2019 are entitled to notice of the Special Meeting and to vote and have their votes counted at the Special Meeting and any adjournments or postponements of the Special Meeting.

(v)

**After careful consideration, MICT's board of directors has determined that the Proposals are fair to and in the best interests of MICT and its stockholders and unanimously recommends that you vote or give instruction to vote "FOR" the Business Combination Proposal, "FOR" the Golden Parachute Proposal and "FOR" the Adjournment Proposal, if presented.**

**The existence of any financial and personal interests of one or more of MICT's directors may be argued to result in a conflict of interest on the part of such director(s) between what he, she or they may believe is in the best interests of MICT and its stockholders and what he, she or they may believe is best for himself, herself or themselves in determining to recommend that stockholders vote for the proposals. See the section entitled "Proposal 1: The Business Combination Proposal — Interests of MICT's Directors and Officers in the Business Combination" in the accompanying proxy statement/prospectus for a further discussion of this.**

As a condition to the completion of the Business Combination, the affirmative vote of the holders of a majority of the shares of common stock of MICT, par value \$0.001 per share (the "**MICT Common Stock**"), entitled to vote on the Business Combination Proposal is required. The affirmative vote of a majority of the votes cast at the Special Meeting is required for the Golden Parachute Proposal and the Adjournment Proposal.

All stockholders of MICT are cordially invited to attend the Special Meeting in person. To ensure your representation at the Special Meeting, however, you are urged to mark, sign and date the enclosed proxy card and return it as soon as possible in the pre-addressed postage paid envelope provided. If you are a stockholder of record of MICT Common Stock, you may also cast your vote in person at the Special Meeting. If your shares are held in an account at a brokerage firm or bank, or by a nominee, you must instruct your broker, bank or nominee on how to vote your shares or, if you wish to attend the Special Meeting and vote in person, obtain a proxy from your broker, bank or nominee. Abstentions and broker non-votes will have no effect on the outcome of the Golden Parachute Proposal and the Adjournment Proposal.

**Whether or not you plan to attend the Special Meeting, we urge you to read the accompanying proxy statement/prospectus (and any documents incorporated into the accompanying proxy statement/prospectus by reference) carefully. Please pay particular attention to the section entitled "Risk Factors" in the accompanying proxy statement/prospectus.**

**Your vote is important regardless of the number of shares you own.** Whether you plan to attend the Special Meeting or not, please mark, sign and date the enclosed proxy card and return it as soon as possible in the envelope provided. If your shares are held in "street name" or are in a margin or similar account, you should contact your broker to ensure that votes related to the shares you beneficially own are properly counted.

Thank you for your participation. We look forward to your continued support.

By Order of the Board of Directors of MICT, Inc.

*David Lucatz, Chairman, President and Chief Executive Officer of MICT, Inc.*

\_\_\_\_\_, 2019

(vi)

**IF YOU RETURN YOUR PROXY CARD WITHOUT AN INDICATION OF HOW YOU WISH TO VOTE, YOUR SHARES WILL BE VOTED IN FAVOR OF EACH OF THE PROPOSALS.**

This proxy statement/prospectus is dated \_\_\_\_\_, 2019 and is first being mailed to the stockholders of MICT on or about \_\_\_\_\_, 2019

(vii)



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## SUMMARY OF THE MATERIAL TERMS OF THE PROPOSALS

### The Business Combination Proposal

On December 18, 2018 the following parties entered into an acquisition agreement (the “**Acquisition Agreement**”): (i) MICT, Inc., a Delaware corporation (“**MICT**”), (ii) Global Fintech Holdings Ltd., a British Virgin Islands corporation (“**GFH**” or the “**Registrant**”), (iii) GFH Merger Subsidiary, Inc., a Delaware corporation and a wholly-owned subsidiary of GFH (“**Merger Sub**”) (iv) BNN Technology PLC, a United Kingdom private limited company (“**BNN**”), (v) Brookfield Interactive (Hong Kong) Limited, a Hong Kong company, and a majority-owned subsidiary of BNN (“**BI China**”), (vi) the shareholders of BI China who are signatories to the Acquisition Agreement (together with BNN, the “**BI China Sellers**”), (vii) ParagonEx LTD, a British Virgin Islands company (“**ParagonEx**”), (viii) certain holders of ParagonEx’s outstanding ordinary shares, par value \$0.01 per share (the “**ParagonEx Ordinary Shares**” and each a “**ParagonEx Ordinary Share**”) named on Annex I of the Acquisition Agreement (collectively, the “**ParagonEx Executing Shareholders**”, and together with shareholders of ParagonEx that have not executed and delivered a counterpart signature page to the Acquisition Agreement the “**ParagonEx Non-Executing Shareholders**”) and the holders of certain ParagonEx options, the “**ParagonEx Sellers**”) and the 102 Trustee as registered holder on behalf of all ParagonEx Executing Shareholders who are beneficial owners of 102 Shares (collectively representing not less than 75% of the ParagonEx equity securities outstanding on a fully diluted basis), and (ix) Mark Gershinson, in the capacity as the representative for the ParagonEx Sellers in accordance with the terms and conditions of the Acquisition Agreement (the “**ParagonEx Seller Representative**”). MICT, GFH, Merger Sub, BNN, BI China, the BI China Sellers, ParagonEx, the ParagonEx Sellers and the ParagonEx Seller Representative are sometimes referred to herein individually as a “Party to the Acquisition Agreement” and, collectively, as the “Parties to the Acquisition Agreement.” GFH was formed on October 2, 2018 for purposes of effectuating the Acquisition Agreement and the business combination therein and related capital raising activities. Pursuant to the terms and subject to the conditions set forth in the Acquisition Agreement, at the closing of the transactions contemplated by the Acquisition Agreement (the “**Closing**”), GFH will acquire MICT (through Merger Sub), BI China and ParagonEx (the “**Business Combination**”) as described in more detail in the section entitled “*The Acquisition Agreement and Related Agreements.*”

The Acquisition Agreement contemplates various transactions to be completed amongst the parties, including: (1) a tender offer by BNN to purchase certain additional outstanding shares of common stock of MICT, par value \$0.001 per share (the “**MICT Common Stock**”), as more fully described below (the “**Offer**”); (2) a merger between MICT and Merger Sub, with MICT continuing as the surviving entity (the “**Merger**”); (3) an acquisition by GFH of all the issued and outstanding Securities of BI China from BNN and the other BI China Sellers (the “**BNN Acquisition**”) in exchange for newly issued ordinary shares of GFH, par value \$0.001 per share (the “**GFH Ordinary Shares**” and each a “**GFH Ordinary Share**”); (4) an acquisition by GFH of all the issued and outstanding ParagonEx Ordinary Shares from the ParagonEx Sellers in exchange for a combination of cash, notes and newly issued GFH Ordinary Shares (the “**ParagonEx Acquisition**”); and (5) a spin-off of MICT’s current business assets, including MICT’s interest in Micronet Ltd., a partially owned subsidiary, to MICT’s Stockholders who retain shares of MICT after the Offer (the “**Spin-Off**,” and together with the Offer, the Merger, the BNN Acquisition, the ParagonEx Acquisition and the other transactions contemplated by the Acquisition Agreement, (the “**Transactions**”). GFH will pay for the acquisitions of MICT, BI China and ParagonEx with proceeds received from a private placement offering conducted by GFH in the aggregate

amount of approximately \$23,500,000. The closing of such private placement is conditioned upon the satisfaction of numerous closing conditions, including the approval of the Acquisition Agreement and the Transactions.

For more information on the material terms of the Business Combination please refer to the section herein entitled “*The Acquisition Agreement and Related Agreements.*” Please also see the section entitled “*Proposal 1: The Business Combination Proposal.*”

### The Golden Parachute Proposal

The purpose of the Golden Parachute Proposal is to approve, on an advisory basis, the golden parachute compensation that may be paid or become payable to David Lucatz, Chief Executive Officer of MICT, as disclosed in this proxy statement/prospectus. Please see the section entitled “Proposal 2: *The Golden Parachute Proposal*.”

### The Adjournment Proposal

The Adjournment Proposal, if adopted, will allow the board of directors of MICT (the “MICT Board”) to adjourn the Special Meeting of stockholders to a later date or dates to permit further solicitation of proxies. The Adjournment Proposal will only be presented to MICT’s Stockholders in the event that, based on the tabulated votes, there are not sufficient votes at the time of the Special Meeting to approve one or more of the proposals presented at such meeting.

### Material Terms of the private placement offering by GFH to Qualified Investors

In December 2018, GFH conducted a private placement (the “GFH Private Placement”), in connection with which GFH entered into subscription agreements with certain investors (the “Private Placement Investors”) and pursuant to which such Private Placement Investors agreed to purchase an aggregate of approximately \$23,500,000 in ordinary shares of GFH, the proceeds of which shall to be released to GFH immediately prior to the Closing, conditioned upon receipt of approval of the stockholders of MICT of the Transactions and satisfaction or waiver of the conditions to Closing set forth in Article XII of the Acquisition Agreement. See the section titled “*Proposal 1: The Business Combination Proposal*.”

### Date, Time and Place of Special Meeting of MICT’s Stockholders

The Special Meeting will be held at \_\_\_\_\_ a.m. Eastern time, on \_\_\_\_\_, 2019, at the offices of Ellenoff Grossman & Schole LLP, at 1345 Avenue of the Americas, 11<sup>th</sup> Floor, New York, New York 10105, or at such other date, time and place to which such meeting may be adjourned or postponed, to consider and vote upon the proposals.

### Record Date; Outstanding Shares; Stockholders Entitled to Vote

MICT has fixed the close of business on \_\_\_\_\_, 2019, as the Record Date for determining MICT stockholders entitled to notice of and to attend and vote at the Special Meeting. As of the close of business on \_\_\_\_\_, 2019, there were \_\_\_\_\_ MICT Shares outstanding and entitled to vote. Each MICT Share is entitled to one vote per share at the Special Meeting.

BNN and BI China have received a voting and support agreement from David Lucatz, Chief Executive Officer of MICT, representing 1,234,000 shares of the issued and outstanding capital stock of MICT, to vote in favor of the Business Combination. BNN intends to vote its shares of MICT in favor of the Business Combination.

#### Proxy Solicitation

Proxies with respect to the Special Meeting may be solicited by telephone, by facsimile, by mail, on the Internet or in person. We have engaged Morrow Sodali LLP to assist in the solicitation of proxies. If a stockholder grants a proxy, it may still vote its shares in person if it revokes its proxy before the Special Meeting. A stockholder may also change its vote by submitting a later-dated proxy, as described in the section entitled “*Special Meeting of the Stockholders of MICT — Revoking Your Proxy and Changing Your Vote.*”



## Interests of MICT's Directors and Officers in the Business Combination

Subject to, and upon Closing of, the Acquisition Agreement and the related Business Combination, MICT is permitted to issue to its directors/officers the following awards (i) to each of the members of the MICT Board, including its Chief Executive Officer, 300,000 options to purchase ordinary shares of GFH (1,200,000 options in the aggregate) with an exercise price of \$1.65 per share (the “**GFH Purchase Price Per Share**”), which shall be granted as success bonuses under MICT's existing Stock Incentive Plans or under the GFH Equity Plan (including the GFH Israeli Sub-Plan) and which shall be converted into MICT Replacement Options and which, for the avoidance of doubt, and notwithstanding the termination of the employment or directorship of the optionholder, shall expire on the 15-month anniversary of the Closing Date); and (ii) up to an additional 300,000 restricted shares of MICT Common Stock, to be issued to officers and service providers of MICT and to Mr. Jeffrey P. Bialos, a director of MICT, who shall be entitled to 80,000 restricted shares as consideration for certain special efforts and services performed by Mr. Bialos in connection with negotiations for the Business Combination and the transactions contemplated thereby. In addition, DL Capital Ltd. (“**DL Capital**”), an entity under the control of David Lucatz, is entitled to receive (i) an annual bonus of 3% of the amount by which the annual earnings before interest, tax, depreciation and amortization, or EBITDA, for such year exceeds the average annual EBITDA for 2011 and 2010, or \$0, and (ii) a one-time bonus of 0.5% of the purchase price of any acquisition completed by MICT during the term of the agreement, or approximately \$92,079, as a result of the Business Combination. Furthermore, following the Business Combination, the rights and obligations under the DPW Consulting Agreement will be assigned to Mr. Lucatz. Pursuant to the DPW Consulting Agreement (as defined herein), Coolisys Technologies Inc. will, for each of the next two years, pay Mr. Lucatz a consulting fee of \$150,000 as well as issue Mr. Lucatz 150,000 restricted shares of DPW Class A common stock, which restricted shares are valued at \$15,000 based on the closing stock price of DWP Class A common stock on February 1, 2019.

Under the Acquisition Agreement, it is stipulated that two (2) individuals who currently serve as directors of MICT as of the date of the Acquisition Agreement (the “**Continuing Directors**”) shall be selected by ParagonEx (subject to the agreement of such individuals to serve, and provided further that the selection shall be made prior to the mailing or distribution of this proxy statement to the stockholders of MICT) to serve as members of GFH Board until the earlier of the completion of the Spin-Off or 180 days after the closing of the Business Combination.

In addition, Mr. David Lucatz, CEO and Chairman of the MICT Board, has certain holdings through his affiliates which constitute approximately 13% of MICT's outstanding common stock, not including options and restricted stock set forth above, as well as right to be assigned, upon the closing of the Business Combination, certain rights in connection with the Consulting Agreement entered into by and between MICT, Enertec Systems 2001 Ltd. (“**Enertec**”), Coolisys Technologies Inc., DPW Holdings, Inc. and Mr. Lucatz, pursuant to which MICT, via Mr. Lucatz, agreed to provide Enertec with certain consulting and transitional services over a three year period in exchange for an annual consulting fee of \$150,000 plus certain issuances of restricted stock. In connection with the Business Combination, all rights and obligations under such agreement shall be assigned to Mr. Lucatz, along with all equity issued pursuant thereto.

Recommendation to Stockholders of MICT

The MICT Board believes that the Proposals are in the best interest of MICT's Stockholders and recommends that its stockholders vote "FOR" each of the Proposals.

The existence of any financial and personal interests of one or more of the MICT Board may be argued to result in a conflict of interest on the part of such director(s) between what he, she or they may believe is in the best interests of MICT and its stockholders and what he, she or they may believe is best for himself, herself or themselves in determining to recommend that stockholders vote for the proposals. See the section entitled "*Summary of the Material Terms of the Proposals — The Business Combination Proposal — Interests of MICT's Directors and Officers in the Business Combination*" in this proxy statement/prospectus for a further discussion of this.

### Quorum and Vote of MICT Stockholders

A quorum of holders of MICT voting stock (the “**MICT Stockholders**”) is necessary to hold a valid meeting. The holders of a majority of the stock issued, outstanding and entitled to vote, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders and shall be required for the transaction of business, except as otherwise provided by law, by the certificate of incorporation or the bylaws of MICT. If, however, such majority shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote at such meeting, present in person or by proxy, shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting unless the adjournment is for more than thirty (30) days or after the adjournment a new record date is set, until the required amount of voting stock shall be present. At such adjourned meeting at which a quorum shall be present in person or by proxy, any business may be transacted that might have been transacted at the meeting originally called.

As of the Record Date for the Special Meeting, \_\_\_\_\_ shares of common stock would be required to achieve a quorum.

As a condition to the completion of the Business Combination, the affirmative vote of the holders of a majority of the voting power of the shares of MICT Common Stock entitled to vote on the Business Combination Proposal is required. The affirmative vote of a majority of the voting power of the votes cast at the Special Meeting is required for the Golden Parachute Proposal and the Adjournment Proposal, if presented.

### Other Regulatory Requirements

Aside from regulatory approvals required under the U.S. federal securities laws, the approval of the Business Combination is not subject to any other regulatory approvals or requirements.

### Appraisal Rights for MICT Stockholders

In accordance with Section 262 of the Delaware General Corporation Law, MICT Stockholders do not have appraisal rights in connection with the Business Combination.

Opinion of MICT's Financial Advisor

In connection with the Business Combination, CoView Capital ("**Coview**") was engaged by the MICT Board to evaluate the fairness, from a financial point of view, of the Business Combination and the transactions contemplated thereby, to the stockholders of MICT's outstanding common stock (other than BNN) who have not participated in the tender offer conducted by BNN.

At MICT's board meeting on November 14, 2018, representatives of CoView rendered its oral opinion, which was subsequently confirmed by delivery of a written opinion to the MICT Board, dated November 14, 2018, as to the fairness of the transaction, as of such date, from a financial point of view, to the post-tender offer holders of MICT's outstanding common stock (other than shareholders of BNN, the ("**BNN Stockholders**")) pursuant to the Acquisition Agreement, based upon and subject to the qualifications, assumptions and other matters considered and described in connection with the preparation of its opinion. CoView subsequently updated its opinion as of December 17, 2018, and delivered such updated written opinion to MICT's board of directors on December 17, 2018.

**The full text of the written opinion of CoView, dated December 17, 2018, which sets forth, among other things, the assumptions made, procedures followed, matters considered, and qualifications and limitations on the review undertaken by CoView in connection with its opinion is attached with the consent of CoView as Annex D to this document (the “Fairness Opinion”). The summary of the opinion of CoView set forth in this document is qualified in its entirety by reference to the full text of such written opinion.  Holders of MICT Common Stock are urged to read this opinion in its entirety. Terms not defined in this section shall have the meaning ascribed to them in the Fairness Opinion attached hereto as Annex D.**

CoView provided its opinion for the information and assistance of the MICT Board (solely in each director’s capacity as such) in connection with and solely for the purpose of its consideration of whether the transaction was fair, from a financial point of view, to the post-tender stockholders of MICT Common Stock (excluding BNN Stockholders). The opinion of CoView does not address any other term or aspect of the Acquisition Agreement, the Business Combination or any other transaction contemplated thereby. CoView’s opinion does not constitute a recommendation to the MICT Board or to any holder of MICT Common Stock as to how the MICT Board, such stockholder or any other person should vote or otherwise act with respect to the Business Combination or any other matter.

In connection with the preparation of its opinion, CoView, among other things:

§ reviewed the financial terms and conditions as stated in the draft of the Acquisition Agreement dated December 15, 2018, the most recent draft made available to CoView at such time;

§ reviewed information provided in the Confidential Investor Information Package provided by Mirabaud & Cie to potential investors in GFH, dated October 8, 2018;

§ reviewed certain information related to the operations, financial condition and prospects, of MICT, ParagonEx and BI China made available to CoView by each company, including, but not limited to, financial projections prepared management, as approved for CoView use by the management of each company (the “**Projections**”);

§ reviewed financial, operating and other information regarding the industries in which BI China and ParagonEx operate;

§ reviewed certain financial and stock market data of selected public companies that CoView deemed to be relevant;

§ reviewed certain publicly available information concerning certain financial terms of selected transactions that CoView deemed to be relevant;

§ performed a discounted cash flow analysis of BI China, ParagonEx and GFH based upon the Projections;

§ reviewed current and recent market prices and trading volume for MICT's common stock;

§ conducted such other financial studies, analyses and inquiries, and considered such other information and factors, as  
§ CoView deemed appropriate; and

§ met and discussed with certain members of senior management of BNN, ParagonEx and MICT certain information  
§ relating the aforementioned and other matters which CoView deemed relevant to its inquiry.

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With MICT's consent, CoView assumed and relied upon the accuracy and completeness of all information that was publicly available or supplied or otherwise made available by MICT, BI China and ParagonEx, or otherwise reviewed by or discussed with CoView, and CoView did not undertake any duty or responsibility to (nor did CoView) independently verify any of such information. CoView did not make or obtain an independent appraisal of the assets or liabilities (contingent or otherwise) of MICT, BI China or ParagonEx, nor was CoView furnished with any such evaluations or appraisals. With respect to the Projections and any other information and data provided to or otherwise reviewed by or discussed with CoView, CoView, with MICT's consent, assumed that the Projections and such other information and data were reasonably prepared in good faith on bases reflecting the best currently available estimates and judgements of management of BI China and ParagonEx or the party preparing such other information or data, that the forecasts will be realized in the amounts and time periods estimated and that they formed a reasonable basis upon which CoView could form its opinion. CoView relied upon MICT to advise CoView promptly if any information previously provided became inaccurate or was required to be updated during the period of its review and has assumed that all such information was complete and accurate in all material respects. CoView expressed no opinion with respect to the Projections or the assumptions on which they were based and does not in any respect assume any responsibility for the accuracy thereof. Furthermore, at MICT's request and with MICT's consent, CoView conducted certain analysis utilizing financial forecasts of BI China and ParagonEx prepared by their respective management. All such projected financial information were based upon numerous variables and assumptions and actual results could vary significantly from those set forth in such projected financial information. CoView relied upon, without independent verification, the assessment of management of BI China and ParagonEx, as provided to CoView and approved by MICT, as to the existing products and services of BI China and ParagonEx and the viability of, and risks associated with, the future products and services of BI China and ParagonEx (including without limitation, the development, testing and marketing of such products and services, the receipt of all necessary governmental and other regulatory approvals for the developments, and the life and enforceability of all relevant patents, licenses and intellectual and other property rights associated with such products and services).

The prospective financial information included in this document related to ParagonEx has been prepared by, and is the responsibility of, ParagonEx's management. PricewaterhouseCoopers LLC ("PwC") has not audited, reviewed, examined, compiled, nor applied agreed-upon procedures with respect to the prospective financial information and, accordingly, PwC does not express an opinion or any other form of assurance with respect thereto. The PwC report included in this document relates to ParagonEx's historical financial statements. It does not extend to the prospective financial information and not be read to do so.

CoView has assumed that the final form of the Acquisition Agreement will not differ in any material respect from the draft that CoView reviewed, and that the Business Combination will be consummated in accordance with the terms of the Acquisition Agreement without material waiver, amendment or delay of any terms or conditions thereto. Furthermore, CoView assumed, in all respects material to its analysis, that the representations and warranties of each party contained in the Agreement were true and correct and that each party will perform all of the covenants and agreements required to be performed by it under the Agreement without being waived, CoView relied upon and assumed, without independent verification, that (i) the Business Combination would be consummated in a manner that complies in all respects with all applicable international, federal and state statutes, rules and regulations, and (ii) all governmental, regulatory or other consents and approvals necessary for the consummation of the Business Combination would be obtained and that no delay, limitations, restrictions or conditions would be material to its analysis or opinion or to contemplated benefits expected to be derived in the Business Combination. CoView has

relied upon, without independent verification, the assessment by the managements of MICT, BI China and ParagonEx of: (i) the strategic, financial and other benefits expected to result from the Business Combination; and (ii) the timing and risks associated with the integration of MICT with the other entities involved in the Transactions following the consummation of the Business Combination.



CoView expressed no view, and its opinion does not address the underlying business decision of MICT to effect the Business Combination or the structure or tax consequences of the Business Combination. In addition, CoView's opinion does not address the relevant merits of the Business Combination as compared to any other alternative business transaction or other alternatives, or whether or not such alternatives could be achieved or are available. CoView did not recommend any specific amount of consideration for the Business Combination or that any specific consideration constituted the only appropriate consideration for the Business Combination. CoView's opinion is limited to the fairness, from a financial point of view, as of this date, of the Transaction taken as a whole. Subsequent developments may affect the conclusions expressed in CoView's opinion if such opinion had been rendered at a later date and CoView disclaims any obligation to advise any person of any change in any manner affecting its opinion that may come to its attention after the date of the opinion. CoView is not a legal, tax or regulatory advisor. CoView expressed no opinion with respect to any other reasons (legal, business, or otherwise) that may support the decision of the Board to approve or consummate the Business Combination. Furthermore, no opinion, counsel or interpretation was intended by CoView on matters that require legal, accounting or tax advice. CoView assumed that such opinions, counsel or interpretations had been or would be obtained from appropriate professional sources. Furthermore, CoView relied, with the consent of The MICT Board and without independent investigation, on the fact that MICT was assisted by legal, accounting, regulatory and tax advisors, and, with the consent of The MICT Board relied upon and assumed the accuracy and completeness of the assessments by MICT and its advisors, as to all legal, accounting, regulatory and tax matters with respect to MICT and the Business Combination.

In formulating its opinion, CoView considered only the Business Combination as set forth in the draft Agreement that it reviewed, and CoView did not consider, and its opinion did not address, the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of any party to the Business Combination, or such class of persons, in connection with the Business Combination whether relative to the proposed consideration or otherwise. CoView expressed no opinion as to the prices at which MICT shares will trade at any time or as to the impact of the Business Combination on the solvency or viability of MICT, or the ability of MICT, BI China or ParagonEx to pay their respective obligations when they come due. CoView's opinion is necessarily based on financial, economic, market, tax and other conditions as in effect on, and the information made available to CoView as of, the date hereof. Events occurring after the date hereof may affect its opinion and the assumptions used in preparing it, and CoView does not assume any obligation to update, revise or reaffirm its opinion.

### *Financial Analyses*

The following summarizes the financial analyses reviewed by CoView with the MICT Board at its meeting on November 14, 2018, and subsequently updated as of December 17, 2018, which was considered by CoView in rendering its opinion. Considering such data without the full narrative description of the financial analyses could create a misleading or incomplete view of CoView's financial analyses.

In arriving at its opinion, CoView did not attribute any particular weight to any analysis or factor considered by it and the order of the analyses described below does not represent the relative importance or weight of any of these. Rather,

CoView made qualitative judgements as to the significance and relevance of each analysis and factor. Accordingly, CoView believes that its analyses must be considered as a whole and that selecting portions of its analyses, without considering all analyses, would create an incomplete view of the process underlying its opinion.

The description below explains CoView's methodology for evaluating the fairness, from a financial point of view, of the Transactions as a whole. No company or transaction used in the analyses described below is identical or directly comparable to MICT, BI China, ParagonEx or the Business Combination and the summary set forth below does not purport to be a complete description of the analyses or data presented by CoView.

**MICT***Internal Valuation*

CoView conducted an internal valuation of MICT to derive its value as close to the contemplated closing date as possible. This method looks at how the public market, post-announcement, valued MICT. To arrive at the internal valuation, CoView took MICT's market capitalization as of December 15, 2018, and added net debt on the balance sheet. CoView then subtracted an amount equivalent to 50.07% of the current market capitalization of Micronet (TASE: MCRNL), therefore accounting for the spin-off of the Micronet assets to the post-tender offer, pre-Business Combination stockholders of MICT. The results obtained through this methodology were as follows:

**Components of the Internal Valuation**

In \$000's, other than share prices. Share prices as of 12/15/2018

MICT Stock Price (NASDAQ: MICT):	\$0.37
MICT shares outstanding:	9,592
MICT Market Cap:	\$3,549
MICT Net Debt:	\$560
Micronet Stock Price (TASE:MCRNL):	\$0.14
Micronet Shares Outstanding:	24,347
Micronet Market Cap:	\$3,409
MICT Ownership in Micronet: (including ownership by David Lucatz or his affiliates)	50.07% or \$1,707

**Value of MICT as an Exchange-Listed Company – in \$000's**

MICT Market Cap:	\$3,549
(less) Market Value of MICT's ownership in MCRNL:	\$1,707
MICT Market Cap Post-Spin-Off of MCRNL:	\$1,842
(plus) MICT Net Debt:	\$560
Enterprise Value of MICT "Shell":	\$2,402

*Comparable Transaction Analysis – Exchange-Listed Companies*

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CoView analyzed eight reverse merger transactions, looking at the value of exchange-listed companies at closing. The transactions included the following:

Closing Date	Target (Exchange-Listed Company)	Buyer
08/09/18	Leading Brands, Inc.	Liquid Media Group
03/26/18	EnerJex Resources, Inc.	AgEagle Aerial Systems, Inc.
01/30/18	WPCS International Incorporated	DropCar, Inc.
04/19/17	Dipexium Pharmaceuticals, Inc.	PLx Pharma Inc.
02/13/17	Signal Genetics, Inc.	Miragen Therapeutics, Inc.
10/26/16	Yuma Energy, Inc.	Yuma Energy, Inc.
08/25/16	Lucas Energy, Inc.	Camber Energy, Inc.
Pending	Apricus Bioscience, Inc.	Seelos Therapeutics

CoView selected companies that were involved in a reverse merger regardless of the sectors in which they operated, as the sector was not relevant. CoView included companies trading on major US stock exchanges (NYSE, NASDAQ, and AMEX). In order to value the exchange-listed company, CoView started with the market capitalization of MICT at closing, added liabilities to the market capitalization and subtracted tangible assets (at orderly liquidation value), preferred equity and minority interests, thus arriving at the adjusted Enterprise Value of exchange-listed companies involved in reverse mergers. The results obtained through this methodology were as follows:

### Comparable Transaction Analysis – Exchange-Listed Companies

In \$000's	Median	Mean
Adj. Enterprise Value of Shells	\$6,573	\$7,448

### BI China

#### *Comparable Company Analysis*

CoView analyzed the relative valuation multiples of exchange-listed companies operating in the lottery and gaming industry, which included:

§	500.com Limited
§	888 Holdings plc
§	International Game Technology
§	Scientific Games Corporation
§	The Stars Group, Inc.

CoView calculated the mean, median, 25<sup>th</sup> percentile and 75<sup>th</sup> percentile of the Enterprise Value/2019E EBITDA multiples of the selected companies and applied such multiples to BI China's 2019E earnings before interest, tax, depreciation and authorization ("EBITDA"), deriving a range of Implied Enterprise Values for BI China. CoView also calculated a range of Implied Equity Values for BI China. To arrive at the range of Implied Equity Values, CoView added BI China's net cash as per the Acquisition Agreement to the Enterprise Values previously calculated. The results obtained through this methodology were as follows:

**BI China – Comparable Company Analysis**

In \$000's	<b>25<sup>th</sup> Perc.</b>	Median	Mean	<b>75<sup>th</sup> Perc.</b>
Multiple	6.06x	6.78x	7.18x	7.89x
BI China Implied Enterprise Value	\$ 146,296	\$ 163,545	\$ 173,219	\$ 190,469
BI China Implied Equity Value	\$ 158,642	\$ 175,891	\$ 185,565	\$ 202,815

*Comparable Transaction Analysis*

CoView analyzed publicly available information relating to selected majority acquisitions of companies operating in a similar sector and subject to similar risks as BI China announced in the last three years. CoView then prepared a summary of multiples paid in these transactions. The selected transactions used in the analysis included:

<b>Closing Date</b>	<b>Target</b>	<b>Buyer</b>
10/09/2018	GoldBet srl	Gamenet S.p.A.
07/10/2018	Sky Betting and Gaming	The Stars Group Inc.
06/05/2018	Snaitech S.p.A.	Pluto (Italia) S.p.A.
04/23/2017	William Hill Australia Trading	CrownBet Pty Limited
04/13/2018	Mars LLC	GVC Holdings PLC
03/28/2018	Ladbrokes Coral Group plc	GVC Holdings PLC
12/22/2017	Tatts Group Limited	Various Buyers
06/06/2017	32Red Plc	Kindred Group
06/01/2017	Double Down Interactive LLC	DoubleUGames Co.
03/21/2017	NetPlay TV Limited	Betsson AB
12/15/2016	Sisal Group S.p.A	CVC Capital Partners

CoView calculated the mean, median, 25<sup>th</sup> percentile and 75<sup>th</sup> percentile of the Implied Enterprise Value/EBITDA multiples of the targets at closing date and applied such multiples to BI China's 2019E EBITDA to derive a range of Implied Enterprise Values for BI China. CoView also calculated a range of Implied Equity Values for BI China. To arrive at the range of Equity Values, CoView added BI China's net cash as per the Acquisition Agreement to the Implied Enterprise Values previously calculated. The results obtained through this methodology were as follows:

**BI China - Comparable Transaction Analysis**

In \$000's	<b>25<sup>th</sup> Perc.</b>	Median	Mean	<b>75<sup>th</sup> Perc.</b>
Multiple	6.66x	7.09x	10.49x	15.64x
BI China Implied Enterprise Value	\$ 160,568	\$ 171,064	\$ 253,075	\$ 377,353
BI China Implied Equity Value	\$ 172,768	\$ 183,264	\$ 265,275	\$ 389,553

*Discounted Cash Flow Analysis*

CoView estimated a range of Enterprise Values for BI China based upon the present value of BI China's estimated unlevered free cash flows for fiscal years ended December 31, 2019 through December 31, 2021. CoView used unlevered free cash flows defined as earnings before interest, after taxes, plus depreciation, plus amortization, less capital expenditures, less changes in net working capital. The discounted cash flow analysis was based on the Projections. Due to lack of management balance sheet projections, CoView utilized a combination of BI China's historical financials and industry metrics to calculate changes in net working capital. In performing this analysis, CoView utilized discount rates ranging from 18% to 22%, representing the weighted average cost of capital calculated for BI China, plus a size premium and an "alpha factor". BI China's cost of equity was derived using the capital asset pricing model while its cost of debt was assumed to be the interest rate on BI China's convertible notes. A size premium was added to the rate as BI China is significantly smaller than its peers in terms of market capitalization. An alpha factor was incorporated in the discount rate as several business specific risks associated with BI China are not shared with its peers and thus are not captured by the industry's unlevered beta. Consistent with the periods included in the Projections, CoView used calendar year 2021 as the final year of the analysis and applied an Enterprise Value/EBITDA multiple ranging from 6x to 9x to BI China's 2021 projected EBITDA to derive a range of terminal values for BI China in 2021. CoView then discounted the terminal value to present using BI China's weighted average cost of capital and added the result to the present value of BI China's unlevered free cash flows to derive a range of Implied Enterprise Values. The resulting range of Enterprise Values was adjusted by BI China's net cash to arrive at a range of Implied Equity Values for BI China. The discounted cash flow analysis was based upon certain assumptions described above derived from the Projections and discussions held with BI China's management.



CoView reviewed the range of Implied Enterprise Values and Implied Equity Values derived through the discounted cash flow analysis to arrive at a range of values for BI China. CoView then compared this range of values for BI China to the consideration to be paid to BI China in accordance with the Acquisition Agreement. The results obtained through this methodology were as follows:

**BI China Discounted Cash Flow Analysis**

In \$000's	Low	High
BI China Implied Enterprise Value	\$342,097	\$508,901
BI China Implied Equity Value	\$354,297	\$521,101

**ParagonEx**

*Comparable Company Analysis*

CoView analyzed the relative valuation multiples of exchange-listed companies involved in online trading/market making activities, which included:

§	Gain Capital Holdings, Inc.
§	Virtu Financial, Inc.
§	Plus500.com Ltd.
§	CME Group Inc.
§	IG Group Holdings plc

CoView reviewed the mean, median, 25<sup>th</sup> percentile and 75<sup>th</sup> percentile of the LTM Enterprise Value/EBITDA multiples of the selected companies and applied such multiples to ParagonEx's 2018E EBITDA, as provided in the Projections, to derive a range of Implied Enterprise Values for ParagonEx. As ParagonEx is entering the transaction on a debt-free, cash-free basis, the Implied Enterprise Value of ParagonEx is equal to the Implied Equity Value. The results obtained through this methodology were as follows:

**ParagonEx - Comparable Company Analysis**

In \$000's	<b>25<sup>th</sup> Perc.</b>	Median	Mean	<b>75<sup>th</sup> Perc.</b>
Multiple	2.93x	5.74x	8.97x	9.04x
ParagonEx Implied Equity Value	\$49,292	\$96,603	\$151,121	\$152,248

*Comparable Transaction Analysis*

CoView analyzed publicly available information relating to selected majority acquisitions of companies operating in a similar sector and subject to similar risks as ParagonEx announced in the last three years. Due to the limited number of publicly-disclosed transactions within the online trading sector, some companies involved in these transactions may not be fully comparable to ParagonEx, but they all operate in the financial sector and are subject to similar risks as ParagonEx. The selected transactions used in the analysis included:

<b>Closing Date</b>	<b>Target</b>	<b>Buyer</b>
10/01/2018	Eze Software Group	SS&C Technologies Holdings
07/17/2018	Action Corporation	HCL Technologies Limited and Sumeru Equity Partners
12/14/2017	Trayport Limited	TMX Group Limited
08/31/2017	The Yield Book Inc. and Citigroup Index	FTSE International Limited
02/28/2017	BATS Global Markets, Inc.	Cboe Holdings, Inc.
12/14/2015	Interactive Data Holdings	Intercontinental Exchange

CoView calculated the mean, median, 25<sup>th</sup> percentile and 75<sup>th</sup> percentile of the Implied Enterprise Value/EBITDA multiples of the targets at closing and applied such multiples to ParagonEx's 2018E EBITDA, to derive a range of Implied Enterprise Values for ParagonEx. As ParagonEx is entering the transaction on a debt-free, cash-free basis, the Implied Enterprise Value of ParagonEx is equal to the Implied Equity Value. The results obtained through this methodology were as follows:

#### ParagonEx - Comparable Transaction Analysis

In \$000's	25 <sup>th</sup> Perc.	Median	Mean	75 <sup>th</sup> Perc.
Multiple	13.30x	14.35x	15.18x	17.45x
ParagonEx Implied Equity Value	\$224,038	\$241,641	\$255,691	\$293,800

#### *Discounted Cash Flow Analysis*

CoView estimated a range of Enterprise Values for ParagonEx based upon the present value of ParagonEx's estimated unlevered free cash flows for fiscal years ended December 31, 2019 through December 31, 2021. CoView used unlevered free cash flows, defined as earnings before interest, after taxes, plus depreciation, plus amortization, less capital expenditures, less net change in working capital. This discounted cash flow analysis was based on the Projections. In performing this analysis, CoView utilized discount rates ranging from 15.5% to 19.5%, representing the weighted average cost of capital of ParagonEx, plus a size premium and an "alpha factor". ParagonEx does not carry any debt, thus the weighted average cost of capital is based solely on its cost of equity, which was derived using the capital asset pricing model. A size premium was added to the rate as ParagonEx is significantly smaller than its peers in terms of market capitalization. An "alpha factor" was incorporated in the discount rate as several business specific risks associated with ParagonEx are not shared with its peers and thus are not captured by the industry's unlevered beta. CoView used calendar year 2021 as the final year of the analysis and applied an Enterprise Value/EBITDA multiple ranging from 6x to 9x to ParagonEx's 2021 EBITDA to derive a range of terminal values for ParagonEx in 2021. CoView then discounted the terminal value to present using ParagonEx's weighted average cost of capital and added the result to the present value of ParagonEx's unlevered free cash flows to derive a range of Implied Enterprise Values. As ParagonEx is entering the transaction on a debt-free, cash-free basis, ParagonEx's Implied Enterprise Value is equal to its Implied Equity Value. The discounted cash flow analysis was based upon certain assumptions described above derived from the Projections and discussions held with ParagonEx's management.

CoView reviewed the range of Implied Equity Values derived through the discounted cash flow analysis to arrive at a range of values for ParagonEx. The results obtained through this methodology were as follows:

**ParagonEx – Discounted Cash Flow Analysis**

In \$000's	Low	High
ParagonEx Implied Equity Value	\$137,710	\$203,122

**GFH***Discounted Cash Flow Analysis*

CoView conducted a valuation of the entire enterprise arising after the Business Combination. As per the Projections, CoView took into account revenues of BI China, ParagonEx as well as other revenue streams that fall outside of the Projections for BI China and ParagonEx, including “Play for Fun”, Hong Kong trading income and commodities exchange. As the targets have not specifically been identified, CoView did not include revenues derived from acquisitions that GFH plans to execute after the Business Combination. CoView estimated a range of Enterprise Values for GFH based upon the present value of GFH’s estimated unlevered free cash flows for fiscal years ended December 31, 2019 through December 31, 2021. CoView used unlevered free cash flows defined as earnings before interest, after taxes, plus depreciation, plus amortization, less capital expenditures, less change in net working capital. The discounted cash flow analysis was based on the Projections. In performing this analysis, CoView utilized discount rates ranging from 16% to 20%, representing a hybrid rate of the weighted average cost of capital of BI China and ParagonEx, weighted by the percentage of total revenue of GFH generated by each revenue stream. In terms of the incremental revenue streams, CoView assigned to “Play for Fun” a discount rate equivalent to BI China’s discount rate and to “Hong Kong trading” and “commodities exchange” a discount rate equivalent to ParagonEx’s discount rate. Such rates were involved into the weighting scheme described above to arrive at a discount rate for GFH as a whole. Consistent with the periods included in the Projections, CoView used calendar year 2021 as the final year of the analysis and applied an Enterprise Value/EBITDA multiple ranging from 5x to 7x to GFH’s 2021 projected EBITDA to derive a range of terminal values for GFH in 2021. CoView then discounted the terminal value to present using GFH’s weighted average cost of capital and added the result to the present value of GFH’s unlevered free cash flows to derive a range of Implied Enterprise Values. The resulting range of Enterprise Values was adjusted by GFH’s net cash (taking into account transaction expenses) to arrive at a range of Implied Equity Values for GFH. The discounted cash flow analysis was based upon certain assumptions described above derived from the Projections and discussions held with BI China’s and ParagonEx’s management.

CoView reviewed the range of Implied Enterprise Values and Implied Equity Values derived through the discounted cash flow analysis to arrive at a range of values for GFH. The results obtained through this methodology were as follows:

**GFH – Discounted Cash Flow Analysis**

In \$000’s	Low	High
GFH Implied Enterprise Value	\$646,752	\$889,072
GFH Implied Equity Value	\$648,204	\$890,525

CoView then multiplied the high and low end points of the range of Implied Equity Values for GFH to the percentage ownership to be retained by post-tender offer MICT Stockholders in GFH (excluding BNN Stockholders) post-transaction on a fully diluted basis to arrive at a range of values retained by MICT Stockholders. The results obtained through this methodology were as follows:

**Value Retained by MICT Stockholders (excluding BNN Stockholders)**

In \$000's	Low	High
GFH Implied Equity Value	\$648,204	\$890,525
Percentage to be retained by MICT Stockholders	3.51 %	3.51 %
Total Value of GFH retained by MICT Stockholders	\$22,752	\$31,257

*Sum-of-Parts Analysis*

CoView also conducted a sum-of-parts analysis, only taking into account revenues generated by BI China and ParagonEx. This valuation is more conservative than the discounted cash flow analysis described above as it disregards revenues generated by incremental revenue streams such as “Play for Fun”, Hong Kong trading and commodities exchange. CoView took the low, midpoint and high Implied Equity Values for both BI China and ParagonEx derived through the comparable company analysis, comparable transaction analysis and discounted cash flow analysis and added each value together in order to arrive at a range of Implied Equity Values for GFH. The results obtained through this methodology were as follows:

**GFH - Sum-of-Parts Analysis**

In \$000's	Low	Midpoint	High
BI China Implied Equity Value	\$158,642	\$347,081	\$521,247
ParagonEx Implied Equity Value	\$49,292	\$171,546	\$293,800
GFH Implied Equity Value	\$207,934	\$518,627	\$815,047

Based on the above, CoView multiplied the low, midpoint and high Implied Equity Values for GFH to the percentage ownership to be retained by post-tender offer MICT Stockholders in GFH (excluding BNN Stockholders) post-transaction on a fully diluted basis to arrive at a range of values retained by MICT Stockholders. The results obtained through this methodology were as follows:

**Value Retained by MICT Stockholders (excluding BNN Stockholders)**

In \$000's	Low	Midpoint	High
GFH Implied Equity Value	\$207,934	\$518,627	\$815,047
Percentage to be retained by MICT Stockholders	3.51 %	3.51 %	3.51 %
Total Value of GFH retained by MICT Stockholders	\$7,298	\$18,203	\$28,608

*Conclusion*

Through an analysis of comparable exchange-listed companies, CoView arrived at mean and median values of \$7.44 million and \$6.57 million, respectively, for exchange-listed companies. CoView arrived at a value of \$2.4 million

based on an internal valuation of MICT.

**MICT Exchange-Listed Company Valuation**

**(based on Comparable Reverse Merger Transactions and Internal Valuation)**

In millions	Mean	Median
Comparable Exchange-Listed Valuation	\$6.75	\$ 7.45
MICT Internal Valuation	\$2.4	



Employing various valuation methodologies, CoView arrived at a range of Implied Equity Values for GFH. By multiplying the low and high ends of this range by the percentage ownership to be retained by post-tender offer MICT Stockholders in GFH (excluding BNN Stockholders) post-transaction on a fully diluted basis (3.51%), CoView derived a range of values to be retained by MICT Stockholders ranging from \$7.29 million to \$31.26 million. CoView's final results were as follows:

**Value Retained by MICT Stockholders in GFH**

In millions	Low	High
GFH: DCF Valuation	\$22.75	\$31.26
GFH: Sum-of-Parts Valuation	\$7.29	\$28.61

Thus CoView, based on the information provided by management of MICT, BNN and ParagonEx, without independent verification, is of the conclusion that the Transaction as a whole, from a financial point of view, is fair to the stockholders of MICT (other than BNN Stockholders).

**MICT's reasons for engaging in the Business Combination**

An important reason that The MICT Board unanimously approved entering into the Acquisition Agreement is that it offers stockholders the option to either (i) cash out at a price of \$1.65 per share (subject to a pro rata reduction if more shares were tendered than those offered to purchase by BNN in the Offer), which would allow such stockholders to sell their shares at a premium to the market (based both on the current share price, and as adjusted to give effect to the presumed reduction in the value of MICT's stock price pursuant to the spin-off of MICT's Tel Aviv Stock Exchange-listed subsidiary Micronet), or (ii) receive their pro rata portion of the shares of Micronet that would be spun out, which shares would represent all of MICT's current value (other than the value of its listing on The Nasdaq Capital Market and certain other immaterial equity interests), and exchange their shares of MICT's common stock for shares of the ultimate public company, thereby participating in the upside of the public company. Stockholders will also have the opportunity to reduce their risk and achieve some liquidity by tendering only a portion of their shares, while electing to receive shares of Micronet and shares of the ultimate public company in exchange for the shares of MICT's common stock that they do not tender.

The MICT Board has not yet determined whether to recommend that MICT's stockholders regarding whether to tender their shares pursuant to the Offer. The Acquisition Agreement requires that MICT file a Tender offer Solicitation/Recommendation Statement on Schedule 140-9 with respect to the offer no later than 10 Business Days after the offer Documents are first filed with the SEC, and MICT intends to make a recommendation to MICT's stockholders at such time.

In approving the Business Combination and transactions contemplated thereby, including the Offer, and in considering whether to make a recommendation to MICT's stockholders regarding whether to accept the offer and tender their shares pursuant to the offer, which it has determined not to do at this time, the MICT Board consulted with MICT's senior management, its legal advisors, and CoView, and reviewed, evaluated and considered numerous factors and a wide range of information and data, including:

The MICT Board considered that the structure of the Business Combination and the transactions contemplated thereby, including the Offer, provided its stockholders with choices that would fit the individual circumstances of each stockholder. The board considered that each stockholder could make an independent judgment of whether to eliminate its interest in MICT by tendering any or all of its shares into the Offer (subject to a pro rata reduction if more shares were tendered than those offered to purchase by BNN in the Offer) or to maintain an interest in Micronet Ltd. and exchange its shares of MICT's common stock for shares of the public company. Personal considerations the board believed may be relevant to an MICT stockholder's decision included:

the stockholder's determination of the adequacy of the Offer Price in light of the stockholder's own investment objectives;

o the stockholder's need for liquidity or diversification;

the stockholder's views as to Micronet and the public company's outlook, including the synergies that could result from the Business Combination;

o other investment opportunities, including other types of investments, available to the stockholder;

o whether the stockholder requires current income on its investment;

the stockholder's assessment of the appropriateness for investing in equity securities generally in the current economic, business and political climate, with respect to which the stockholder should consult with competent investment professionals;

the tax consequences to the stockholder of participating in the Offer or of receiving shares of Micronet and the ultimate public company, for which the stockholder should consult with competent tax advisors; and

the other factors considered by the MICT Board described herein, and any other factors that the stockholder deems relevant to its investment decision.

The MICT Board received a fairness opinion from CoView, dated December 17, 2018, concluding that the Transactions are fair to the stockholders of MICT (other than BNN and its affiliates, regarding whom CoView had no opinion) from a financial point of view, as more fully described above under the caption "*Opinion of MICT's Financial Advisor.*"

In addition to the fairness opinion, the MICT Board also considered that the Offer Price represents a premium to the market (based both on the current share price, and as adjusted to give effect to the presumed reduction in the value of MICT's stock price pursuant to the spin-off of Micronet).

The MICT Board considered alternatives other than the Business Combination, including MICT's prospects were it to continue as a stand-alone company, and concluded that none of these alternatives were reasonably likely to present opportunities for creating greater value for MICT's Stockholders.

The MICT Board believes that, as a result of arm's length negotiations with BNN and ParagonEx, MICT and its representatives negotiated the highest exchange ratio that BNN and ParagonEx were willing to agree to, and that the terms of the Acquisition Agreement and related agreements include the most favorable terms to MICT in the aggregate which BNN and ParagonEx were willing to agree to.

The MICT Board considered the public company's outlook, including the synergies that could result from the Business Combination, as well as that the public company would be led by an experienced senior management team and board of directors.

The MICT Board considered that it can change its recommendation with respect to the Offer at a later time prior to the expiration of the Offer, including if there is a change of events or circumstances or additional information comes to the attention to The MICT Board.

The MICT Board considered that the possibility of the transactions contemplated by the Acquisition Agreement had been public since the LOI was announced on July 2, 2018, and that no alternative proposals had been put forward between such date and the date on which the Acquisition Agreement was executed.

The MICT Board considered the terms and conditions of the Acquisition Agreement and the transactions contemplated thereby, as well as the safeguards and protective provisions included therein to mitigate risk, including:

the respective rights of, and limitations on, the parties to the Acquisition Agreement to pursue strategic alternatives, including the ability of MICT to terminate the Acquisition Agreement in order to participate in an alternative transaction;

the reasonableness of the potential termination fee of \$1,800,000 (which would increase to \$3,000,000 in certain situations) that could become payable to MICT if the Acquisition Agreement is terminated in certain circumstances;

the voting agreement, pursuant to which Mr. Lucatz agreed, solely in his capacity as a stockholder of MICT, to vote all of his shares of MICT in favor of the Business Combination;

the ability of MICT to incur up to \$760,000 of indebtedness during the interim period which shall be reduced to no more than \$560,000 prior to the completion of the spin-off of Micronet;

the increased protections MICT had negotiated for in the Acquisition Agreement, including the addition of a closing condition requiring ParagonEx to enter into a definitive agreement with UFX, the requirement that certain members of ParagonEx management enter into non-compete agreements in advance of closing, the inclusion of a covenant that ParagonEx would use its best efforts to complete the PX Exchange Ltd. (“**PX Exchange**”) acquisitions, and the inclusion of covenants to remedy certain of BNN’s share capital issues and concerns about governance controls and procedures; and

the belief that the terms of the Acquisition Agreement, including the parties’ representations, warranties and covenants, and the conditions to their respective obligations, are reasonable under the circumstances.

In the course of its deliberations, The MICT Board also considered a variety of risks and other countervailing factors related to entering into the Acquisition Agreement, including:

the \$900,000 termination fee payable by MICT upon the occurrence of certain events and the potential effect of such termination fee in deterring other potential acquirers from proposing an alternative transaction that may be more advantageous to MICT’s Stockholders;

o the substantial expenses to be incurred in connection with the Business Combination and related transactions;

o the possible volatility, at least in the short term, of the trading price of MICT’s common stock resulting from the announcement of the Business Combination and related transactions;

o the risk that the Business Combination and related transactions might not be consummated in a timely manner or at all and the potential adverse effect of a failure to complete the Business Combination on the reputation of MICT;

the likely detrimental effect on MICT's cash position, stock price and ability to successfully complete an alternative  
O transaction should the Business Combination not be completed;

the risk that the synergies expected to result from the Business Combination would not come to fruition or that the  
performance of BNN and ParagonEx would not support the valuations ascribed to them in connection with the  
Business Combination; and

various other risks associated with the Business Combination, the related transactions and the public company,  
O including those described in the section entitled "*Risk Factors*".

## Accounting Treatment of the Business Combination

The financial statements of GFH have been prepared in accordance with IFRS as issued by the IASB. The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies. The areas that require a high level of judgment or areas of judgment and estimation that are significant to GFH are disclosed in the notes accompanying its annual financial statements.

Under IFRS, the Transactions contemplated by the Acquisition Agreement will be accounted for as a business combination using the acquisition method in accordance with IFRS 3, Business Combinations, which requires that one of the companies in the Transactions be designated as the acquirer for accounting purposes, based on the evidence available. While GFH is the legal acquirer, ParagonEx is the accounting acquirer. ParagonEx has been deemed the accounting acquirer because its shareholders will have the majority shareholding between them after the transactions, and ParagonEx was the largest trading entity between the three parties. In GFH's consolidated financial statements, the assets and liabilities of BI China will initially be recorded at fair value and the excess of the consideration paid to the BI China shareholders over the net fair value of its assets and liabilities will be recorded as goodwill. The historical results of operations of ParagonEx will be presented as the results of operations of GFH following the closing date of the Transactions.

QUESTIONS AND ANSWERS FOR ALL MICT STOCKHOLDERS

***Q. Why am I receiving this proxy statement/prospectus?***

You are receiving this proxy statement/prospectus in connection with the Special Meeting of MICT Stockholders. MICT is holding the Special Meeting of its stockholders to consider and vote upon the following three proposals.

**A. Your vote is important. You are encouraged to vote as soon as possible after carefully reviewing this proxy statement/prospectus.**

MICT's Stockholders are being asked to consider and vote upon the Proposals, including the Business Combination Proposal which entails the Business Combination pursuant to the Acquisition Agreement by and among MICT, BI China, BNN, BNN, ParagonEX and certain other parties thereto, and certain other the transactions contemplated by the Acquisition Agreement, including the acquisition of BI China and ParagonEx by GFH and the merger of MICT into Merger Sub, with MICT continuing as a surviving entity. Pursuant to the Acquisition Agreement, BI China and ParagonEx will become wholly-owned subsidiaries of GFH as described in more detail in this proxy statement/prospectus. We refer to this proposal as the "**Business Combination Proposal**." A copy of the Acquisition Agreement and certain other agreements to be entered into pursuant to the Acquisition Agreement are attached to this proxy statement/prospectus as Annex B and MICT encourages its stockholders to read it in its entirety. See the section entitled "*Proposal 1: The Business Combination Proposal*" and "*Summary of the Material Terms of the Proposals — The Business Combination Proposal*."

MICT's Stockholders are also being asked to approve the Golden Parachute Proposal which, on an advisory basis, provides for that certain "golden parachute" compensation to David Lucatz, Chief Executive Officer of MICT, in connection with the Business Combination. See the section entitled "*Proposal 2: The Golden Parachute Proposal*" and "*Summary of the Material Terms of the Proposals — The Golden Parachute Proposal*."

MICT's Stockholders are also being requested to consider and vote upon the Adjournment Proposal, which is a proposal to adjourn the Special Meeting to a later date or dates, if necessary, to permit further solicitation and vote of proxies if it is determined by MICT that more time is necessary or appropriate to consummate the Business Combination. See the section entitled "*Proposal 3: The Adjournment Proposal*" and "*Summary of the Material Terms of the Proposals — The Adjournment Proposal*."

***Q. What constitutes a quorum?***

**A.** The presence, in person or by proxy, of MICT Stockholders representing a majority of the total votes of the MICT Common Stock issued and outstanding on the Record Date and entitled to vote on the resolutions to be considered



at the Special Meeting will constitute a quorum for the Special Meeting.

***Q. What vote is required to approve each proposal at the Special Meeting?***

The affirmative vote of the holders of a majority of the voting power of the shares of MICT Common Stock entitled to vote on the Business Combination Proposal is required. The affirmative vote of a majority of the voting power of the votes cast at the Special Meeting is required for the Golden Parachute Proposal and the Adjournment Proposal.

A. In connection with execution of the Acquisition Agreement, DL Capital, representing an aggregate of 1,234,000 shares of MICT Common Stock has entered into a voting and support agreement to vote in favor of the Business Combination Proposal. In addition, BNN intends to vote its shares of MICT in favor of the Business Combination. As of the Record Date, there were \_\_\_\_\_ shares of MICT Common Stock outstanding.

**Q. Why is MICT proposing the Business Combination?**

The MICT Board believes that the combination of MICT, ParagonEx and BI China will create a company with a strong business-to business (“**B2B**”) technology platform and operational know how that will enable GFH to present a leading global multifaceted platform for trading in digital assets.

**Q. How will GFH pay for the acquisitions of MICT, BI China and ParagonEx?**

As described above, GFH will pay for the acquisitions of MICT, BI China and ParagonEx with the proceeds received from the private placement offering conducted by GFH in the aggregate amount of approximately \$23,500,000 of GFH Ordinary Shares. Such private placement is conditioned upon receipt of approval of the stockholders of MICT of the Transactions and satisfaction or waiver of the conditions to Closing set forth in Article XII of the Acquisition Agreement.

**Q. What equity stake will current MICT Stockholders hold in GFH immediately after the consummation of the Business Combination?**

Immediately following the consummation of the Business Combination, the current equityholders of MICT, including BNN, are expected to own approximately % of the outstanding GFH Ordinary Shares.

**Q. What conditions must be satisfied to complete the Business Combination?**

The Business Combination is subject to a number of conditions under the Acquisition Agreement, including, among others, (i) the approval by MICT Stockholders of the Business Combination Proposal included in this proxy statement/prospectus; and (ii) the declaration of effectiveness by the SEC of this proxy statement/prospectus.

**Q. When do you expect the Business Combination to be completed?**

It is currently expected that the Business Combination will be consummated on or before May 15, 2019. This date depends, among other things, on the approval of the Business Combination Proposal to be put to MICT Stockholders at the Special Meeting. However, such meeting could be adjourned if the Adjournment Proposal is adopted by our stockholders at the Special Meeting and MICT elects to adjourn the Special Meeting to a later date or dates to permit further solicitation and vote of proxies if, based upon the tabulated vote at the time of the Special Meeting, each of the condition precedent proposals have not been approved.

**Q. When and where will the Special Meeting be held?**

The Special Meeting will be held at \_\_\_\_ a.m. Eastern Time on \_\_\_\_\_, 2019 at the offices of Ellenoff Grossman & Schole LLP, at 1345 Avenue of the Americas, 11<sup>th</sup> Floor, New York, New York 10105. Only  
A. stockholders who held MICT common stock at the close of business on \_\_\_\_\_, 2019 will be entitled to vote at the Special Meeting and at any adjournments and postponements thereof.

***Q. Who is entitled to vote at the Special Meeting?***

MICT has fixed \_\_\_\_\_ as the record date. If you were a stockholder of MICT at the close of business on the record  
A. date, you are entitled to vote on matters that come before the Special Meeting. However, a stockholder may only vote his, her or its shares if he, she or it is present in person or is represented by proxy at the Special Meeting.

***Q. How do I vote?***

A: If you are a record owner of your shares, there are two ways to vote your MICT Shares at the Special Meeting:

You Can Vote By Signing and Returning the Enclosed Proxy Card. If you vote by proxy card, your “proxy,” whose name is listed on the proxy card, will vote your shares as you instruct on the proxy card. If you sign and return the proxy card but do not give instructions on how to vote your shares, your shares will be voted as recommended by MICT’s Board “FOR” each of the Proposals. Votes received after a matter has been voted upon at the Special Meeting will not be counted.

You Can Attend the Special Meeting and Vote in Person. When you arrive, you will receive a ballot that you may use to cast your vote.

If your shares are held in “street name” or are in a margin or similar account, you should contact your broker to ensure that votes related to the shares you beneficially own are properly counted. If you wish to attend the meeting and vote in person and your shares are held in “street name,” you must obtain a legal proxy from your broker, bank or nominee. That is the only way MICT can be sure that the broker, bank or nominee has not already voted your shares.

***Q: What if I do not vote my MICT Shares or if I abstain from voting?***

As a condition to the completion of the Business Combination, the affirmative vote of the holders of a majority of the voting power of the shares of MICT Common Stock entitled to vote on the Business Combination Proposal is required. The affirmative vote of a majority of the voting power of the votes cast at the Special Meeting is required for the Golden Parachute Proposal and the Adjournment Proposal. With respect to the Golden Parachute Proposal and the Adjournment Proposal, abstentions will not be counted as votes properly cast for purposes of the Proposals. A: As a result, if you abstain from voting on the Proposals, your MICT Shares will be counted as present for purposes of establishing a quorum (if so present in accordance with the terms of the articles of incorporation), but the abstention will have no effect on the outcome of Golden Parachute Proposal and Adjournment Proposal. Similarly, broker non-votes will have no effect on the outcome of the Golden Parachute Proposal and Adjournment Proposal. Abstentions and broker non-votes will, however, have the same effect as voting against the Business Combination Proposal.

***Q: What proposals must be passed in order for the Business Combination to be completed?***

A: The Business Combination will not be completed unless the Business Combination Proposal is approved.

***Q: What is “golden parachute” compensation and why I am being asked to vote on it?***

A: The SEC has adopted rules that require MICT to seek an advisory (non-binding) vote on “golden parachute” compensation. “Golden parachute” compensation is compensation that is tied to or based on the Business Combination and that will or may be paid by MICT to its Chief Executive Officer in connection with the Business Combination.

***Q: How does the Board recommend that I vote on the Proposals?***

A: The Board unanimously recommends that you vote as follows:

“**FOR**” approval of the Business Combination Proposal;

“**FOR**” approval of the Golden Parachute Proposal; and

“**FOR**” approval of the Adjournment Proposal.

***Q: How many votes do I have?***

A: MICT Stockholders have one vote per each share of MICT Common Stock held by them on the Record Date on each proposal to be voted upon.

***Q: Will I have the same rights as a shareholder of GFH as I did in MICT?***

A. At the effective time of the Business Combination, you will become a shareholder of GFH, and as such, your rights under MICT's Delaware Certificate of Incorporation and Bylaws will be replaced by your rights under the BVI Memorandum and Articles of Association of GFH at which time your rights will cease to be governed by Delaware law and will be governed by BVI law.

***Q. What happens if the Business Combination is not consummated?***

A. Under the terms of the Acquisition Agreement, if the Business Combination is not consummated by May 15, 2019, each of MICT, BI China or ParagonEx may terminate the Acquisition Agreement. The Acquisition Agreement contains certain termination rights and fees for each of the MICT, BNN, BI China and ParagonEx, and further provides that, upon termination of the Acquisition Agreement under specified circumstances, MICT may be required to pay to BNN and ParagonEx a termination fee of \$900,000, and BNN and ParagonEx may be required to pay to MICT a base termination fee of \$1.8 million, which shall increase to \$3.0 million under certain specified circumstances. If the Acquisition Agreement is terminated, none of the Proposals will be implemented and you will continue to be a stockholder of MICT.

***Q. Do I have appraisal rights in connection with the Business Combination?***

A. In accordance with Section 262 of the Delaware General Corporation Law, MICT Stockholders do not have appraisal rights in connection with the Business Combination.

***Q. What are the U.S. federal income tax consequences of the Business Combination to me?***

A. It is intended that the Business Combination will qualify as a transaction described in Section 351 of the Code. Assuming this is the case, MICT Stockholders generally will not recognize gain or loss on the exchange of MICT shares for GFH Ordinary Shares and their tax basis in and holding periods for their MICT shares will generally carry over to GFH's Ordinary Shares. For a more complete discussion of the U.S. federal income tax consequences of the Business Combination, see the section entitled "*Proposal 1: The Business Combination Proposal — Material United States Federal Income Tax Considerations.*"

***Q. What do I need to do now?***

A. MICT urges you to read carefully and consider the information contained in this proxy statement/prospectus, including the annexes and to consider how the Business Combination will affect you as a stockholder of MICT. Stockholders should then vote as soon as possible in accordance with the instructions provided in this proxy

statement/prospectus and on the enclosed proxy card.

*Q. What happens if I sell my MICT shares before the Special Meeting?*

The Record Date for the Special Meeting is earlier than the date of the Special Meeting and earlier than the date that the Business Combination is expected to be completed. If you transfer your MICT shares after the applicable Record Date, but before the Special Meeting, unless you grant a proxy to the transferee, you will retain your right to vote at such Special Meeting.

*Q. May I change my vote after I have mailed my signed proxy card?*

A. Yes. Stockholders may send a later-dated, signed proxy card to MICT's secretary at the address set forth below so that it is received by MICT's secretary prior to the vote at the Special Meeting or attend the Special Meeting in person or by proxy and vote. Stockholders also may revoke their proxy by sending a notice of revocation to MICT's secretary, which must be received by MICT's secretary prior to the vote at the Special Meeting.

*Q. What happens if I fail to take any action with respect to the Special Meeting?*

A. Failure to take any action will be treated as a vote against the Business Combination. If you fail to take any action with respect to the Special Meeting and the Business Combination is approved by stockholders and the Business Combination is consummated, you will become a stockholder of GFH. If you fail to take any action with respect to the Special Meeting and the Business Combination is not approved, you will remain a stockholder of MICT.

*Q. What should I do if I receive more than one set of voting materials?*

A. MICT Stockholders may receive more than one set of voting materials, including multiple copies of this proxy statement/prospectus and multiple proxy cards or voting instruction cards. If you are a holder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive in order to cast a vote with respect to all of your MICT shares.

*Q. Who can help answer my questions?*

A. If you have any questions about how to vote or direct a vote in respect of your MICT shares, you may contact:

Morrow Sodali LLP

470 West Avenue

Stamford, CT 06902

Tel: (800) 662-5200 or banks and brokers can call (203) 658-9400

Email: [MICT.info@morrowsodali.com](mailto:MICT.info@morrowsodali.com)



## OVERVIEW OF MICT'S BUSINESS

MICT, Inc. (formerly named Micronet Enertec Technologies, Inc.), is a U.S.-based Delaware corporation, formed on January 31, 2002. On March 14, 2013, it changed its name from Lapis Technologies, Inc. to Micronet Enertec Technologies, Inc. and on July 13, 2018, it changed its name from Micronet Enertec Technologies, Inc. to MICT, Inc.

MICT currently operates through its Israel-based partially owned subsidiary company, Micronet Ltd. (“**Micronet**”), in which it owns a controlling interest as of the date hereof. Micronet is a publicly traded company on the Tel Aviv Stock Exchange and operates in the growing commercial Mobile Resource Management (“**MRM**”) market.

Micronet through both its Israeli and U.S. operational offices designs, develops, manufactures and sells rugged mobile computing devices that provide fleet operators and field workforces with computing solutions in challenging work environments. Micronet's vehicle portable tablets increase workforce productivity and enhance corporate efficiency by offering computing power and communication capabilities that provide fleet operators with visibility into vehicle location, fuel usage, speed and mileage. Micronet's customers consist primarily of application service providers and solution providers specializing in the MRM market.

***Pursuant to the Acquisition Agreement, subject to and upon closing of the Business Combination, it is contemplated that MICT shall spin-off its holdings in Micronet to MICT's Stockholders who retain shares of MICT after the Offer.***

On December 31, 2017, MICT, Enertec Systems 2001 Ltd. (“**Enertec**”), previously MICT's wholly-owned subsidiary, and MICT Management Ltd. (then, Enertec Management Ltd.), entered into a Share Purchase Agreement (the “**Share Purchase Agreement**”), with Coolisys Technologies Inc. (“**Coolisys**”), a subsidiary of DPW Holdings, Inc. (“**DPW**”), pursuant to which MICT sold the entire share capital of Enertec to Coolisys.

On May 22, 2018, MICT closed on the sale of all of the outstanding equity of Enertec pursuant to the Share Purchase Agreement. As consideration for the sale of Enertec's entire share capital, Coolisys paid, at the Closing, a purchase price of \$4,772,521 following certain adjustments made in accordance with the provisions of the Share Purchase Agreement, and assumed \$4,288,439 of Enertec debt. In addition, an amount equal to 10% of such cash consideration remain under the Share Purchase Agreement in escrow for a period of up to 14 months after the Closing to satisfy certain potential indemnification claims such as claims related to breach of representations and warranties by MICT, as customary in such transactions. MICT believes the sale represents a strategic shift in its business. Accordingly, its results of operations in the statement of operations and prior periods' results have been reclassified as a discontinued operation. MICT's capital gain from the sale of Enertec, based on MICT's balance sheet at the closing date of the

Enertec sale, was approximately \$6,800.

## OVERVIEW OF BI CHINA'S BUSINESS

*All references to "BI China" or the "Group" mean Brookfield Interactive (Hong Kong) Limited, a company organized under the laws of Hong Kong, and its subsidiaries and contractually controlled entities. BI China was formed on June 25, 2018 in connection with the Business Combination in order to acquire assets related to the lottery, gaming and sports business in China from BNN Technology PLC. References to the business of BI China in this proxy statement/prospectus refer to the business of the assets acquired by BI China. All references to "Chinese renminbi", "Yuan" or "RMB" are to the currency of the People's Republic of China ("PRC" or "China").*

### Overview

BI China is a Chinese group and a leader in China's rapidly evolving \$65+ billion lottery market. Parts of the Group have been involved in and operating businesses in the Chinese lottery market for over 15 years and have developed deep relationships with some of China's leading lottery centers, government agencies and portals.

The Group was positioned to achieve a leading role in China's lottery market because of the versatile, robust and scalable B2B technology platforms and content it developed for the Chinese lottery, gaming and sports industries.

Since 2012, the Group has developed highly scalable B2B technology platforms for the lottery industry in China capable of processing millions of transactions a day. The Group's B2B technology platforms were initially focused on the lottery market but have since expanded into new verticals (for more information see "*Description of the Business of BI China — BI China-B2B Platforms*"). Among such platforms, the Group has built and launched a B2C tele-draw lottery platform for the Shanghai and Guangxi Welfare lottery centers that allows mobile users to play digital games online through their mobile devices, call-center operator and SMS. The Group has also launched a B2B platform in Beijing that interfaces and processes transactions between lottery centers and the main Chinese portals such as Taobao (approximately 500 million active users and is owned by Alibaba), Tencent (approximately 1 billion active users), JD.com (approximately 300 million active users) and Netease (approximately 23 million active users). The Group also currently has a strategic joint venture with the Heilongjiang Sports Bureau, which is responsible for all sports lottery activities in Heilongjiang province of China. The Group believes this to be the only joint venture of its kind in China.

In addition to the Group's B2B technology platform and content creation, the Group was a pioneer in the development of an earlier generation of Chinese self-service video lottery terminals ("**Self-Service Terminals**") in 2011/2012, which it subsequently rolled out. Self-Service Terminals are a key component to the increase in Chinese lottery sales because they represent a solution to a problem that currently exists within the lottery industry in China: lottery players must claim their prizes in person at a lottery center. Currently, the Chinese lottery is under played by the middle classes

because they live and work in areas where lottery centers previously did not exist. Looking to address the middle classes and remedy the collection of lottery winnings from a physical lottery center, the Group has begun to introduce Self-Service Terminals in conveniently located locations such as shopping malls, fast food restaurants and retail stores near to areas where the middle classes live, work and frequent. Additionally the new generation of Self-Service Terminals are contemplated to be rolled out are expected to offer a much more seamless experience to lottery players than the prior generation, since all electronic methods of payments are accepted. A lottery player can place a bet on his/her mobile device and settle the payment by e-wallet, Ali-pay or We-chat. The player can then validate and cash any prize he/she receives through the terminal instead of through a lottery center. We believe this solution addresses a main barrier to increase lottery ticket sales in China: the need to validate and cash out prizes in person at lottery centers. The new generation of Self-Service Terminals can also be produced at a fraction of the cost of production of the earlier generation of terminals. With better functionality and lower cost of production, BI China believes the new generation of Self-Service Terminals will be one of the main drivers of growth for the lottery industry in the years to come.

The Group provides a one stop B2B technology solution for many of its lottery center clients, responsible for the operation of the lottery center websites, development and provision of cutting edge content, marketing and promotional activities as well as providing Self-Service Terminals. The Group's strategy is to become the premiere lottery solution provider in China, capable of offering a full range of products and solutions to its clients all aimed at increasing sales, driving user play, and enhancing the ability for lottery centers to target new revenue opportunities while operating in a highly evolving regulated legal environment.

The current pillars of the Group's strategy are to increase sales of lottery tickets and games by (i) the development of new lottery games and virtual games, particularly virtual sports high frequency lottery games and (ii) rolling out and promoting the use of Self-Service Terminals. High frequency games are played every few minutes and have a high percentage payout that is highly attractive to the lottery player. Self-Service Terminals are a key component to the increase in lottery sales because they will enable lottery players to claim their prizes at these terminals rather than in person at a lottery store/center.

The Group believes the new generation of Self-Service Terminals will become "AI lottery stores/centers" without operators and will eventually replace the old and high cost retail lottery stores/centers. Acting as a provider of the technology for this transformation, BI China believes it is well positioned to become a leader in this industry.

To achieve its strategy of developing new cutting edge content and games, the Group partnered with Kiron Interactive, a software company based in Johannesburg, South Africa, and the developer of "BetMan Online" to develop a new suite of virtual games. See "*Description of the Business of BI China — Content Development — Kiron Interactive Partnership*" for more information. BI China intends to become a major player in the provision of new games for the lottery industry in China.

The Group will continue to leverage its deep relationships with several lottery centers to implement its new strategy. The Group has provincial licenses with the following key provincial lottery centers in China:

- Welfare lottery centers located in Beijing, Shanghai, Guangxi, Tianjin, Zhejiang, Shandong, Chongqing and Jiangxi.

- Sports lottery centers are located in Heilongjiang, Zhejiang, Shandong, Gansu and Beijing.

While the lottery market is an anchor activity of the Group, the Group has identified additional business opportunities within China and in South East Asia that can utilize its versatile, robust and scalable B2B technology platform, including the following:

- futures/commodities trading, financial “Play for Fun” games and new virtual multi-platform mobile lottery games;

utilize the Group’s trading platforms to enter other South East Asian markets via customers that will license the platform to address their own customer needs;

development of new sports initiatives aimed at supporting all sales channels as well as contributing meaningfully to the Group’s earnings; and

- sports high frequency games.

BI China believes that regulatory changes expected to take place in the Chinese lottery, gaming and sports industry will create business opportunities to monetize in the future. The Group considers itself to be well positioned to take advantage of these opportunities by leveraging its robust B2B technology platforms in combination with its deep relationships within the Chinese market.

As of the date of this proxy statement/prospectus, BI China is a wholly-owned subsidiary of BNN and its operating activities are undertaken by its direct and indirect subsidiaries and affiliates. Prior to completion of the Business Combination, it is proposed that BI China will undertake a series of internal steps to (a) issue shares to key members of its management team pursuant to existing commitments in recognition of their past services and to incentivize their future performance, (b) issue shares to new investors in BI China who have agreed to subscribe for equity in BI China to help fund future growth opportunities for the combined business following completion of the Business Combination as identified by BI China management and (c) issue shares to key joint venture partners in PRC which have been identified by BI China management as adding future value to the combined business. As a result of these steps, BNN will hold 51.7% of BI China’s share capital as at completion, BI China management will hold 10.36%, external investors 34.44% and joint venture partners 3.5%. This reorganization will have no impact on the operational assets of BI China which will continue to be held by BI China.

## OVERVIEW OF PARAGONEX'S BUSINESS

### Overview

ParagonEx Ltd. (“**ParagonEx**”) is a developer and global provider of software solutions and related services for online trading in contracts-for-difference (“**CFDs**”). A CFD is a contract between a buyer and a seller, stipulating that the seller will pay to the buyer the difference between the current value of an asset and its value at contract time (or, if the difference is negative, that the buyer pay instead to the seller). In effect, CFDs are derivatives that allow traders to enter leveraged positions, both long and short, on practically all underlying financial instruments available in the global markets, such as shares, indices, commodities and currency pairs, without having to directly deal with the underlying assets themselves. CFDs most resemble futures and options, though with the advantage of (a) having no expiry date, so no time decay, (b) having small minimum contract sizes, allowing for a low entry threshold, (c) being traded on margin, thereby magnifying potential returns (as well as risks) through significant leveraging ratios, and (d) enabling the easy configuration of new instruments which are not restricted to exchange definitions or jurisdictional boundaries, thereby offering a very wide variety of underlying instruments for trading. Currently, trading in CFDs comprises a large portion of the total worldwide financial trading activity.

ParagonEx has invested around \$50 million since inception in research and development (“**R&D**”) to build a proprietary, technologically-advanced and easily-configurable platform and user-interface that enables trading in CFDs over more than 500 different underlying global financial instruments comprising stocks, indices, commodities, cryptocurrencies, exchange-traded funds and foreign exchange (“**Forex**”) pairs. ParagonEx refers to this platform and user-interface as ParagonEx Platform as a Service (“**PaaS**”) offering. The PaaS offering allows trading in a seamless fashion and is specifically tailored for the layman trader and accessible through multiple channels, applications and operating systems. ParagonEx’s PaaS offering is designed to service businesses in the online trading industry, particularly operators of consumer-facing CFD and Forex trading offerings, which it refers to as business-to-business (or “**B2B**”) customers. Although ParagonEx’s PaaS offering is geared to the CFD market, its architecture is in fact product agnostic and can be scaled into other verticals and sectors of digital products in a seamless manner.

The trading platform is supplemented by a full suite of front-end and back-office services and tools which equip ParagonEx’s B2B customers with capabilities across the entire trading value chain, providing them with a turn-key solution complete with liquidity and risk management, compliance and fraud prevention, marketing, End User acquisition, conversion and retention, technical support, payment processing, live-news feed and various other components. As such, ParagonEx is a B2B company, and its B2B customers, in turn, use its platform to provide an online trading channel to their retail clients, which ParagonEx refers to as “End Users.” ParagonEx receives trades transmitted by its B2B customers for execution on its platform and provides the liquidity necessary to execute the trades.

Paragonex generates most of its revenues by sharing in the net revenue that its B2B customers generate from their End Users' use of the PaaS offering, which net revenue is derived from fees or commissions which the B2B customers charge their End Users and which are calculated on the basis of their trading volume. On average, ParagonEx retains approximately 23% of the net trading fees charged to the End Users on all transactions executed on its platform, after deducting rebates owed to the B2B customer that generated the transactions. These 23% of the net trading fees charged by the B2B customers to their End Users for the PaaS offering account for about 40% of ParagonEx's total revenues, while the vast majority of the remaining 60% of ParagonEx's revenues are derived from support services provided to its B2B customers, that include a comprehensive suite of marketing, sales and other support services that are aimed to help its B2B customers attract new End Users, enhance End User experience and increase their life time value to the B2B customers. ParagonEx had revenues of \$62.1 million and \$31.9 million for the year ended December 31, 2017 and the six-month period ended June 30, 2018, respectively.



ParagonEx services B2B customers in four countries, and End Users in more than 144 countries access its trading platform. In terms of revenue generation, the Middle East and Europe (particularly Eastern Europe) are the main geographical locations of the End Users of ParagonEx's B2B customers, followed by Asia. ParagonEx does not currently conduct any business in the U.S. nor does it expect to enter the U.S. market.

ParagonEx conducts business from its offices in the Isle of Man and has subsidiaries located in the UK, Poland, Israel (Tel Aviv and Haifa), Belize, China and Ukraine.

ParagonEx's substantial investment in the development of its PaaS offering has led to the constant enhancement of the platform's efficiency, functionality, reliability and security. This enables ParagonEx to provide its B2B customers with improved End User acquisition capabilities as well as market and credit risk management associated with the trading activities of the End Users, while providing the End Users with advanced price discovery, trade execution and order management functions, among other things. Today, the End Users of ParagonEx's PaaS offering can trade through web-based and mobile trading platforms and have access to innovative trading tools to assist them with research, analysis and automated trading. ParagonEx further offers its B2B customers with compliance services relating to such customers' End Users, as required by the terms of the regulatory licenses under which such customers operate.

Through the PaaS offering, End Users trade CFDs and Forex pairs in which ParagonEx, through its beneficially-owned subsidiary PX Exchange, acts as the liquidity provider. These financial instruments are designed such that each party will pay to the other the difference between the value of an underlying asset upon settlement of the relevant contract or position at a specified time. In order to limit its exposure as a counterparty to the CFDs and Forex pairs offered by its B2B customers to their End Users, ParagonEx, through PX Exchange, centrally manages and internally offsets End User trades with each other. PX Exchange may then hedge the net balance of the trades by entering into back-to-back opposite transactions as principal in the wholesale market, if and to the extent that PX Exchange finds such discretionary hedging to be prudent based on its risk assessment in each case. PX Exchange acts as a market maker in connection with the transactions and positions entered into by the End Users and holds an appropriate license issued by the Belize International Financial Services Commission. For more information on the PX Exchange, see below under the section titled "*Description of the Business of ParagonEx — Corporate Information*".

As a global provider of online trading services, ParagonEx's results of operations are impacted by a number of external factors, including market volatility, competition, the regulatory environment in the various jurisdictions and markets in which its B2B customers operate and in which they offer their services, the financial condition of the B2B customers to whom it provides services, the financial condition of the End Users served by such B2B customers and the regulatory landscape applicable to them, and the availability of third party services necessary for the B2B customers to offer their services, such as payment processing. Furthermore, these factors are not the only factors that impact ParagonEx's results of operations, and additional factors may have a significant impact on its results of operations in future periods. Please refer to the section titled "*Risk Factors Related to ParagonEx*" for a discussion of other factors that may impact its business. Please refer to the section titled "*Description of the Business of ParagonEx*" for a complete description of the business of ParagonEx.



## OVERVIEW OF GFH'S BUSINESS

Global Fintech Holdings Ltd. (“**GFH**” or the “**Registrant**”), a company formed under the laws of the British Virgin Islands, will be the parent company of MICT, ParagonEx and BI China businesses.

### Overview

We believe the combination of MICT, ParagonEx and BI China will create a company with a strong B2B technology platform and operational know how that will enable GFH to present a leading global multifaceted platform for trading in digital assets. ParagonEx’s and BI China’s assets and technology are anticipated to be complimentary and it is intended that they will enable GFH to monetize BI China’s opportunities within China as well as expedite the growth plan of ParagonEx. GFH believes it will be able to readily integrate ParagonEx’s and BI China’s technology platforms. It is intended that the combination of these entities will allow GFH to capitalize on ParagonEx’s technology, and BI China’s market relationships and technology via a public market platform with access to the capital markets to become a leading technology provider for the online lottery, sports content and other gaming verticals with a unique position in the Chinese market. The strengths and competencies of GFH are expected to include:

- a premier digital assets trading platform, also known as a PaaS offering, that is product-agnostic and can be scaled into many different verticals;

- access to the Chinese market through BI China to monetize the lottery, sports, gaming and other markets using GFH’s technology solutions;

- access to capital through its Nasdaq listing; and

- the potential to capitalize on its access to the financial markets and take advantage of industry consolidation driven by regulatory changes by acquiring smaller companies with proven and sustainable free cash flow at attractive and accretive acquisition multiples.

By leveraging these characteristics, it is intended GFH will be able to monetize its technology and market relationships by combining ParagonEx’s PaaS offering with the comprehensive knowledge and connections in the Chinese market that have been developed by BI China. BI China’s credibility, developed over 15 years of operation with major provinces and government agencies, are expected to assist GFH in addressing the Chinese markets for its PaaS offering. GFH sees future growth being delivered by the combination and penetration of existing products and platforms into new and emerging markets while capitalizing on acquisition opportunities in a consolidating market.

Please refer to “*Risk Factors related to the Business Combination and the Combined Business*” for a discussion of other factors that may impact its business. Please refer to “*Description of the Business of GFH*” for a complete description of the business of GFH.

## SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF MICT

The following selected historical consolidated financial and other data should be read together with MICT's consolidated financial statements and accompanying notes and the section entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of MICT*" herein. MICT's financial statements, and the data derived therefrom, included in this proxy statement/prospectus were prepared in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP") and presented in U.S. dollars. MICT's U.S. GAAP historical financial statements and information are not comparable to ParagonEx's and BNN's IFRS historical financial statements and information or the pro forma financial information included in this proxy statement/prospectus.

The consolidated statements of operations data for the years ended December 31, 2017 and 2016 and the consolidated balance sheet data as of December 31, 2017 and 2016 are derived from MICT's audited consolidated financial statements appearing elsewhere herein. The consolidated statements of operations data for the nine months ended September 30, 2018 and 2017 and the consolidated balance sheet data as of September 30, 2018 are derived from MICT's unaudited interim consolidated financial statements appearing elsewhere herein. Balance sheet data for the period ended September 30, 2017 has been derived from management accounting information. MICT's unaudited interim consolidated financial statements were prepared on a basis consistent with its audited consolidated financial statements and include, in management's opinion, all adjustments, consisting only of normal recurring adjustments, that MICT considers necessary for a fair presentation of the financial information set forth in those statements included elsewhere in this proxy statement/prospectus. MICT's historical results are not necessarily indicative of the results that may be expected in any future period, and interim financial results are not necessarily indicative of the results that may be expected for the full year.

Balance Sheet Data (in thousands)	As of December 31,	
	2017	2016
Total assets	\$ 29,732	\$ 31,916
Total liabilities	\$ 23,758	\$ 20,958
Net assets	\$ 5,974	\$ 10,958
Share capital <sup>(a)</sup>	\$ 10,889	\$ 8,754
Number of ordinary shares	8,646	6,385

  

Balance Sheet Data (in thousands)	As of September 30,	
	2018	2017
	(Unaudited)	(Unaudited)
Total assets	\$ 14,723	\$ 32,935
Total liabilities	\$ 9,813	\$ 23,610
Net assets	\$ 4,910	\$ 9,325
Share capital <sup>(a)</sup>	\$ 11,875	\$ 10,135
Number of ordinary shares	9,342	7,706

(a) Comprised of common stock and additional paid – in capital

Statement of Operations Data (in thousands)	For the twelve months ended December 31,	
	2017	2016
Revenue	\$ 18,366	\$ 13,284
Net loss from continuing operations	\$ (5,060 )	\$ (6,262 )
Basic and diluted loss per common share from continuing operations	\$ (0.70 )	\$ (0.76 )

  

Statement of Operations Data (in thousands)	For the nine months ended September 30,	
	2018 (Unaudited)	2017 (Unaudited)
Revenue	\$ 12,897	\$ 11,937
Net loss from continuing operations	\$ (6,610 )	\$ (4,104 )
Basic and diluted loss per common share from continuing operations	\$ (0.54 )	\$ (0.37 )

## SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF BNN

The following selected historical consolidated financial in thousands pounds sterling and other data should be read together with BNN's consolidated financial statements and accompanying notes and the section entitled "*Operating and Financial Review and Prospects of BNN*" appearing elsewhere herein. BNN's consolidated financial statements, and the data derived therefrom, included in this proxy statement/prospectus were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). BNN's IFRS historical financial statements and information are not comparable to MICT's U.S. GAAP historical financial statements and information included in this proxy statement/prospectus. Furthermore, because BNN's consolidated financial statements and information are in pounds sterling and not in U.S. dollar, they are not directly comparable to the other financial statements and information included in this proxy statement/prospectus.

Although no longer in the development stage, the Company continues to be subject to risks and challenges similar to other companies in a comparable stage of development. These risks include, but are not limited to, dependence on key individuals, successful development, marketing and branding of services, the ability to obtain adequate financing to support growth, and competition from larger companies with greater financial, technical, management and marketing resources.

The Group has incurred substantial and negative cash flows from operations in every fiscal period since inception. For the year ended December 31, 2017, the Group incurred a loss for the year of £31.9 million (2016: £22.0 million) and negative cash flows from operations of £23.5 million (2016: £16.8 million). As of December 31, 2017, the Group had an accumulated deficit of £79.6 million (2016: £48.7 million).

During 2018, the management team presented short-term and medium-term plans which included the reduction in the previous heavy cost of technology investment; a refocus of the business on its significant core strengths; and, and a strategy to grow revenue streams more quickly at higher margins and on a lower cost base.

The new short-term strategy to increase shareholder value and significantly improve the return on capital employed focused on the following key areas:

- Concentrating on the Group's core lottery business; particularly in relation to developing revenue opportunities based on the Group's leading-edge technology and content provision in the sector, the key benefits of which are beginning to crystallize in the second half of 2018.



Headcount has been reduced in the Chinese operation from 400 to 120 in 2018, and the benefits of this and other cost reduction measures are becoming evident in the second half of 2018 and will fully crystallize by Q4 2018.

As well as reducing the cost base of operations in China, the Board has also terminated the Company's funding of non-core activities and entities in China. The level of operating cash flows from discontinued operations were £4,221 thousand in 2017 and £7,258 thousand in 2016.

Identify acquisition targets that could meet the Group's current and anticipated data technology requirements and therefore accelerate its growth and expansion, on December 18, 2018 the Group entered into a conditional agreement to enter into a business combination with MICT Inc. and ParagonEx Limited, which upon completion management believes will substantially improve the financial health of the business.

As part of the transaction the board have had discussions with the holders of the £6.0 million convertible notes who have agreed to defer the repayment of the notes to January 14, 2021. It is a condition of such deferral that on completion of the corporate transaction, the Group will novate the convertible notes to the acquiring company.

On October 23, 2018, BNN Technology plc. repaid the Everbright bank loan plus interest of £7.6 million. As a result, restricted cash balance of £7.6 million which was held as a security by Everbright bank in Hong Kong has been released.

The Board has significantly reduced the UK cost base in the second half of financial year 2018 by reducing head-count and controlling the cost base. This includes exiting leases for serviced offices where possible. No cancellation fees were payable and no dilapidation costs were incurred.

Management believes that significant progress has been made during 2018 and 2019 given the savings made after the year end through the initiatives detailed above. The Company, however, continues to face significant risks associated with successful execution of its strategy. These risks include, but are not limited to technology and development, Chinese lottery regulations and market acceptance of new services, changes in the marketplace, liquidity, competition from existing and new competitors which may enter the marketplace and retention of key personnel.

The Company may need additional funds for promoting new services and working capital required to support increased sales.

There can be no assurance, however, that such financing would be available when needed, if at all, or on favorable terms and conditions. If results of operations for 2018 and 2019 do not meet management's expectations, or additional capital is not available, or management are unable to close the proposed transaction successfully, then management believes it has the ability to continue to reduce certain expenditures.

The precise amount and timing of the funding needs cannot be determined accurately at this time, and will depend on a number of factors, including the market demand for the Company's services, the quality of development efforts, management of working capital, and continuation of normal payment terms and conditions for purchase of services. The Company is uncertain whether its cash balances and cash flow from operations will be sufficient to fund its operations for the next twelve months from the date of approval of these financial statements. If the Company is unable to substantially increase revenues, reduce expenditures, or otherwise generate cash flows for operations, then the Company will need to raise additional funding to continue as a going concern.

The Board of Directors have concluded that the Company should restate its historical financial statements in respect of the fiscal year 2016 (collectively, the "Restatement Period"). The directors have assessed the accounting policies as well as the presentation and accounting for certain transactions in the financial statements and has concluded that it was necessary to restate previously issued financial statements for the correction of errors and certain other reclassifications in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, as well as relating to discontinued operations that occurred in 2017 and 2018.

The 2016 financial statements, including opening balances, are therefore being restated for the correction of the following errors:

Hangzhou consolidation

Payroll Taxes provision

Xinhua accrual

Director Bonus

Input sales tax provision

Settlement of Contingent Consideration

In addition, the Company during 2017 evaluated the Xinhau News Mobile App and related business channels and concluded that the business line no longer coincided with the strategic direction of the Company, and terminated all contracts with Xinhau, which has been deemed by management to be a discontinued operation. Such comparative amounts for financial year 2016 have therefore also been reclassified to disclose such amounts in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

In addition, during the first six-months of 2018 the Company disposed of its interest in three entities:

- A. Beijing Hulian YiCai Technology Development Co., Limited
- B. Hulian Xincai Information Technology Co. Ltd.
- C. Hulian Xincai Hangzhou Sport Culture Communication Ltd.

From April 4, 2018 the Group's proportion of ownership interest held and voting power held in all above companies is 0%.

These were deemed to meet the definition of discontinued operations under IFRS 5 as they all were separate major line of business and operated within their own geographical area.

As these special purpose financial statements are being included in a filing with the United States Securities and Exchange Commission, retrospective reclassification of all prior periods to be reported in the filing is required to reflect the impact of the results of the component as discontinued operations, which is also being disclosed in the separately presented interim financial statements as of June 30, 2018 in the filing.

In addition to the above, the Company has chosen to reclassify certain expenses from administrative expenses to research and development expenses and sales and marketing expenses to better represent certain costs on the income statement. For the year ended December 31, 2017, this has led to the inclusion of research and development expense of £1,358 thousand (2016: £608 thousand) and sales and marketing expenses of £1,553 thousand (2016: £348 thousand) with no impact on previously reported operating loss, loss for the year, financial positions or cash flows.

The restatements and reclassifications are presented and described in further detail in Note 5 to the consolidated financial statements.

The consolidated income statement for the years ended December 31, 2017 and 2016 and the consolidated balance sheet data as of December 31, 2017 and 2016 are derived from BNN's audited consolidated financial statements appearing elsewhere herein. The consolidated income statement data for the six months ended June 30, 2018 and 2017 and the consolidated balance sheet data as of June 30, 2018 are derived from BNN's unaudited interim condensed consolidated financial statements appearing elsewhere herein. Balance sheet data as of June 30, 2017 has been derived from internal management accounting information. BNN's unaudited interim condensed consolidated financial statements were prepared in accordance with IAS 34 Interim Financial Reporting and include, in management's opinion, all adjustments, consisting only of normal recurring adjustments, that BNN considers necessary for a fair presentation of the financial information set forth in those statements included elsewhere in this proxy statement/prospectus. BNN's historical results are not necessarily indicative of the results that may be expected in any future period, and interim financial results are not necessarily indicative of the results that may be expected for a full year.

As of December 31,  
Balance Sheet Data (in thousands) 2017 2016

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Total assets	£50,741	£ 64,183
Total liabilities	£19,457	£ 27,075
Net assets	£31,284	£ 37,108
Share capital	£23,861	£ 20,527
Number of ordinary shares	238,613	205,273

	As of June 30,	
Balance Sheet Data (in thousands)	2018	2017
	(Unaudited)(Unaudited)	
Total assets	£33,836	£ 76,898
Total liabilities	£14,535	£ 29,425
Net assets	£19,301	£ 47,473
Share capital	£23,861	£ 23,861
Number of ordinary shares	238,613	238,613

	For the twelve months ended December 31,	
Statement of Operations (in thousands)	2017	2016
Revenue	£ 7,137	£ 2,164
Net (loss) for the year	£ (31,905	) £ (22,020

	For the six months ended June 30,	
Statement of Operations (in thousands)	2018	2017
	(Unaudited) (Unaudited)	
Revenue	£ 3,278	£ 4,262
Net (loss) for the period	£ (13,373	) £ (15,648

## SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OTHER DATA OF PARAGONEX

The following selected historical consolidated financial and other data should be read together with ParagonEx's consolidated financial statements and accompanying notes and the section entitled "*Operating and Financial Review and Prospects of ParagonEx Ltd.*" appearing elsewhere herein. ParagonEx's financial statements included in this proxy statement/prospectus were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and presented in U.S. dollars. ParagonEx's IFRS as issued by the IASB historical financial statements are not comparable to MICT's U.S. GAAP historical financial statements included in this proxy statement/prospectus.

The selected statement of comprehensive income data for the years ended December 31, 2017 and 2016 and the selected consolidated statement of financial position data as of December 31, 2017 and 2016 are derived from ParagonEx's audited consolidated financial statements appearing elsewhere herein. The selected statement of comprehensive income data for the six months ended June 30, 2018 and 2017 and the selected statement of financial position data as of June 30, 2018 are derived from ParagonEx's unaudited interim consolidated financial statements appearing elsewhere herein, and the selected statement of financial position data as of June 30, 2017 has been derived from ParagonEx's accounting records.

ParagonEx's financial data presented as of and for June 30, 2018 and 2017 were prepared on a basis consistent with its audited consolidated financial statements and include, in management's opinion, all adjustments, consisting only of normal recurring adjustments, that ParagonEx considers necessary for a fair presentation of the financial information set forth in those statements included elsewhere in this proxy statement/prospectus. ParagonEx's historical results are not necessarily indicative of the results that may be expected in any future period, and interim financial results are not necessarily indicative of the results that may be expected for the full year. The profit per share data is calculated based on net profit divided by the number of ordinary shares listed on the statement of financial position. The diluted profit per share data is calculated based on net profit divided by the number of ordinary shares as for basic profit (loss) per share, adjusted for the dilutive impact of share options and warrants in issue at the statement of financial position sheet date.

Balance Sheet Data (in thousands, other than number of shares)	As of December 31,	
	2017	2016
Total assets	\$ 39,479	\$ 35,310
Total liabilities	\$ 8,836	\$ 11,292
Net assets	\$ 30,643	\$ 24,018
Share capital	\$ 4,505	\$ 4,446
Number of ordinary shares	44,047	43,534

As of June 30,

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Balance Sheet Data (in thousands, other than number of shares)	2018	2017
Total assets	\$43,719	\$42,101
Total liabilities	\$5,153	\$11,641
Net assets	\$38,566	\$30,460
Share capital	\$4,505	\$4,493
Number of ordinary shares	44,132	43,914

Statement of Operations (in thousands, other than per share data)	For the twelve months ended December 31,	
	2017	2016
Revenue	\$ 62,130	\$ 69,507
Net profit for the period	\$ 18,321	\$ 15,971
Basic profit per share	\$ 415.94	\$ 366.86
Diluted profit per share	\$ 396.91	\$ 347.22
Statement of Operations (in thousands, other than per share data)	For the six months ended June 30,	
	2018	2017
Revenue	\$ 31,950	\$ 33,479
Net profit for the period	\$ 8,342	\$ 12,129
Basic profit per share	\$ 189.02	\$ 276.20
Diluted profit per share	\$ 179.10	\$ 263.52



UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

**ParagonEx Limited**

The unaudited pro forma condensed combined balance sheet as of June 30, 2018 and the unaudited pro forma condensed combined statements of operations for each of the six months ended June 30, 2018 and for the year ended December 31, 2017 combine the financial statements of, ParagonEx Limited (“**PGX**”), BNN Technology Plc (“**BNN**”) and MICT, Inc. (“**MICT**”), giving effect to the Transactions described in the Acquisition Agreement, as if they had occurred on January 1, 2017 in respect of the unaudited pro forma condensed combined statements of operations and on June 30, 2018 in respect of the unaudited pro forma condensed combined balance sheet. Global FinTech Holdings Ltd. (“**GFH**”) was formed subsequent to June 30, 2018 and its subsequent share offering is presented as a pro forma adjustment to the pro forma balance sheet.

The unaudited pro forma condensed combined financial information should be read in conjunction with:

PGX’s consolidated financial statements as well as the related “*Operating and Financial Review and Prospects of ParagonEx LTD*” contained elsewhere herein;

BNN’s consolidated financial statements, as well as the related “*Operating and Financial Review and Prospects of BNN Technology Plc.*” contained elsewhere herein;

MICT’s consolidated financial statements, as well as the related “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” contained elsewhere herein; and

- the other information contained in or incorporated by reference into this proxy statement/prospectus.

The consolidated financial statements of PGX and BNN were prepared in accordance with IFRS as issued by the IASB. The consolidated financial statements of MICT were prepared in accordance with U.S. GAAP. The unaudited pro forma condensed combined financial information includes adjustments to convert the financial information of MICT from U.S. GAAP to IFRS as issued by the IASB, as well as reclassifications to conform MICT’s historical accounting presentation to PGX’s accounting presentation.

In addition, the consolidated financial statements of PGX and MICT are presented in US dollars (“**USD**”) whereas, the consolidated financial statements of BNN are presented in British pounds (“**GBP**”). Therefore the unaudited pro forma condensed combined financial information includes adjustments to convert BNN’s financial information from GBP to USD.

The unaudited pro forma condensed combined financial information has been prepared using the acquisition method of accounting in accordance with IFRS 3, Business Combinations, which requires that one company is designated as the acquirer for accounting purposes. While GFH is the legal acquirer, PGX is the accounting acquirer. Accordingly, the assets acquired, and liabilities assumed of Brookfield Interactive (Hong Kong) Limited (“**BI China**”), the subsidiary of BNN being acquired, are recorded based on preliminary estimates of fair value, using fair value concepts defined in IFRS 13, Fair Value Measurement. Any excess of the purchase price over the fair value of identified assets acquired and liabilities assumed is recognized as goodwill.

The final purchase consideration and the allocation of the purchase consideration may materially differ from that reflected in the unaudited pro forma condensed combined financial information after final valuation procedures are performed and amounts are finalized following the completion of the acquisition.

The unaudited pro forma adjustments give effect to events that are directly attributable to the Transactions and are based on available data and certain assumptions that management believes are factually supportable. In addition, with respect to the unaudited pro forma condensed combined statement of operations, the unaudited pro forma adjustments are expected to have a continuing impact on the combined results.

The unaudited pro forma condensed combined financial information is presented for informational purposes only and to aid you in your analysis of the financial aspects of the Transactions described in the Acquisition Agreement. The unaudited pro forma condensed combined financial information described above has been derived from the historical financial statements of PGX, BNN and MICT and the related notes included elsewhere in this proxy statement/prospectus. The unaudited pro forma condensed combined financial information is based on PGX's accounting policies. Further review may identify additional differences between the accounting policies of PGX, BNN and MICT. The unaudited pro forma adjustments and the unaudited pro forma condensed combined financial information don't reflect the impact of synergies or post-transaction management actions and are not necessarily indicative of the financial position or results of operations that may have actually occurred had the Transaction taken place on the dates noted, or of PGX's future financial position or operating results.

## ParagonEx Limited

## Unaudited Pro Forma Condensed Combined Balance Sheet

June 30, 2018

(USD 000's)

	Pro Forma Adjustments										
	PGX (IFRS)	BNN (IFRS)	MICT (IFRS)	GFH Share Offering	BNN Tender Offer for MICT Shares	PGX Excluded Entity	BNN Related Adjustments	MICT Spin-Off and Other	PGX Share Exchange	BI China Share Exchange	M SH EX
	Note A	Note B	Note C	Note D	Note E	Note F	Note G	Note H	Note I	Note J	Note K
<b>Assets</b>											
Current assets:											
Cash and cash equivalents	\$7,131	\$12,792	\$3,898	\$23,500	\$(3,165)	\$(44 )	\$-	\$(3,898 )	\$(25,000)	\$-	\$-
Current income tax assets	246	-	-	-	-	-	-	-	-	-	-
Trade and other receivables	24,665	2,180	4,464	-	-	(128)	-	(4,464 )	-	-	-
Restricted cash	-	10,034	564	-	-	-	(10,034)	(564 )	-	-	-
Inventories	-	411	4,800	-	-	-	-	(4,800 )	-	-	-
Total current assets	32,042	25,417	13,726	23,500	(3,165)	(172)	(10,034)	(13,726)	(25,000)	-	-
Non-current assets:											
Property and equipment	3,469	568	1,060	-	-	(17 )	-	(1,060 )	-	-	-
Intangible assets	7,524	459	875	-	-	-	-	(875 )	-	11,558	-
Long-term deposits	351	-	36	-	-	-	-	(36 )	-	-	-
Goodwill	-	5,397	1,466	-	-	-	-	(1,466 )	-	66,992	-
Investment in MICT	-	2,790	-	-	3,165	-	-	-	-	(5,955 )	-
	-	10,045	-	-	-	-	-	-	-	-	-

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Investments in associates											
Restricted cash - escrow	-	-	477	-	-	-	-	-	-	-	-
Deferred tax assets	333	-	515	-	-	-	-	(515 )	-	-	-
Total non-current assets	11,677	19,259	4,429	-	3,165	(17 )	-	(3,952 )	-	72,595	-
Total assets	\$43,719	\$44,676	\$18,155	\$23,500	\$-	\$(189)	\$(10,034)	\$(17,678)	\$(25,000)	\$72,595	\$-
<b>Liabilities and shareholders' equity</b>											
Current liabilities:											
Accounts payable	\$4,378	\$2,469	\$4,187	\$-	\$-	\$(175)	\$-	\$(4,187 )	\$-	\$-	\$-
Short-term debt	-	16,724	2,585	-	-	-	(16,724)	(1,548 )	-	-	-
Short-term loans payable	-	-	-	-	-	-	-	-	5,000	-	-
Other current liabilities	95	-	-	-	-	-	-	-	-	-	-
Total current liabilities	4,473	19,193	6,772	-	-	(175)	(16,724)	(5,735 )	5,000	-	-
Non-current liabilities:											
Non-current loans	-	-	2,636	-	-	-	-	(1,286 )	-	-	(
Deferred tax liability	-	-	-	-	-	-	-	-	-	3,004	-
Long-term notes payable	-	-	-	-	-	-	6,574	-	5,000	-	-
Other long-term liabilities	679	-	717	-	-	-	-	(240 )	-	-	-
Total non-current liabilities	679	-	3,353	-	-	-	6,574	(1,526 )	5,000	3,004	(
Total liabilities	5,152	19,193	10,125	-	-	(175)	(10,150)	(7,261 )	10,000	3,004	(
Shareholders' equity:											
Ordinary share capital	1	31,503	9	15	-	-	-	-	87	(31,445 )	1

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Share premium	5,595	115,037	11,301	23,485	-	-	1,618	(5,375 )	(35,062)	(21,523 )	(
Treasury stock	(32 )	-	-	-	-	-	-	-	32	-	-
Retained earnings (accumulated deficit)	32,946	(120,867)	(7,544 )	-	-	(14 )	(1,502)	-	-	122,369	7
Accumulated other comprehensive loss	-	-	(504 )	-	-	-	-	-	-	-	5
Reserve accounts	57	(293 )	(274)	-	-	-	-	-	(57 )	293	2
Non-controlling interests	-	103	5,042	-	-	-	-	(5,042 )	-	(103 )	-
Total shareholders' equity	38,567	25,483	8,030	23,500	-	(14 )	116	(10,417)	(35,000)	69,591	1
Total liabilities and shareholders' equity	\$43,719	\$44,676	\$18,155	\$23,500	\$-	\$(189)	\$(10,034)	\$(17,678)	\$(25,000)	\$72,595	\$-

See notes to the unaudited pro forma condensed combined financial information

**ParagonEx Limited****Unaudited Pro Forma Condensed Combined Statement of Operations****For the Six Months Ended June 30, 2018****(USD 000's except for shares and per share amounts)**

	Pro Forma Adjustments									
	PGX (IFRS)	BNN (IFRS)	MICT (IFRS)	PGX Exclude Entity	BNN Related Adjustments	MICT Spin-Off	PGX Share Exchange	BI China Share Exchange	Eliminate Merger Expense	Pro Forma Combined
	Note A	Note B	Note C	Note D	Note E	Note F	Note G	Note H	Note I	Note J
Revenue										
Revenues	\$31,950	\$4,510	\$10,681	\$(171)	\$-	\$(10,681)	\$-	\$-	\$-	\$36,289
Cost of revenue	-	(3,346 )	(7,588 )	-	-	7,588	-	-	-	(3,346 )
Gross profit	31,950	1,164	3,093	(171)	-	(3,093 )	-	-	-	32,943
Operating expenses	(22,798)	(13,150)	(4,679 )	165	-	4,679	-	(979)	1,589	(35,173 )
Operating profit (loss)	9,152	(11,986)	(1,586 )	(6 )	-	1,586	-	(979)	1,589	(2,230 )
Share of results of associates	-	(135 )	-	-	-	-	-	-	-	(135 )
Finance income (costs), net	(270 )	(471 )	(852 )	(20 )	(405 )	815	(500)	-	-	(1,703 )
Profit (loss) before taxes	8,882	(12,592)	(2,438 )	(26 )	(405 )	2,401	(500)	(979)	1,589	(4,068 )
Income tax (provision) benefit	(541 )	-	(4 )	4	-	4	-	245	-	(292 )
Net income (loss) from continuing operations	\$8,341	\$(12,592)	\$(2,442 )	\$(22 )	\$(405 )	\$2,405	\$(500)	\$(734)	\$1,589	\$(4,360 )
Earnings (loss) per share from continuing operations:										
Basic-	\$189.02									\$(0.03 )





**ParagonEx Limited****Unaudited Pro Forma Condensed Combined Statement of Operations****For The Year Ended December 31, 2017****(USD 000's except for shares and per share amounts)**

	Pro Forma Adjustments								
	PGX (IFRS)	BNN (IFRS)	MICT (IFRS)	PGX Exclude Entity	BNN Related Adjustments	MICT Spin-Off	PGX Share Exchange	BI China Share Exchange	Pro Forma Combined
	Note A	Note B	Note C	Note D	Note E	Note F	Note G	Note H	Note I
Revenue									
Revenues	\$62,130	9,196	\$18,366	\$(511)	\$-	\$(18,366)	\$-	\$-	\$70,815
Cost of revenue	-	(6,896 )	(14,441)	-	-	14,441	-	-	(6,896 )
Gross profit	62,130	2,300	3,925	(511)	-	(3,925 )	-	-	63,919
Operating expenses	(43,664)	(30,066)	(8,524 )	485	-	8,524	-	(1,958 )	(75,203 )
Operating profit (loss)	18,466	(27,766)	(4,599 )	(26 )	-	4,599	-	(1,958 )	(11,284 )
Share of results of associates	-	(451 )	-	-	-	-	-	-	(451 )
Finance income (costs), net	33	(3,136 )	(401 )	30	(809 )	327	(1,000 )	-	(4,956 )
Profit (loss) before taxes	18,499	(31,353)	(5,000 )	4	(809 )	4,926	(1,000 )	(1,958 )	(16,691 )
Income tax (provision) benefit	(178 )	-	10	10	-	(10 )	-	490	322
Net income (loss) from continuing operations	\$18,321	\$(31,353)	\$(4,990 )	\$14	\$(809 )	\$4,916	\$(1,000 )	\$(1,468 )	\$(16,369 )
Earnings (loss) per share from continuing operations									
Basic-	\$415.94								\$(0.10 )



**ParagonEx Limited**

**Notes to Unaudited Pro Forma Condensed Combined Financial Information**

*(USD and shares in 000's except for per share amounts)*

***Basis of Presentation***

The unaudited pro forma condensed combined financial information set forth herein is based upon the consolidated financial statements of PGX, BNN and MICT. The unaudited pro forma condensed combined financial information is presented as if the Transactions had been completed on January 1, 2017 with respect to the unaudited pro forma condensed combined statement of operations for each of the six months ended June 30, 2018 and for the year ended December 31, 2017 and on June 30, 2018 in respect of the unaudited pro forma condensed combined balance sheet.

The unaudited pro forma condensed combined financial information is presented for informational purposes only and is not necessarily indicative of the combined financial position or results of operations had the Transactions occurred as of the dates indicated, nor is it meant to be indicative of any anticipated combined financial position or future results of operations that the combined company will experience after the completion of the Transactions.

The unaudited pro forma condensed combined financial information has been prepared using the acquisition method of accounting in accordance with IFRS 3, Business Combinations, which requires that one company is designated as the acquirer for accounting purposes. While GFH is the legal acquirer, PGX is the accounting acquirer. Accordingly, the assets acquired and liabilities assumed of Brookfield Interactive (Hong Kong) Limited ("BI China"), the subsidiary of BNN being acquired, are recorded based on preliminary estimates of fair value, using fair value concepts defined in IFRS 13, Fair Value Measurement. Any excess of the purchase price over the fair value of identified assets acquired and liabilities assumed is recognized as goodwill.

PGX's consolidated financial information was prepared in accordance with IFRS as issued by the IASB and is presented in US dollars ("USD"). Any entity historically presented otherwise has been converted for the purpose of this unaudited pro forma condensed consolidated financial information.

Pro forma adjustments reflected in the unaudited pro forma condensed combined balance sheet are based on items that are factually supportable and directly attributable to the Transactions. Pro forma adjustments reflected in the pro forma condensed combined statement of operations are based on items that are factually supportable, directly attributable to the Transactions and expected to have a continuing impact on the combined results. The unaudited pro

forma condensed combined financial information does not reflect the cost of any integration activities or benefits from the Transactions, including potential synergies that may be generated in future periods.

The unaudited pro forma condensed combined financial information does not reflect any pro forma adjustments for the Golden Parachute Proposal as described in this proxy statement/prospectus as the financial impact is not material.

*All Monetary Amounts Other Than Per Share Information Are Presented in 000's Unless Otherwise Indicated*

### **Pro Forma Adjustments**

The following pro forma adjustments give effect to the Transactions.

### ***Unaudited Pro Forma Condensed Combined Balance Sheet – As of June 30, 2018***

Derived from the unaudited condensed consolidated financial statements of PGX as of June 30, 2018 included Note elsewhere in this proxy statement/prospectus. The table below presents a reconciliation between the impacted A line items within the historical financial statements and the unaudited pro forma condensed combined financial information, showing a condensed presentation.

**Reserves:**

(000's) USD

	June 30, 2018
	PGX
Currency translation reserve	\$ (25 )
Other reserves	82
Reserve accounts	\$ 57

Note B. Derived from the unaudited interim condensed consolidated financial statements of BNN as of June 30, 2018 included elsewhere in this proxy statement/prospectus and translated from British pounds ("GBP") to USD. The indicated exchange rate used to translate GBP to USD at June 30, 2018 was the rate of 1.32 as set out in the table below.

**GBP to USD Translation:**

	BNN (£000)	EXCHANGE RATE 1.3203	BNN (\$000)
Assets			
Current assets:			
Cash and cash equivalents	9,689		12,792
Trade and other receivables	1,650		2,180
Restricted cash	7,600		10,034
Inventories	311		411
Total current assets	19,250		25,417
Non-current assets:			
Property and equipment	430		568
Intangible assets	348		459
Goodwill	4,087		5,397
Investment in MICT	2,112		2,790
Investments in associates	7,609		10,045
Total non-current assets	14,586		19,259
Total assets	33,836		44,676

## Liabilities and shareholders' equity

## Current liabilities:

Accounts payable	1,869	2,469
Short-term debt	12,666	16,724

Total current liabilities	14,535	19,193
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Total liabilities	14,535	19,193
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## Shareholders' equity:

Ordinary share capital	23,861	31,503
Share premium	87,130	115,037
Accumulated deficit	(91,546)	(120,867)
Reserve accounts	(222 )	(293 )
Non-controlling interests	78	103

Total shareholders' equity	19,301	25,483
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Total liabilities and shareholders' equity	33,836	44,676
--	--------	--------

Note C Derived from the unaudited interim condensed consolidated financial statements of MICT, Inc. as of June 30, 2018, prepared in accordance with US GAAP and adjusted to conform with IFRS, as issued by the IASB. The table below provides a reconciliation between the historical financial statements and the unaudited pro forma condensed combined financial information.

**US GAAP to IFRS Adjustments:**

	<b>MICT</b>	<b>IFRS</b>		<b>MICT</b>
	<b>(US GAAP)</b>			<b>(IFRS)</b>
	<b>(\$000)</b>	<b>Adjustments</b>		<b>(\$000)</b>
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	3,898	-		3,898
Trade and other receivables	4,464	-		4,464
Restricted cash	564	-		564
Inventories	4,800	-		4,800
<b>Total current assets</b>	<b>13,726</b>	<b>-</b>		<b>13,726</b>
<b>Non-current assets:</b>				
Property and equipment	870	190	(a)	1,060
Intangible assets	1,065	(190)	)(a)	875
Long-term deposits	36	-		36
Goodwill	1,466	-		1,466
Restricted cash - escrow	477	-		477
Deferred tax assets	515	-		515
<b>Total non-current assets</b>	<b>4,429</b>	<b>-</b>		<b>4,429</b>
<b>Total assets</b>	<b>18,155</b>	<b>-</b>		<b>18,155</b>
<b>Liabilities and shareholders' equity</b>				
<b>Current liabilities:</b>				
Accounts payable	3,985	202	(c)	4,187
Short-term debt	2,585	-		2,585
<b>Total current liabilities</b>	<b>6,570</b>	<b>202</b>		<b>6,772</b>
<b>Non-current liabilities:</b>				
Non-current loans	2,636	-		2,636

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Other long-term liabilities	602	115	(b)(c) 717
Total non-current liabilities	3,238	115	3,353
Total liabilities	9,808	317	10,125
Shareholders' equity:			
Ordinary share capital	9	-	9
Share premium	11,301	-	11,301
Accumulated deficit	(7,501 )	(43 )	(7,544 )
Accumulated other comprehensive loss	(504 )	-	(504 )
Reserve accounts	-	(274 )	(274 )
Non-controlling interests	5,042	-	5,042
Total shareholders' equity	8,347	(317 )	8,030
Total liabilities and shareholders' equity	18,155	-	18,155



- a) Prepaid lease expense of \$190 under US GAAP was reclassified from intangible assets to property and equipment as this prepaid lease qualified as a finance lease under IFRS as issued by the IASB.

In MICT's financial statements, there is a \$125 liability balance related to severance pay. Under U.S. GAAP, MICT initially measured the liability using the lump sum payments and the present value of all future expected payments. b) However, when converting to IFRS, the company is required to apply an actuarial valuation method when measuring the liability pursuant to IAS 19. Management recorded an additional \$90 (included within other long-term liabilities) as of June 30, 2018 related to the revaluation of this liability.

MICT receives various government grants. These grants contain clauses that state that the company must remit royalties based on a certain percentage of product sales generated from the grant funded projects. Under U.S. GAAP reporting requirements, royalty expenses on product sales are recognized and accrued for in the period the sale is made. When transitioning from U.S. GAAP to IFRS, these clauses qualify as provisions under IAS 20, whereby a c) provision is defined as a "liability of uncertain timing or amount". Provisions differ from other liabilities in the degree of certainty about the amount or the timing of the payment. Accordingly, there is a distinction between provisions and other liabilities such as trade payables and accruals. Pursuant to IAS 20, management has recorded an increase to liabilities of \$227 (\$202 included within other accounts payable and \$25 included within other long-term liabilities) as of June 30, 2018.

*Pro Forma Adjustments:*

Note D To record the approximately \$23,500 of investor deposits received from the share offering in exchange for 14,203,636 shares of common stock in GFH at a price per share of \$1.65. This share offering will close at the time of acquisition. This offering is for up to \$25,000; however, the current pro-forma is limited to deposits received as of the date of this filing. While management estimates that the aggregate placement agent compensation could be up to approximately \$1,500 of cash (to be paid by BNN), plus warrants to purchase 1,100,000 GFH ordinary shares at an exercise price of \$1.65 per share, this compensation isn't reflected in the unaudited pro forma condensed combined financial information because no final arrangement is in place as of the date of this filing, therefore such compensation isn't factually supportable.

Note E To record the purchase of up to 20% of MICT's outstanding shares via tender offer by BNN (1,918,423 pre-merger shares times \$1.65 per share) that will be exchanged for 1,784,133 shares in GFH at the time of the merger.

Note F To exclude one PGX subsidiary not included in the acquisition pursuant to the Acquisition Agreement, which will be sold for nominal consideration prior to the closing of the Transactions.

Note G Subsequent to June 30, 2018, BNN repaid \$8,532 of short-term debt and \$1,502 of interest which resulted in the release \$10,034 of restricted cash. Convertible notes (short-term debt) of \$8,192 were reclassified to

long-term notes payable due to BNN management's commitment to issue 15,410 ordinary shares in BI China, valued at \$1,618, in exchange for the note holder's extension of the note term to January 2021. Such debt issue costs have been recorded as a direct deduction from the face amount of the convertible note in the unaudited pro forma condensed combined balance sheet.

Note H To adjust for the spin-off of Micronet Ltd's business assets and liabilities to the pre-transaction shareholders of MICT pursuant to the Acquisition Agreement and certain pre-spin-off activities.

Note I In addition to recording the exchange of all PGX shareholder outstanding shares for 88,382,373 shares of GFH, PGX shareholders will also receive an aggregate cash distribution of \$25,000 and GFH will issue former PGX shareholders a \$10,000 note payable plus \$2,000 of interest over two years or \$10,000 in additional cash as per the Acquisition Agreement.

Note J To record the exchange of all BI China outstanding shares for 57,691,220 shares of GFH, which were valued at \$1.65 per share or \$95,190 (the "Purchase Consideration"). The following table summarizes the allocation of the preliminary purchase price as of the acquisition date.

BI China Purchase Price Allocation

(000's) USD

Purchase Consideration	\$95,190
Less:	
Net working capital(1)	\$9,749
Property and equipment	568
Investments in unconsolidated associates	10,045
Trade name/ trademarks(2)	4,450
Developed technology(2)	7,567
Convertible notes	(6,574 )
Deferred tax liability(3)	(3,004 )
Fair value of net assets acquired	\$22,801
Goodwill value	\$72,389

(1) Gives effect to (a) BNN's purchase of 1,918,423 shares of MICT for \$3,165 of cash; (b) the use of \$1,502 of working capital from the pay down of \$8,532 of short-term debt while utilizing \$10,034 of restricted cash (includes \$1,502 of interest); and (c) the reclassification of \$8,192 of short-term debt to long-term notes payable due to the extension of the note term.

(2) The trade name/trademarks and developed technology are currently presumed to have an estimated useful life of ten and five years, respectively.

(3) Represents the income tax effect of the \$12,017 difference between the accounting and income tax bases of the identified intangible assets, using an assumed income tax rate of 25%.

Note K To record the exchange of all outstanding shares of MICT and approximately \$1,350 of debt for 10,315,667 shares of GFH. Given that GFH is not purchasing the business assets and liabilities of MICT, (they are being spun-out within 60 days after the close of the transaction), the value of the GFH shares were recorded as a merger expense.

Note L To recognize the impact of estimated merger expenses of \$7,000 incurred subsequent to June 30, 2018 through the closing date of the transaction.

**Unaudited Pro Forma Condensed Combined Statement of Operations -For The Six Months Ended June 30, 2018**

Note A Derived from the unaudited condensed consolidated financial statements of PGX for the six months ended June 30, 2018 included elsewhere in this proxy statement/prospectus.

Note B Derived from the unaudited interim condensed consolidated financial statements of BNN for the six months ended June 30, 2018 included elsewhere in this proxy statement/prospectus and translated from GBP to USD. The average exchange rate used to translate GBP to USD for the six months ended June 30, 2018 was the rate of 1.38 as set out in the table below.

**GBP to USD Translation:**

	BNN	EXCHANGE RATE	BNN
	(£000)	1.3758	(\$000)
Revenue			
Revenues	3,278		4,510
Cost of revenues	(2,432)		(3,346 )
Gross profit	846		1,164
Operating Expenses	(9,558)		(13,150)
Operating loss	(8,712)		(11,986)
Share of results of associates	(98 )		(135 )
Finance costs	(342 )		(471 )
Net loss from continuing operations	(9,152)		(12,592)

Note C Derived from the unaudited condensed consolidated financial statements of MICT for the six months ended June 30, 2018, prepared in accordance with US GAAP and adjusted to conform with IFRS as issued by the IASB. The table below provides a reconciliation between US GAAP and IFRS as issued by the IASB financial information.

**US GAAP to IFRS Adjustments:**

	<b>MICT</b>		<b>IFRS</b>		<b>MICT</b>
	<b>(US GAAP)</b>		<b>Adjustments</b>		<b>(IFRS)</b>
	<b>(\$000)</b>				<b>(\$000)</b>
Revenue					
Revenues	10,681		-		10,681
Cost of revenue	(7,427	)	(161	)(a)(b)	(7,588 )
Gross profit	3,254		(161	)(a)(b)(c)	3,093
Operating expenses	(4,830	)	151		(4,679 )
Operating loss	(1,576	)	(10	)	(1,586 )
Finance costs	(852	)	-		(852 )
Loss before taxes	(2,428	)	(10	)	(2,438 )
Income tax provision	(4	)	-		(4 )
<b>Net loss from continuing operations</b>	<b>(2,432</b>	<b>)</b>	<b>(10</b>	<b>)</b>	<b>(2,442 )</b>

The company reclassified \$165 of amortization of intangible assets (an operating expense) into cost of revenues.  
a) Under IFRS the amortization of intangible assets used in the production process of inventory is to be included within the carrying amounts of inventories and once subsequently sold, should be included within cost of sales.

b) Additionally, the company reduced cost of sales by \$4 related to severance pay adjustments.

c) The company also recorded an additional \$10 of royalty expenses due to the timing difference of recognition of royalty expenses under IFRS which were included within operating expenses.

*Pro Forma Adjustments:*

Note D To adjust for the one PGX subsidiary not included in the acquisition pursuant to the Acquisition Agreement, which will be sold for nominal value prior to the closing of the Transactions.

Note E To adjust for amortization of debt issue costs associated with the BNN convertible note with the term extended to January 2021, as a consequence of the Transactions. Such amounts are being amortized on a straight-line basis of two years, the term of the extension. No adjustments have been made to reflect the UK and Hong Kong BNN subsidiaries that are not being acquired pursuant to the Acquisition Agreement as all

activity within these entities are related to the on-going operations of BI China.

To adjust for the spin-off of Micronet Ltd to the pre-Transaction shareholders of MICT pursuant to the Note Acquisition Agreement. All costs (except a small amount of financing cost) of the remaining MICT holding F companies were deemed to be head office costs supporting MICT's operating businesses and were adjusted as part of the spin-off.

Note To record six months of interest expense or \$500 related to the \$10,000 note payable to the ParagonEx G shareholders, as per Note I on the June 30, 2018 unaudited pro forma condensed combined balance sheet.

Note To record the amortization of fair value of internally developed software with a useful life of 5 years plus H tradenames and trademarks with a useful life of 10 years and the corresponding deferred tax benefit.

Note I To remove the effect of one-time merger expenses totaling \$1,589 related to the Transactions.

Note J The post transaction final capitalization is described in detail in the table below:

Shareholder Group	Number of Shares	Percentage	
(A) BNN	57,691,220	34	%
PGX	88,382,373	52	%
(B) MICT	10,315,667	6	%
GFH investors	15,151,515	9	%
Total Shares	171,540,775	100	%

(a) Does not include up to approximately 3,050,000 shares to be received by BNN in its capacity as a MICT shareholder.

(b) Includes up to approximately 3,050,000 shares to be received by BNN in its capacity as a MICT shareholder

The diluted profit per share data is calculated based on net profit divided by the number of ordinary shares for basic profit (loss) per share, adjusted for the dilutive impact of share options and warrants in issue at the statement of financial position sheet date.

**Unaudited Pro Forma Condensed Combined Statement of Operations - For The Year Ended December 31, 2017**

Note A Derived from the audited financial statements of PGX for the year ended December 31, 2017 included elsewhere in this proxy statement/prospectus.

Note B Derived from the audited financial statements of BNN for the year ended December 31, 2017 included elsewhere in this proxy statement/prospectus and translated from GBP to USD. The average exchange rate used to translate GBP to USD for the year ended December 31, 2017 was the rate of 1.29 as set out in the table below.

**GBP to USD Translation:**

	BNN	EXCHANGE RATE	BNN
	(£000)	1.2885	(\$000)
Revenue			
Revenues	7,137		9,196
Cost of revenues	(5,352 )		(6,896 )
Gross profit	1,785		2,300
Operating Expenses	(23,334)		(30,066)
Operating loss	(21,549)		(27,766)
Share of results of associates	(350 )		(451 )
Finance costs	(2,434 )		(3,136 )
Net loss from continuing operations	(24,333)		(31,353)

Note C Derived from the audited financial statements of MICT for the year ended December 31, 2017, prepared in accordance with US GAAP and adjusted to conform with IFRS as issued by the IASB. The table below provides a reconciliation between US GAAP and IFRS as issued by the IASB financial information.



**US GAAP to IFRS Adjustments:**

	<b>MICT</b>		<b>MICT</b>
	<b>(US GAAP)</b>	<b>IFRS</b>	<b>(IFRS)</b>
		<b>Adjustments</b>	
	<b>(\$000)</b>		<b>(\$000)</b>
Revenue			
Revenues	18,366	-	18,366
Cost of revenue	(14,094 )	(347 )	(14,441 )
Gross profit	4,272	(347 )	3,925
Operating expenses	(8,941 )	417	(8,524 )
Operating loss	(4,669 )	70	(4,599 )
Finance costs	(401 )	-	(401 )
Loss before tax	(5,070 )	70	(5,000 )
Income tax benefit	10	-	10
Net loss from continuing operations	(5,060 )	70	(4,990 )

The company reclassified \$359 of amortization of intangible assets (an operating expense) into cost of revenues.  
a) Under IFRS the amortization of intangible assets used in the production process of inventory is to be included within the carrying amounts of inventories and once subsequently sold, should be included within cost of sales.

Additionally, the company reclassified cost of sales by \$12 to operating expenses related to severance pay  
b) adjustments and the company reduced research and development expenses by \$3 related to severance pay adjustments.

c) The company also recorded a reduction of \$70 of royalty expenses due to the timing difference of recognition of royalty expenses under IFRS which were included within operating expenses.

*Pro Forma Adjustments:*

Note D To adjust for the one PGX subsidiary not included in the acquisition, which will be sold for nominal consideration prior to the closing of the Transactions.

Note E To adjust for amortization of debt issue costs associated with the BNN convertible note with the term extended to January 2021, as a consequence of the Transactions. Such amounts are being amortized on a straight-line

basis of two years, the term of the extension. No adjustments have been made to reflect the UK and Hong Kong BNN subsidiaries that are not being acquired pursuant to the Acquisition Agreement as all activity within these entities are related to the on-going operations of BI China.

To adjust for the spin-off of Micronet Ltd to the pre-Transaction shareholders of MICT pursuant to the Note Acquisition Agreement. All costs (except a small amount of financing cost) of the remaining MICT holding F companies were deemed to be head office costs supporting MICT's operating businesses and were adjusted as part of the spin-off.

Note To record a full year of interest expense or \$1,000 related to the \$10,000 note payable to the ParagonEx G shareholders, as per Note I on the June 30, 2018 unaudited pro forma condensed combined balance sheet.

Note H To record the amortization of the fair value of internally developed software with a useful life of 5 years plus the trade names and trademarks with a useful life of 10 years, and the corresponding deferred tax benefit.

Note I The post transaction final capitalization is described in detail in the table below:

Shareholder Group	Number of Shares	Percentage
(A) BNN	57,691,220	34 %
PGX	88,382,373	52 %
(B) MICT	10,315,667	6 %
GFH investors	15,151,515	9 %
Total Shares	171,540,775	100 %

(A) Does not include up to approximately 3,050,000 shares to be received by BNN in its capacity as a MICT shareholder.

(B) Includes up to approximately 3,050,000 shares to be received by BNN in its capacity as a MICT shareholder

The diluted profit per share data is calculated based on net profit divided by the number of ordinary shares for basic profit (loss) per share, adjusted for the dilutive impact of share options and warrants in issue at the statement of financial position sheet date.

## MARKET PRICE AND DIVIDEND INFORMATION

MICT

### Market Price of MICT Common Stock

MICT's common stock is traded on the Nasdaq under the symbol "MICT".

On February 1, 2019, 1,187,500 unregistered warrants to purchase MICT's common stock were outstanding.

In connection with the closing of the Business Combination, MICT's common stock, and options and warrants to purchase shares of MICT's Common Stock, will be automatically converted into GFH Ordinary Shares (and options and warrants to purchase the same). It is intended that, following the closing of the Business Combination, GFH Ordinary Shares will be traded on Nasdaq under the symbol "GFH."

The table below sets forth the high and low sales prices of MICT's common stock as reported on The Nasdaq Capital Market, for each full quarterly period within the two most recent fiscal years and the first quarter of 2019 through February 1, 2019.

Quarter	Common Stock	
	High	Low
First quarter of 2019 (through February 1, 2019)	\$1.15	0.68
First quarter of 2018	\$1.48	\$0.96
Second quarter of 2018	\$1.599	\$1.13
Third quarter of 2018	\$1.65	\$1.11
Fourth quarter of 2018	\$1.19	\$0.309
First quarter of 2017	\$1.41	\$1.17
Second quarter of 2017	\$1.30	\$0.99
Third quarter of 2017	\$1.07	\$0.76
Fourth quarter of 2017	\$1.41	\$0.68

On February 1, 2019, MICT's common stock had a closing price of \$1.10.

Holders of MICT Common Stock should obtain current market quotations for their securities. The market price of MICT Common Stock could vary at any time before the Business Combination.

#### Holders

As of the Record Date, there were 11 holders of record of MICT's common stock.

#### GFH

GFH is a BVI business company formed under the laws of the British Virgin Islands for purposes of consummating the Business Combination. GFH has no trading history. GFH conducted a private placement offering to institutional investors pursuant to Section 4(a)(2) of the Securities Act.

#### Dividends

#### MICT

MICT has not paid any cash dividends on its shares in 2018 and 2017. The payment of cash dividends in the future will be dependent upon its revenues and earnings, if any, capital requirements and general financial condition subsequent to the completion of a business combination. As described below, the payment of any cash dividends subsequent to completion of the Business Combination, will be within the discretion of the MICT Board at such time (subject to BNN and ParagonEx's prior written consent). In addition, the MICT Board is not currently contemplating and does not anticipate declaring any share dividends in the foreseeable future. Further, if MICT incurs any indebtedness, its ability to declare dividends may be limited.

#### Dividend Policy of GFH Following the Business Combination

Following completion of the Business Combination, GFH's board of directors will consider whether or not to institute a dividend policy. It is the present intention of GFH to assess its ability to declare dividends in light of its capital structure and earnings immediately following the closing.



## RISK FACTORS

*You should carefully consider all the following risk factors, together with all of the other information included or incorporated by reference in this proxy statement/prospectus, including the financial information, before deciding whether or how to vote or instruct your vote to be cast to approve the Proposals described in this proxy statement/prospectus.*

*The value of your investment following consummation of the Business Combination will be subject to significant risks affecting, among other things, GFH's business, financial condition or results of operations. If any of the events described below occur, GFH's post-Business Combination business and financial results could be adversely affected in material respects. This could result in a decline, which may be significant, in the trading price of GFH Ordinary Shares and you therefore may lose all or part of your investment. The risk factors described below are not necessarily exhaustive and you are encouraged to perform your own investigation with respect to the businesses of MICT, BI China and ParagonEx.*

### Risks Related to the Business Combination and the Combined Business

***GFH may be unable to successfully execute its growth strategy.***

One of GFH's strategies is to pursue organic growth by increasing product offerings, expanding into new verticals and new markets such as China. GFH also intends to continue to expand and upgrade the reliability and scalability of the PaaS offering and other aspects of its proprietary technology. GFH may not be able to successfully execute all or any of these initiatives, and the results may vary from the expectations of GFH or others. Further, even if these initiatives are successful, GFH may not be able to expand and upgrade its technology systems and infrastructure to accommodate increases in the business activity in a timely manner, which could lead to operational breakdowns and delays, loss of customers, a reduction in the growth of its customer base, increased operating expenses, financial losses, increased litigation or customer claims, regulatory sanctions or increased regulatory scrutiny. In addition, GFH will need to continue to attract, hire and retain highly skilled and motivated executives and employees to both execute the growth strategy and to manage the resulting growth effectively.

***GFH may be unable to integrate the businesses of ParagonEx and BI China successfully.***

ParagonEx and BI China are independent companies that have never operated as a combined entity before. Until now, each of ParagonEx and BI China has pursued its own separate businesses in different geographic locations. Upon consummation of the Business Combination, GFH will need to integrate the operations of these two companies that currently operate in different industries and geographic locations into a single operation. Although we believe the business of ParagonEx and BI China are complementary and there will be synergies from the integration of the two companies, we cannot assure you that the Business Combination will produce the expected or intended results. The failure to address problems encountered in connection with such integration could cause GFH to fail to realize the anticipated benefits or incur unanticipated liabilities, any of which could have a materially adverse effect on the business, financial condition, results of operations and cash flows of GFH, which could negatively impact its stock price.

***GFH's acquisition strategy may result in significant transaction expenses, integration and consolidation risks and risks associated with entering new markets, and GFH may be unable to profitably operate the consolidated company.***

One of GFH's strategies is to pursue growth through acquisitions of smaller players in the industry. Such acquisitions involve significant transaction expenses, including, but not limited to, fees paid to legal, financial, tax and accounting advisors, filing fees and printing costs. Acquisitions also present risks associated with offering new products or entering new markets and integrating the acquired companies.



Other areas where GFH may face risks include:

- diversion of management time and focus from operating the business of GFH to address challenges that may arise in integrating the acquired business;

- transition of operations, users and user accounts onto existing platforms or onto platforms of the acquired company;

- failure to successfully further develop the acquired business;

- failure to realize anticipated operational or financial synergies;

- implementation or remediation of controls, procedures, and policies at the acquired company;

- the need to integrate operations across different cultures and languages and to address the particular economic, currency, political, and regulatory risks associated with specific countries;

- liability for activities of the acquired company before the acquisition, such as violations of laws and regulatory requirements, commercial disputes, tax liabilities, infringement of third-party rights in intellectual property and other known and unknown liabilities; and

- integration of the acquired business' accounting, human resource and other administrative systems, and coordination of trading and sales and marketing functions.

Future acquisitions could also result in dilutive issuances of the equity securities of GFH, the incurrence of debt, amortization expenses, impairment of goodwill and purchased long-lived assets, and restructuring charges, any of which could harm the financial condition or results of operations and cash flows of GFH. Additionally, any new businesses that may be acquired by GFH, once integrated with the existing operations, may not produce expected or intended results. The failure to address these risks or other problems encountered in connection with future acquisitions could cause GFH to fail to realize the anticipated benefits of such acquisitions or incur unanticipated liabilities, any of which could have a materially adverse effect on the business, financial condition, results of operations and cash flows of GFH.

***None of GFH, BI China or ParagonEx have any formal risk management policies or procedures and those applied by them may not be effective and may leave them exposed to unidentified or unexpected risks.***

GFH, BI China and ParagonEx are dependent on the professional expertise and experience of their management and staff to assess risks. GFH, BI China and ParagonEx do not have any formal written policies or procedures for identifying, monitoring or controlling risks, including risks related to human error, customer defaults, market movements, technology, fraud or money-laundering, and such risks are evaluated by their respective management teams and boards of directors on an ad-hoc basis. Such practices and methods used by GFH, BI China and ParagonEx for managing risk are discretionary by nature and are based on internally developed controls and observed historical market behavior, and also involve reliance on standard industry practices. These methods may not adequately prevent losses, particularly as they relate to extreme market movements, which may be significantly greater than historical fluctuations in the market. The risk-management methods utilized by GFH, BI China and ParagonEx also may not adequately prevent losses due to technical errors if their testing and quality control practices are not effective in preventing failures. In addition, GFH, BI China and ParagonEx may elect to adjust their risk-management policies to allow for an increase in risk tolerance, which could expose it to the risk of greater losses. The risk-management methods used by GFH, BI China and ParagonEx rely on a combination of technical and human controls and supervision that are subject to error and failure. These methods may not protect GFH, BI China and ParagonEx against all risks or may protect them less than anticipated, in which case the business, financial condition and results of operations and cash flows of GFH, BI China and ParagonEx may be materially adversely affected.

***GFH shareholders may be unable to ascertain the merits or risks of BI China's and ParagonEx's operations and the business of these companies are outside of MICT management's area of expertise.***

To the extent we complete the initial Business Combination, we will be affected by numerous risks inherent in both BI China's and ParagonEx's business operations. Furthermore, after completion of the Business Combination, the business of GFH will be entirely different from MICT's business. Although MICT's management has endeavored to evaluate the risks inherent in the proposed Business Combination, MICT cannot assure you that it can adequately ascertain or assess all of the significant risk factors.

***Subsequent to the completion of the Business Combination, GFH may be required to take write-downs or write-offs, restructuring and impairment or other charges that could have a significant negative effect on its financial condition and its share price, which could cause you to lose some or all of your investment.***

MICT cannot assure you that the due diligence MICT has conducted on BI China and ParagonEx has revealed all material issues that may be present with regard to BI China and ParagonEx, or that it would be possible to uncover all material issues through a customary amount of due diligence or that risks outside of MICT's control will not later arise. Both BI China and ParagonEx are privately held companies and MICT therefore has made its decision to pursue the Business Combination on the basis of limited information, which may result in a business combination that is not as profitable as expected, if at all. As a result of these factors, GFH may be forced to later write-down or write-off assets, restructure operations, or incur impairment or other charges that could result in reporting losses. Even if MICT's due diligence successfully identifies certain risks, unexpected risks may arise and previously known risks may materialize in a manner not consistent with MICT's preliminary risk analysis. Even though these charges may be non-cash items and would not have an immediate impact on GFH's liquidity, the fact that GFH reports charges of this nature could contribute to negative market perceptions about GFH or GFH's securities. Accordingly, we cannot predict the impact that the Business Combination will have on GFH's securities.

Furthermore, the Acquisition Agreement by which GFH will be acquiring BI China and ParagonEx stipulates that all representations and warranties provided by such companies and their shareholders with regard to their respective businesses, both toward each other and toward GFH, will expire upon completion of the acquisition. Consequently, GFH and MICT will be limited in their ability to pursue a claim against either BI China's or ParagonEx's previous shareholders for breach of any of their representations and warranties that is discovered after the completion date, unless GFH is able to prove that such breach amounted to fraudulent misrepresentation or resulted from a similar act of malicious intent.

***GFH's ability to be successful following the Business Combination will be dependent upon the efforts of GFH's Board of Directors and key personnel and the loss of such persons could negatively impact the operations and profitability of GFH's post-combination business.***

GFH's ability to be successful following the Business Combination will be dependent upon the efforts of GFH's Board of Directors and key personnel. Furthermore, the business of GFH following the Business Combination will be entirely different from MICT's business. It is only contemplated that MICT's Continuing Directors (as defined below) will serve on the GFH Board for a limited period of time, and MICT cannot assure you that GFH's Board of Directors and key personnel will be effective or successful or remain with GFH. In addition to the other challenges they will face, such individuals may be unfamiliar with the requirements of operating a public company, which could cause GFH's management to have to expend time and resources helping them become familiar with such requirements.

It is estimated that, pursuant to the Acquisition Agreement, MICT's public stockholders will only own a minimal interest of GFH. Accordingly, the future performance of GFH will depend upon the quality of the post-Business Combination Board of Directors, management and key personnel of GFH and the GFH's ability to retain such managers and key personnel over time.

***Failure to complete the Business Combination may result in MICT, BNN, BI China and/or ParagonEx paying a termination fee or expenses to the other parties and could harm the price of MICT's common stock and the future business and operations of each company.***

The Acquisition Agreement contains certain termination rights and fees for each of the MICT, BNN, BI China and ParagonEx, and further provides that, upon termination of the Acquisition Agreement under specified circumstances, MICT may be required to pay to BNN and ParagonEx a termination fee of \$900,000, and BNN and ParagonEx may be required to pay to MICT a base termination fee of \$1.8 million, which shall increase to \$3.0 million under certain specified circumstances. In addition, if the Acquisition Agreement is terminated and the board of directors of the respective parties determine to seek another business combination, there can be no assurance that either MICT, BNN, BI China or ParagonEx will be able to find a partner willing to provide equivalent or more attractive consideration than the consideration to be provided in connection with the Business Combination.

***Some of MICT's officers and directors have interests in the Business Combination that are different from yours and that may influence them to support or approve the Business Combination without regard to your interests.***

Certain officers and directors of MICT, like those of other companies, participate in compensation arrangements that provide them with interests in the Business Combination that are different from yours, including, among others, the continued service as an officer or director of the combined organization for some limited period of time, severance benefits and the potential ability to sell an increased number of shares of common stock of the combined organization in accordance with Rule 144 under the Securities Act. For example, such officers and directors may receive compensation for their services generally, as well as in connection with the Business Combination, and subject to and upon the consummation of the Business Combination, MICT will issue to each of MICT's Board members, including its Chief Executive Officer, 300,000 options to purchase MICT Common Stock (1,200,000 options in the aggregate) with an exercise price equal to the GFH Purchase Price Per Share, which shall be granted as success bonuses under MICT's existing Stock Incentive Plans or under the GFH Equity Plan (including the GFH Israeli Sub-Plan) and which shall be, converted into MICT Replacement Options. For more information, see the section entitled "*Proposal 1: The Business Combination Proposal — Interests of MICT's Directors and Officers in the Business Combination*" in this proxy statement/prospectus.

***The securityholders of MICT, BNN, BI China and ParagonEx will have a reduced ownership and voting interest in, and will exercise less influence over the management of, the combined organization following the completion of the Business Combination as compared to their current ownership and voting interests in the respective companies.***

After the completion of the Business Combination, the current stockholders of MICT, BNN, BI China and ParagonEx will own a smaller percentage of the combined organization than their ownership of their respective companies prior to the Business Combination. Immediately after the closing of the Business Combination, it is anticipated that MICT Stockholders will own approximately 5.27% of the ordinary shares GFH, BNN Stockholders will own approximately 17.77% of the ordinary shares of GFH, BI China stockholders (excluding BNN) will own approximately 16.60% of the ordinary shares of GFH and ParagonEx stockholders will own approximately 51.53% of the ordinary shares of GFH. These estimates are subject to adjustment.

***During the pendency of the Business Combination, MICT, BNN, BI China and ParagonEx may not be able to enter into a business combination with another party at a favorable price because of restrictions in the Acquisition Agreement, which could adversely affect their respective businesses.***

Covenants in the Acquisition Agreement impede the ability of MICT, BNN, BI China and ParagonEx to make acquisitions, subject to certain exceptions relating to fiduciary duties, as set forth below, or to complete other transactions that are not in the ordinary course of business pending completion of the Business Combination. As a result, if the Business Combination is not completed, the parties may be at a disadvantage to their competitors during such period. In addition, while the Acquisition Agreement is in effect, each party is generally prohibited during the interim period from soliciting, initiating, encouraging or entering into certain extraordinary transactions, such as merger, sale of assets or other business combination outside the ordinary course of business with any third party, subject to certain exceptions relating to fiduciary duties, as set forth below. Any such transactions could be favorable to such party's stockholders.

*Certain provisions of the Acquisition Agreement may discourage third parties from submitting alternative takeover proposals, including proposals that may be superior to the arrangements contemplated by the Acquisition Agreement.*

The terms of the Acquisition Agreement prohibit each of MICT, BNN, BI China and ParagonEx from soliciting alternative takeover proposals or cooperating with persons making unsolicited takeover proposals, except in limited circumstances when such party's board of directors determines in good faith that an unsolicited alternative takeover proposal is or is reasonably likely to be inconsistent with the board's fiduciary duties.

*The market price of GFH's ordinary shares is expected to be volatile, and the market price of the common stock may drop following the Business Combination.*

The market price of GFH's ordinary shares following the Business Combination could be subject to significant fluctuations. Some of the factors that may cause the market price of the ordinary shares of GFH to fluctuate include:

- changes in laws or regulations applicable to GFH's business and operations;
- introduction of new products, services or technologies by GFH's competitors;
- failure to meet or exceed financial and development projections GFH may provide to the public;
- failure to meet or exceed the financial and development projections of the investment community;
- announcements of significant acquisitions, strategic collaborations, joint ventures or capital commitments by GFH or its competitors;
- additions or departures of key personnel;
- significant lawsuits, including patent or stockholder litigation;
- if securities or industry analysts do not publish research or reports about GFH's business, or if they issue an adverse or misleading opinions regarding its business and stock;
- general market or macroeconomic conditions;
- sales of its common stock by GFH or its shareholders in the future;
- trading volume of GFH's ordinary shares; and
- period-to-period fluctuations in GFH's financial results

Moreover, the stock markets in general have experienced substantial volatility that has often been unrelated to the operating performance of individual companies. These broad market fluctuations may also adversely affect the trading price of GFH's ordinary shares.

In the past, following periods of volatility in the market price of a company's securities, stockholders have often instituted class action securities litigation against those companies. Such litigation, if instituted, could result in substantial costs and diversion of management attention and resources, which could significantly harm GFH's profitability and reputation.

*An active market for GFH's securities may not develop, which would adversely affect the liquidity and price of GFH's securities.*

The price of GFH's securities may vary significantly due to factors specific to GFH as well as to general market or economic conditions. Furthermore, an active trading market for GFH's securities may never develop or, if developed, it may not be sustained. You may be unable to sell your securities unless a market can be established and sustained.



*Nasdaq may delist GFH's securities from trading on its exchange, which could limit investors' ability to make transactions in GFH's securities and subject GFH to additional trading restrictions.*

MICT's securities are currently listed on Nasdaq and it is anticipated that, following the Business Combination, GFH's securities will be listed on Nasdaq. However, MICT cannot assure you that GFH's securities will continue to be listed on Nasdaq in the future. In order to continue listing its securities on Nasdaq, GFH must maintain certain financial, distribution and share price levels. Generally, GFH must maintain a minimum amount in shareholders' equity (generally \$2,500,000) and a minimum number of holders of its securities (generally 300 public holders). Additionally, in connection with the initial business combination, GFH will be required to demonstrate compliance with Nasdaq's initial listing requirements, which are more rigorous than Nasdaq's continued listing requirements, in order to continue to maintain the listing of our securities on Nasdaq. For instance, GFH's share price would generally be required to be at least \$4 per share and its shareholders' equity would generally be required to be at least \$5 million and GFH will be required to have a minimum of 300 public holders. MICT cannot assure you that GFH will be able to meet those initial listing requirements at that time.

If Nasdaq delists GFH's securities from trading on its exchange and GFH is not able to list its securities on another national securities exchange, MICT expects GFH's securities could be quoted on an over-the-counter market. If this were to occur, GFH could face significant material adverse consequences, including:

a limited availability of market quotations for its securities;

reduced liquidity for its securities;

a determination that the GFH Ordinary Shares are a "penny stock" which will require brokers trading in the GFH Ordinary Shares to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for GFH's securities;

a limited amount of news and analyst coverage; and

a decreased ability to issue additional securities or obtain additional financing in the future.

*The unaudited pro forma condensed combined financial information included in the section entitled "Unaudited Pro Forma Condensed Combined Financial Information" may not be representative of GFH's results if the Business Combination is consummated and accordingly, you will have limited financial information on which to evaluate the financial performance of GFH and your investment decision.*

MICT, ParagonEx and BI China currently operate as separate companies. GFH has had no prior history as a combined entity and its operations have not previously been managed on a combined basis. The unaudited pro forma condensed combined financial information is presented for informational purposes only and is not necessarily indicative of the financial position or results of operations that would have actually occurred had the Business Combination been completed at or as of the dates indicated, nor is it indicative of the future operating results or financial position of GFH. The pro forma statement of operations does not reflect future nonrecurring charges resulting from the Business Combination. The unaudited pro forma condensed combined financial information does not reflect future events that may occur after the Business Combination and does not consider potential impacts of current market conditions on revenues or expenses. The unaudited pro forma condensed combined financial information included in the section entitled “*Unaudited Pro Forma Condensed Combined Financial Information*” has been derived from MICT’s, GFH’s BI China’s and ParagonEx’s historical financial statements and related notes contained elsewhere within this proxy statement/prospectus and certain adjustments and assumptions have been made regarding the combined organization after giving effect to the transaction. Differences between preliminary estimates in the unaudited pro forma condensed combined financial information and the final acquisition accounting may occur and could have an adverse impact on the unaudited pro forma condensed combined financial information and GFH’s financial position and future results of operations.

In addition, the assumptions used in preparing the unaudited pro forma condensed combined financial information may not prove to be accurate and other factors may affect GFH’s financial condition or results of operations following the Closing. Any potential decline in GFH’s financial condition or results of operations may cause significant variations in the share price of GFH.

***The market price of the GFH Ordinary Shares may decline as a result of the Business Combination.***

The market price of the GFH Ordinary Shares may decline as a result of the Business Combination for a number of reasons including if:

- investors react negatively to the prospects of GFH's business and the prospects of the Business Combination;

the effect of the Business Combination on GFH's business and prospects is not consistent with the expectations of financial or industry analysts; or

GFH does not achieve the perceived benefits of the Business Combination as rapidly or to the extent anticipated by financial or industry analysts.

***MICT's Stockholders may not realize a benefit from the Business Combination commensurate with the ownership dilution they will experience in connection with the Business Combination.***

If GFH is unable to realize the full strategic and financial benefits currently anticipated from the Business Combination, MICT's Stockholders will have experienced substantial dilution of their ownership interests in MICT without receiving any commensurate benefit, or only receiving part of the commensurate benefit to the extent GFH is able to realize only part of the strategic and financial benefits currently anticipated from the Business Combination.

***During the pendency of the Business Combination, MICT, BI China and ParagonEx may not be able to enter into a business combination with another party because of restrictions in the Acquisition Agreement, which could adversely affect their respective businesses. Furthermore, certain provisions of the Acquisition Agreement may discourage third parties from submitting alternative takeover proposals, including proposals that may be superior to the arrangements contemplated by the Acquisition Agreement.***

Covenants in the Acquisition Agreement impede the ability of MICT, BI China and ParagonEx to make acquisitions or complete other transactions that are not in the ordinary course of business pending completion of the Business Combination. As a result, MICT may be at a disadvantage to its competitors during that period, which disadvantage will remain uncompensated if the Business Combination is not completed and MICT is unable to reap any of its anticipated rewards from such transaction.

***If the conditions to the Business Combination are not met, the Business Combination may not occur.***

In addition to approval by the stockholders of MICT, specified conditions must be satisfied or waived to complete the Business Combination. These conditions, described in detail in the Acquisition Agreement, include, in addition to shareholder consent and among other requirements: (i) the expiration or termination of any waiting period, and extension thereof, applicable under any Antitrust Laws, (ii) receipt or filing of any and all required consents from all applicable Government Authorities or third person, (iii) no law or order preventing the transactions by any applicable Governmental Authority shall have been issued, enforced or in effect, (iv) no pending litigation to enjoin or restrict the Closing, as defined in the Acquisition Agreement, by any non-affiliated third-party, (v) the declaration of the effectiveness of the Registration Statement by the SEC, and its remaining effective as of the Closing, (vi) each party's representations and warranties are true and correct as of the date of the Acquisition Agreement and as of the Closing, (vii) each party's compliance in all material respects with its covenants and agreements, (viii) no Material Adverse Effect with respect to a party since the date of the Acquisition Agreement which remains continuing and uncured, (ix) the delivery by each applicable party of each of the required Closing deliveries, (x) the voting agreement and lock-up agreements being in full force and effect, and (xi) the lack of indebtedness of MICT other than \$760,000. See the section titled "*The Acquisition Agreement and Related Agreements — General Description of the Acquisition Agreement — Conditions to Consummation of the Transactions*" below for a more complete summary. MICT, ParagonEx and BI China cannot assure you that all of the conditions will be satisfied. If the conditions are not satisfied or waived, the Business Combination may not occur, or may be delayed. Such delays may cause MICT, ParagonEx and/or BI China to each lose some or all of the intended benefits of the Business Combination.

***Following the Business Combination, if securities or industry analysts do not publish or cease publishing research or reports about GFH, its business, or its market, or if they change their recommendations regarding the GFH Ordinary Shares adversely, the price and trading volume of the GFH Ordinary Shares could decline.***

The trading market for the GFH Ordinary Shares will be influenced by the research and reports that industry or securities analysts may publish about GFH, its business, its market, or its competitors. Securities and industry analysts do not currently, and may never, publish research on GFH. If no securities or industry analysts commence coverage of GFH, GFH's share price and trading volume would likely be negatively impacted. If any of the analysts who may cover GFH change their recommendation regarding GFH's share adversely, or provide more favorable relative recommendations about our competitors, the price of the GFH Ordinary Shares would likely decline. If any analyst who may currently cover MICT were to cease coverage of GFH or fail to regularly publish reports on it, we could lose visibility in the financial markets, which could cause GFH's share price or trading volume to decline.

***Future sales of shares by existing shareholders could cause the GFH's share price to decline.***

If existing stockholders of MICT, BNN, BI China and ParagonEx sell, or indicate an intention to sell, substantial amounts of GFH's ordinary shares in the public market after legal restrictions on resale discussed in this proxy statement/prospectus lapse, the trading price of the ordinary shares of GFH could decline. Based on shares outstanding as of the date of this proxy statement/prospectus, and shares expected to be issued upon completion of the Business Combination, GFH is expected to have outstanding a total of approximately 171,540,775 ordinary shares immediately following the completion of the Business Combination. Of the 171,540,775 ordinary shares, approximately 86,382,373 ordinary shares will be available for sale in the public market beginning 180 days after the closing of the Business Combination, and approximately 30,481,705 ordinary shares will be available for sale in the public market beginning 12 months after the closing of the Business Combination as a result of the expiration of lock-up or similar agreements between the parties to the Acquisition Agreement. All other outstanding shares of common stock will be freely tradable, without restriction, in the public market. If these shares are sold, the trading price of the GFH's ordinary shares could decline.

***You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because GFH is a BVI company.***

While MICT is currently a Delaware corporation, GFH is a BVI company. Upon consummation of the transactions contemplated by the Acquisition Agreement, all outstanding common stock of MICT will be converted into shares of GFH, thereby converting ownership by MICT Stockholders in a Delaware corporation into ownership of shares of a BVI company. As a company limited by shares incorporated under the laws of the British Virgin Islands, GFH's corporate affairs are governed by its memorandum and articles of association, the BVI Business Companies Act (the "Companies Act") and the common law of the British Virgin Islands. The rights of shareholders to take action against

the directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under British Virgin Islands law are governed by the Companies Act and the common law of the British Virgin Islands. The common law of the British Virgin Islands is derived from English common law, and while the decisions of the English courts are of persuasive authority, they are not binding on a court in the British Virgin Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under British Virgin Islands law may not be as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the British Virgin Islands has a less developed body of securities laws as compared to the United States, and some states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law. In addition, while statutory provisions do exist in BVI law for derivative actions to be brought in certain circumstances, shareholders in BVI companies may not have standing to initiate a shareholder derivative action in a federal court of the United States. The circumstances in which any such action may be brought, and the procedures and defenses that may be available with respect to any such action, may result in the rights of shareholders of a BVI company being more limited than those of shareholders of a company organized in the United States. Accordingly, shareholders may have fewer alternatives available to them if they believe that corporate wrongdoing has occurred.

The British Virgin Islands courts are also unlikely:

to recognize or enforce against us judgments of courts of the United States based on certain civil liability provisions of U.S. securities laws; and

to impose liabilities against us, in original actions brought in the British Virgin Islands, based on certain civil liability provisions of U.S. securities laws that are penal in nature.

There is no statutory recognition in the British Virgin Islands of judgments obtained in the United States, although the courts of the British Virgin Islands will in certain circumstances recognize such a foreign judgment and treat it as a cause of action in itself which may be sued upon as a debt at common law so that no retrial of the issues would be necessary provided that the U.S. judgment:

the U.S. court issuing the judgment had jurisdiction in the matter and GFH either submitted to such jurisdiction or was resident or carrying on business within such jurisdiction and was duly served with process;

is final and for a liquidated sum;

the judgment given by the U.S. court was not in respect of penalties, taxes, fines or similar fiscal or revenue obligations of GFH;

in obtaining judgment there was no fraud on the part of the person in whose favor judgment was given or on the part of the U.S. court;

recognition or enforcement of the judgment would not be contrary to public policy in the British Virgin Islands; and

the proceedings pursuant to which judgment was obtained were not contrary to natural justice.

As a result of all of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as public stockholders of a company incorporated in the United States. For a discussion of significant differences between the provisions of the Companies Act and the laws applicable to companies incorporated in the United States and their stockholders, see the section titled "*Proposal 1: The Business Combination Proposal.*"





***Judgments obtained against GFH by stockholders may not be enforceable.***

GFH is a British Virgin Islands company. All of its assets will be located outside of the United States and its business will be operated outside the United States. In addition, a majority of GFH's directors and officers will be nationals and residents of countries other than the United States. Substantially all of the assets of these persons are located outside the United States. As a result, it may be difficult or impossible for you to bring an action against GFH or against these individuals in the United States in the event that you believe that your rights have been infringed under the United States federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the British Virgin Islands and the other jurisdictions where GFH will have operations may render you unable to enforce a judgment against GFH's assets or the assets of its directors and officers. For more information regarding the relevant laws of the British Virgin Islands, see the section entitled "*Enforceability of Civil Liabilities.*"

***GFH is expected to be a foreign private issuer within the meaning of the rules under the Exchange Act, and as such it will be exempt from certain provisions applicable to U.S. domestic public companies.***

GFH is expected to qualify as a foreign private issuer under the Exchange Act and, if it so qualifies, it will be exempt from certain provisions of the securities rules and regulations in the United States that are applicable to U.S. domestic issuers (such as MICT), including:

- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q or current reports on Form 8-K;

- the sections of the Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the Exchange Act;

- the sections of the Exchange Act requiring insiders to file public reports of their share ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and

- the selective disclosure rules by issuers of material nonpublic information under Regulation FD.

GFH will be required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, GFH intends to publish its results on a quarterly basis as press releases, distributed pursuant to the rules and regulations of Nasdaq. Press releases relating to financial results and material events will also be furnished to the SEC on Form 6-K. However, the information GFH will be required to file with or furnish to the SEC will be less extensive and less timely as compared to that required to be filed with the SEC by U.S. domestic issuers, such as MICT. As a

British Virgin Islands company listed on Nasdaq, GFH will be subject to the Nasdaq corporate governance listing standards. However, Nasdaq rules permit a foreign private issuer like GFH to follow the corporate governance practices of its home country. Certain corporate governance practices in the British Virgin Islands, which will be GFH's home country, may differ significantly from the Nasdaq corporate governance listing standards. Although GFH does not currently plan to utilize the home country exemption for corporate governance matters, to the extent that it chooses to do so in the future, its stockholders may be afforded less protection than they otherwise would under the Nasdaq corporate governance listing standards applicable to U.S. domestic issuers. As a result, you may not be afforded the same protections or information, which were available to you as a stockholder of MICT, a U.S. domestic issuer.

***GFH will qualify as an emerging growth company, and the reduced reporting requirements applicable to emerging growth companies may make our common stock less attractive to investors.***

GFH will be an "emerging growth company," as defined in the JOBS Act, and it may take advantage of certain exemptions from various requirements applicable to other public companies that are not emerging growth companies including, most significantly, not being required to comply with the auditor attestation requirements of Section 404 of Sarbanes-Oxley Act of 2002 for so long as it is an emerging growth company. As a result, if GFH elects not to comply with such auditor attestation requirements, you may not have access to certain information that was available to you as a stockholder of MICT.

The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. GFH may take advantage of the extended transition period. If GFH elects to do so, its financial statements may not be comparable to other public companies that comply with the public company effective dates for these new or revised accounting standards. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

***If GFH is classified as a passive foreign investment company, United States taxpayers who own GFH Ordinary Shares may have adverse United States federal income tax consequences.***

A non-U.S. corporation such as GFH will be classified as a passive foreign investment company, which is known as a passive foreign investment company (a “**PFIC**”), for any taxable year if, for such year, either

- At least 75% of GFH’s gross income for the year is passive income; or
- The average percentage of GFH’s assets (determined at the end of each quarter) during the taxable year which produce passive income or which are held for the production of passive income is at least 50%.

Passive income generally includes dividends, interest, rents and royalties (other than rents or royalties derived from the active conduct of a trade or business) and gains from the disposition of passive assets.

If GFH is determined to be a PFIC for any taxable year (or portion thereof) that is included in the holding period of a U.S. taxpayer who holds GFH Ordinary Shares, the U.S. taxpayer may be subject to increased U.S. federal income tax liability and may be subject to additional reporting requirements.

Depending on the amount of cash GFH raises in connection with the transactions described in this proxy statement/prospectus, including without limitation the GFH Private Placement, together with any other assets held for the production of passive income, it is possible that, for its current taxable year or for any subsequent year, more than 50% of GFH’s assets may be assets which produce passive income. For purposes of the PFIC analysis, in general, a non-U.S. corporation is deemed to own its pro rata share of the gross income and assets of any entity in which it is considered to own at least 25% of the equity by value. Therefore, the income and assets of BI China and ParagonEx should be included in the determination of whether or not GFH is a PFIC in any taxable year.

For a more detailed discussion of the application of the PFIC rules to GFH and the consequences to U.S. taxpayers if GFH were determined to be a PFIC, see “*Proposal 1: The Business Combination Proposal — Material United States Federal Income Tax Considerations — U.S. Federal Income Tax Considerations of Owning GFH Ordinary Shares — Passive Foreign Investment Company.*”

***Risks related to recent and potential changes to regulatory legislation in the British Virgin Islands could lead to increased costs of GFH in complying with additional regulatory and reporting requirements.***

As the global regulatory and tax environment evolves, GFH may be subject to new or different statutory and regulatory requirements (for example, on 1 January, 2019 the Economic Substance (Companies and Limited Partnerships) Act, 2018 of the British Virgin Islands (the “**Economic Substance Act**”) came into force and related regulations and guidance are anticipated in due course). It is difficult to predict what impact the adoption of these laws or regulations, or changes in the interpretation of existing laws or regulations could have on GFH, however, compliance with various additional obligations may create significant additional costs that may be borne by GFH or otherwise affect the management and operation of GFH.

## Risk Factors Related to MICT

### *Risks Related to MICT's Business and Industry*

#### ***The Business Combination may not be consummated or may not deliver the anticipated benefits MICT expects.***

MICT is devoting substantially all of its time and resources to consummating the Business Combination; however, there can be no assurance that such activities will result in the consummation of the Business Combination and the transactions contemplated thereby or that such transaction will deliver the anticipated benefits or enhance stockholder value. MICT cannot assure you that MICT will complete the Business Combination in a timely manner or at all. The Acquisition Agreement is subject to many closing conditions and termination rights. If the Business Combination does not occur, the MICT Board may elect to attempt to complete an alternative strategic transaction similar to the Business Combination. Attempting to complete an alternative strategic transaction will be costly and time-consuming, and MICT cannot make any assurances that a future strategic transaction will occur on terms that provide the same or greater opportunity for potential value to MICT's Stockholders, or at all. If MICT is unable to close another strategic transaction, the MICT Board may determine to sell or otherwise dispose of MICT's various assets, and distribute any remaining cash proceeds to MICT's Stockholders. In that event, MICT would be required to pay all of its debts and contractual obligations, and to set aside certain reserves for potential future claims, so MICT would not be able to provide any assurances as to the amount or timing of available cash or assets available for distribution remaining to distribute to stockholders after paying its obligations and setting aside funds for reserves.

***If MICT does not successfully consummate the Business Combination, the MICT Board may decide to pursue a dissolution and liquidation of MICT. In such an event, the amount of cash available for distribution to MICT's Stockholders will depend heavily on the timing of such liquidation as well as the amount of cash that will need to be reserved for commitments and contingent liabilities.***

There can be no assurance that MICT can successfully consummate the Business Combination. If the transaction is not completed, the MICT Board may decide to pursue a dissolution and liquidation of MICT. In such an event, the amount of cash available for distribution to MICT's Stockholders will depend heavily on the timing of such decision and, ultimately, such liquidation, because the amount of cash available for distribution continues to decrease as MICT funds its operations. Further, the Acquisition Agreement contains certain termination rights for each party thereto, and provides that, upon termination under specified circumstances, MICT may be required to pay BNN and/or ParagonEx a termination fee of \$900,000, which would further decrease MICT's available cash resources. If the MICT Board were to approve and recommend, and MICT's Stockholders were to approve, a dissolution and liquidation of MICT, MICT would be required under Delaware corporate law to pay MICT's outstanding obligations, as well as to make reasonable provision for contingent and unknown obligations, prior to making any distributions in liquidation to MICT's Stockholders. As a result of this requirement, a portion of MICT's assets may need to be reserved pending the

resolution of such obligations. In addition, MICT may be subject to litigation or other claims related to a dissolution and liquidation of MICT. If a dissolution and liquidation were pursued, the MICT Board, in consultation with its advisors, would need to evaluate these matters and make a determination about a reasonable amount to reserve. Accordingly, holders of MICT Common Stock could lose all or a significant portion of their investment in the event of a liquidation, dissolution or winding up of MICT.

***MICT is substantially dependent on its remaining employees to facilitate the consummation of the Business Combination.***

MICT's ability to successfully complete the Business Combination, or if the Business Combination is not completed, another potential strategic transaction, depends in large part on its ability to retain certain of its remaining personnel, particularly David Lucatz, MICT's Chairman and Chief Executive Officer and Micronet's Chairman and President. Despite MICT's efforts to retain Mr. Lucatz and other key employees, one or more may terminate their employment on short notice. The loss of the services of any of these employees could potentially harm MICT's ability to complete the Business Combination, evaluate and pursue strategic alternatives, as well as fulfill its reporting obligations as a public company.

***Potential political, economic and military instability in Israel could adversely affect operations.***

Certain of MICT and Micronet's principal offices and operating facilities are located in Israel. Accordingly, with respect to such Israeli facilities, political, economic and military conditions in Israel directly affect the operations of MICT and Micronet. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its Arab neighbors. A state of hostility varying in degree and intensity has led to security and economic problems for Israel. Since October 2000, there has been an increase in hostilities between Israel and Palestinians, which has adversely affected the peace process and has negatively influenced Israel's relationship with its Arab citizens and several Arab countries, including the Gaza Strip, the West Bank, Lebanon and Syria. Such ongoing hostilities may hinder Israel's international trade relations and may limit the geographic markets where Micronet can sell its products and solutions. Hostilities involving or threatening Israel, or the interruption or curtailment of trade between Israel and its present trading partners, could materially and adversely affect operations.

In addition, Israel-based companies and companies doing business with Israel have been subject to an economic boycott by members of the Arab League and certain other predominantly Muslim countries since Israel's establishment, along with other private organizations around the world. Although Israel has entered into various agreements with certain Arab countries and the Palestinian Authority, and various declarations have been signed in connection with efforts to resolve some of the economic and political problems in the Middle East, whether or in what manner these problems will be resolved is unpredictable. Wars and acts of terrorism have resulted in significant damage to the Israeli economy, including reducing the level of foreign and local investment.

Furthermore, certain of MICT and Micronet's officers and employees may be obligated to perform annual reserve duty in the Israel Defense Forces and are subject to being called up for active military duty at any time. All Israeli male citizens who have served in the army are subject to an obligation to perform reserve duty until they are between 40 and 49 years old, depending upon the nature of their military service.

*Micronet is unable to develop new products and maintain a qualified workforce it may not be able to meet the needs of customers in the future.*

Virtually all of the products produced and sold by MICT, through its subsidiary, Micronet are highly engineered and require employees with sophisticated manufacturing and system-integration techniques and capabilities. The markets and industry in which Micronet operates are characterized by rapidly changing technologies. The products, systems, solutions and needs of Micronet customers change and evolve regularly. Accordingly, the future performance of Micronet depends on its ability to develop and manufacture competitive products and solutions, and bring those products to market quickly at cost-effective prices. In addition, because of the highly specialized nature of Micronet's business, the hiring and retention of skilled and qualified personnel is necessary to perform the services required by customers. If MICT through its subsidiary, Micronet is unable to develop new products that meet customers' changing needs or successfully attract and retain qualified personnel, its future revenues and earnings may be adversely affected.



***MICT is dependent on the services of its executive officers, whose potential conflicts of interest may not permit MICT to effectively execute its business strategy.***

MICT is currently dependent on the continued services and performance of its executive officers, particularly David Lucatz, MICT's Chairman and Chief Executive Officer and Micronet's Chairman and President. Mr. Lucatz also serves as the President, Chairman and Chief Executive Officer of D.L. Capital Ltd., or DLC, the primary asset of which is its ownership of shares of MICT Common Stock. See the section entitled "Proposal 1: The Business Combination Proposal – Interests of MICT's Directors and Officers in the Business Combination" in this proxy statement/prospectus.

***Developing new technologies entails significant risks and uncertainties that may cause MICT, through its subsidiary Micronet to incur significant costs and could have a material adverse effect on operating results, financial condition, and/or cash flows.***

A significant portion of MICT's business conducted through its subsidiary, Micronet, relates to developing sophisticated products and applications. New technologies may be untested or unproven. In addition, significant liabilities that are unique to such Micronet products and services may be incurred. While insurance is maintained for some business risks, it is not practicable to obtain coverage to protect against all operational risks and liabilities. In addition, MICT may seek to limit potential liability related to the sale and use of such Micronet products and systems. MICT may also elect to provide through its subsidiary, Micronet, products or services even in instances where it is unable to obtain such indemnification or qualification. Accordingly, MICT through its subsidiary, Micronet, may be forced to bear substantial costs resulting from risks and uncertainties of products and products under development, which could have a material adverse effect on operating results, financial condition and/or cash flows.

***If MICT is unable to effectively protect proprietary technology (either its own, or that of its subsidiary, Micronet), its business and competitive position may be harmed.***

MICT's success and ability to compete, through its subsidiary, Micronet, are dependent on its proprietary technology. The steps Micronet has taken to protect its proprietary rights may not be adequate and Micronet may not be able to prevent others from using its proprietary technology. The methodologies and proprietary technology that constitute the basis of Micronet's solutions and products are not protected by patents. Existing trade secret, copyright and trademark laws and non-disclosure agreements to which Micronet is a party offer only limited protection. Therefore, others, including Micronet's competitors, may develop and market similar solutions and products, copy or reverse engineer elements of Micronet's production lines, or engage in the unauthorized use of Micronet's intellectual property. Any misappropriation of Micronet's proprietary technology or the development of competitive technology may have a significant adverse effect on Micronet's ability to compete and may harm MICT's business and financial position.

***Substantial costs as a result of litigation or other proceedings relating to intellectual property rights may be incurred.***

Third parties may challenge the validity of Micronet's intellectual property rights or bring claims regarding Micronet's infringement of a third party's property rights. This may result in costly litigation or other time-consuming and expensive judicial or administrative proceedings, which could deprive MICT and/or Micronet of valuable rights, cause them to incur substantial expenses and cause a diversion for technical and management personnel. An adverse determination may subject MICT through its subsidiary, Micronet to significant liabilities or require it to seek licenses that may not be available from third parties on commercially favorable terms, if at all. Further, if such claims are proven valid, through litigation or otherwise, MICT through its subsidiary, Micronet may be required to pay substantial financial damages or be required to discontinue or significantly delay the development, marketing, sale or licensing of the affected products and intellectual property rights.

***Earnings and margins may be negatively impacted if MICT unable to perform under its contracts.***

When agreeing to contractual terms, MICT's and/or Micronet's management makes assumptions and projections about future conditions or events. These projections assess:

- the productivity and availability of labor;
- the complexity of the work to be performed;
- the cost and availability of materials;
- the impact of delayed performance; and
- the timing of product deliveries.

If there is a significant change in one or more of these circumstances or estimates, or if faced with unexpected contract costs, the profitability of one or more of these contracts may be adversely affected and could affect, among other things, earnings and margins, due to the fact that Micronet's contracts are often made on a fixed-price basis.

***Earnings and margins could be negatively affected by deficient subcontractor performance or the unavailability of raw materials or components.***

MICT, in connection with Micronet's operations, relies on other companies to provide raw materials, major components and subsystems for its products. Subcontractors perform some of the services that provided by MICT through its subsidiary, Micronet to its customers. MICT, in connection with Micronet's operations, depends on these subcontractors and vendors to meet contractual obligations in full compliance with customer requirements. Occasionally, MICT, in connection with Micronet's operations, relies on only one or two sources of supply that, if disrupted, could have an adverse effect on MICT's ability to meet commitments to customers. Micronet's ability to perform its obligations as a prime contractor may be adversely affected if one or more of these suppliers is unable to provide the agreed-upon supplies or perform the agreed-upon services in a timely and cost-effective manner. Further, deficiencies in the performance of subcontractors and vendors could result in a customer terminating a contract for default. A termination for default could expose MICT through its subsidiary, Micronet to liability and adversely affect financial performance and Micronet's ability to win new contracts.

*Micronet is dependent on major customers for a significant portion of revenues, and therefore, future revenues and earnings could be negatively impacted by the loss or reduction of the demand for Micronet's products or services by such customers.*

A significant portion of MRM annual revenues derived from a few leading customers. As of December 31, 2017, the MRM division had five customers that combined accounted for approximately 75% of its revenues.

Most of Micronet's major customers do not have any obligation to purchase additional products or services from it. Therefore, there can be no assurance that any of Micronet's leading customers will continue to purchase solutions, products or services at levels comparable to previous years. A substantial loss or reduction in Micronet's existing programs could adversely affect future revenues and earnings.

***MICT, through its subsidiary, Micronet operates in a highly competitive and fragmented market and may not be able to maintain a competitive position in the future.***

A number of larger competitors have recently entered the MRM market in which Micronet operates. These large companies have far greater development and capital resources than Micronet. Further, there are competitors of Micronet that offer solutions, products and services similar to those offered by Micronet. If they continue, these trends could undermine Micronet's competitive strength and position and adversely affect earnings and financial condition.

***Micronet may cease to be eligible for, or receive reduced, tax benefits under Israeli law, which could negatively impact profits in the future.***

Micronet currently receives certain tax benefits under the Israeli Law Encouragement of Capital Investments of 1959, as a result of the designation of its production facility as an "Approved Enterprise." To maintain their eligibility for these tax benefits, Micronet must continue to meet several conditions including, among others, generating more than 25% of its gross revenues outside the State of Israel and continuing to qualify as an "Industrial Company" under Israeli tax law. An Industrial Company, according to the applicable Israeli law (Law for the Encouragement of Industry (Taxes), 1969), is a company that resides in Israel (either incorporated in Israel or managed and controlled from Israel) that, during the relevant tax year, derives at least 90% of its income from an Industrial Factory. An Industrial Factory means a factory that is owned by an Industrial Company and where its manufacturing operations constitute a vast majority of the factory's total operations/business. The tax benefits of qualifying as an Industrial Company include a reduction of the corporate tax from 24% for "Regular Entities" and 16% or 7.5% for "Preferred Enterprises" (depending on the location of industry) in 2017. In addition, in recent years the Israeli government has reduced the benefits available under this program and has indicated that it may further reduce or eliminate benefits in the future. There is no assurance that Micronet will continue to qualify for these tax benefits or that such tax benefits will continue to be available. The termination or reduction of these tax benefits would increase the amount of tax payable by Micronet and, accordingly, reduce MICT's net profit after tax and negatively impact profits.

***Because almost all of MICT's officers and directors are located in non-U.S. jurisdictions, you may have no effective recourse against management for misconduct.***

Currently, a majority of MICT's directors and officers are or will be nationals and/or residents of countries other than the United States, and all or a substantial portion of their assets are located outside the United States. As a result, it may be difficult for investors to enforce within the United States any judgments obtained against such officers or directors, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any U.S. state. Additionally, it may be difficult to enforce civil liabilities under U.S. securities law in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on a violation of U.S. securities laws because Israel is not the most appropriate forum to bring such a claim. In addition, even if an Israeli court agrees to

hear a claim, it may determine that Israeli law and not U.S. law is applicable to hear the claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proved as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Israeli law.

*MICT's financial results may be negatively affected by foreign exchange rate fluctuations.*

MICT's revenues are mainly denominated in U.S. Dollars and costs are mainly denominated in New Israeli Shekels (NIS). Where possible, MICT matches sales and purchases in these and other currencies to achieve a natural hedge. Currently, Micronet does not have a policy with respect to the use of derivative instruments for hedging purposes, except that Micronet will consider engaging in such hedging activities on a case by case basis. To the extent MICT is unable to fully match sales and purchases in different currencies, its business will be exposed to fluctuations in foreign exchange rates.

***If MICT's beneficial ownership of Micronet's ordinary shares declines, it may not be able to treat Micronet as its subsidiary, which may adversely affect MICT's financial condition and results of operations.***

MICT, through its subsidiary, MICT Telematics Ltd. (formerly Enertec Electronics), and David Lucatz or his affiliates currently hold and/or control in the aggregate, 50.07% of Micronet's outstanding ordinary shares, par value \$0.133 per share. If MICT is unable to consider Micronet as a consolidated subsidiary, the financial condition and results of operations of MICT may be adversely affected and may cause interest in or the market price of its securities to decline.

***Cybersecurity disruptions may impact MICT's business operations if it becomes a target for such activities.***

MICT and/or its subsidiary, Micronet, may be subject to attempted cybersecurity disruptions from a variety of threat actors. If systems for protecting against cybersecurity disruptions prove to be insufficient, MICT and Micronet, and their customers, employees or third parties could be adversely affected. Such cybersecurity disruptions could cause physical harm to people or the environment; damage or destroy assets; compromise business systems; result in proprietary information being altered, lost or stolen; result in employee, customer or third party information being compromised; or otherwise disrupt business operations. Significant costs to remedy the effects of such a cybersecurity disruption may be incurred by MICT and Micronet, as well as in connection with resulting regulatory actions and litigation, and such disruption may harm relationships with customers and impact MICT's and Micronet's business reputation.

***Those holders who do not tender their shares of common stock of MICT in the Offer will continue to be minority shareholders of MICT and will ultimately become minority shareholders in GFH. The value of any shares of common stock of MICT not tendered in the Offer could decrease, and there may not be a liquid market for the shares of common stock of MICT following the completion of the Offer, or of GFH following the completion of the Business Combination.***

Following the completion of the Offer, those holders who do not tender their shares of common stock of MICT will continue to be minority shareholders in MICT, and will ultimately become minority shareholders in GFH with a limited (if any) ability to influence the outcome of any matters that are or can be subject to shareholder approval. Furthermore, the market for MICT common stock may become illiquid after the Offer, and the market for the ordinary shares of GFH may be illiquid following the Business Combination. As a result, any future sale of the MICT common stock and/or ordinary shares of GFH could be at a price per share significantly less than the offer price in the Offer. In addition, the potential lack of market liquidity could also increase the difficulty of selling MICT common stock and/or ordinary shares of GFH in large blocks without adversely affecting their price.

It is possible that after completion of the Offer, the MICT common stock will fail to meet the criteria for continued listing on Nasdaq. If this were to happen, the MICT common stock could be delisted from Nasdaq. It is also possible that the ordinary shares of GFH will fail to meet the initial listing requirements of Nasdaq.

In the event shares of MICT common stock are delisted, the value of any MICT common stock not tendered in the Offer could decrease to a price per share significantly less than the consideration offered in the Offer. Similarly, in the event that the ordinary shares of GFH do not qualify for a Nasdaq listing, the price of each ordinary share of GFH could be significantly less than the consideration offered in the Offer.



## **Risks Related to the Spin-Off**

*The Spin-Off could give rise to disputes or other unfavorable effects, which could materially and adversely affect our business, financial position or results of operations.*

The Spin-Off may lead to increased operating and other expenses, of both a nonrecurring and a recurring nature, and to changes to certain operations. Disputes with third parties could also arise out of these transactions. These increased expenses, changes to operations, disputes with third parties, or other effects could materially and adversely affect our business, financial position or results of operations.

*The Spin-Off may expose us to potential liabilities arising out of state and federal fraudulent conveyance laws.*

A court could deem the Spin-Off of Micronet common stock or certain internal restructuring transactions undertaken by MICT in connection therewith to be a fraudulent conveyance or transfer. Fraudulent conveyances or transfers are defined to include transfers made or obligations incurred with the actual intent to hinder, delay or defraud current or future creditors or transfers made or obligations incurred for less than reasonably equivalent value when the debtor was insolvent, or that rendered the debtor insolvent, inadequately capitalized or unable to pay its debts as they become due. In such circumstances, a court could void the transactions or impose substantial liabilities upon us, which could adversely affect our financial condition and our results of operations. Whether a transaction is a fraudulent conveyance or transfer will vary depending upon the jurisdiction whose law is being applied.

*MICT may sell certain of its shares of Micronet in advance of the completion of the Spin-off.*

The Acquisition Agreement provides that MICT may sell certain of its shares of Micronet during the interim period if such sales are necessary to complete the transactions contemplated by the Acquisition Agreement, including the Spin-off, and accordingly, there is no way for MICT's stockholders to determine at this time how many shares of Micronet will be distributed or the number of shares of Micronet they will be entitled to upon the completion of the Spin-off.

*Micronet may be required to obtain additional financing.*

Micronet anticipates that it will be required to obtain, and it is currently in the process of seeking, additional financing, which is likely to be dilutive to Micronet's stockholders, due to an increase in cash flow needs on the one hand, and the utilization of most of its existing resources on the other. Such increase in cash flow needs is due to both a significant decrease in Micronet's recent sales results, and a lower sales forecast than in previous years.

Given the uncertainty as to the number of shares of Micronet to be distributed, Micronet's need for financing, and the difficult position Micronet currently is in, MICT's stockholders should not ascribe significant value to the Spin-off in determining whether or not to participate in the Offer.

*Risks Related to Ownership of MICT Securities*

***Your ability to influence corporate decisions may be limited because ownership of MICT Common Stock is concentrated.***

As of the date of this proxy statement/prospectus, Mr. Lucatz, the MICT Chairman, Chief Executive Officer and President, beneficially owned 1,234,200 shares, or approximately 13.21% (and 15.76% on a fully diluted basis) of MICT's outstanding common stock. As a result, Mr. Lucatz, may exercise significant control over matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. Such concentration of ownership could also have the effect of delaying or preventing a change in control of MICT, which could have a material adverse effect on the trading price of its common stock.

***Provisions in MICT's certificate of incorporation and under Delaware law could make an acquisition of MICT, which may be beneficial to stockholders, more difficult and may prevent attempts by MICT Stockholders to replace or remove the current management.***

Provisions in MICT's certificate of incorporation, as amended, and MICT's amended and restated bylaws may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for MICT Common Stock. These provisions could also limit the price that investors might be willing to pay in the future for MICT securities, thereby depressing the market price of MICT's securities. In addition, these provisions may frustrate, deter or prevent any attempts by MICT Stockholders to replace or remove current management by making it more difficult for stockholders to replace members of the MICT Board. Because the board of directors is responsible for appointing the members of the MICT management team, these provisions could in turn affect any attempt by stockholders to replace current members of the MICT management team.

Moreover, because MICT is incorporated in Delaware, it is governed by the provisions of Section 203 of the General Corporation Law of the State of Delaware, or the DGCL, which prohibits a person who owns in excess of 15% of outstanding voting stock from merging or combining with MICT for a period of three years after the date of the transaction in which the person acquired in excess of 15% of outstanding voting stock, unless the merger or combination is approved in a prescribed manner. MICT has not opted out of the restrictions under Section 203.

***MICT Stockholders may experience significant dilution as a result of any additional financing that results in the issuance of MICT equity securities and/or debt securities.***

To the extent that additional funds are raised by issuing equity securities, including through convertible debt securities, MICT Stockholders may experience significant dilution. Sales of additional equity and/or convertible debt securities at prices below certain levels will trigger anti-dilution provisions with respect to certain securities which have been previously issued. If additional funds are raised through a credit facility, or the issuance of debt securities or preferred stock, lenders or holders of these debt securities or preferred stock would likely have rights that are senior to the rights of holders of common stock, and any credit facility or additional securities could contain covenants that would restrict operations.

*If the price of MICT's common stock is volatile, purchasers of its common stock could incur substantial losses.*

The price of MICT's common stock has been and may continue to be volatile. The market price of MICT's Common Stock may be influenced by many factors, including but not limited to the following:

- developments regarding the Business Combination and the transactions contemplated thereby;
- announcements of developments related to MICT's business;
- quarterly fluctuations in actual or anticipated operating results;
- announcements of technological innovations;

- new products or product enhancements introduced by Micronet or its competitors;
- developments in patents and other intellectual property rights and litigation;
- developments in relationships with third party manufacturers and/or strategic partners;
- developments in relationships with customers and/or suppliers;
- regulatory or legal developments in the United States, Israel and other countries;
- general conditions in the global economy; and
- the other factors described in this “*Risk Factors*” section.

For these reasons and others, you should consider an investment in MICT Common Stock as risky and invest only if you can withstand a significant loss and wide fluctuations in the value of such investment.

***A sale by MICT of a substantial number of shares of MICT’s common stock or securities convertible into or exercisable for common stock may cause the price of MICT’s common stock to decline and may impair the ability to raise capital in the future.***

MICT’s common stock is traded on Nasdaq and despite certain increases of trading volume from time to time, there have been periods when it could be considered “thinly-traded,” meaning that the number of persons interested in purchasing MICT Common Stock at or near bid prices at any given time may have been relatively small or non-existent. Financing transactions resulting in a large amount of newly-issued securities, or other events that cause current stockholders to sell shares, could place downward pressure on the trading price of MICT Common Stock. In addition, the lack of a robust resale market may require a stockholder who desires to sell a large number of shares of common stock to sell those shares in increments over time to mitigate any adverse impact of the sales on the market price of MICT stock. If MICT Stockholders sell, or the market perceives that its stockholders intend to sell for various reasons, including the ending of restriction on resale, substantial amounts of common stock in the public market, including shares issued upon the exercise of outstanding options or warrants, the market price of MICT Common Stock could fall. Sales of a substantial number of shares of MICT Common Stock may make it more difficult for MICT to sell equity or equity-related securities in the future at a time and price that MICT deems reasonable or appropriate. Moreover, MICT may become involved in securities class action litigation arising out of volatility resulting from such sales that could divert management’s attention and harm MICT’s business.

*If securities or industry analysts do not publish research or reports or publish unfavorable research about MICT's business, the price of its common stock could decline.*

MICT does not currently have any significant research coverage by securities and industry analysts and may never obtain such research coverage. If securities or industry analysts do not commence or maintain coverage of MICT, the trading price for its common stock might be negatively affected. In the event such securities or industry analyst coverage is obtained, if one or more of the analysts who covers MICT or will cover MICT downgrades its securities, the price of MICT Common Stock would likely decline. If one or more of these analysts ceases to cover MICT or fails to publish regular reports on it, interest in the purchase of MICT Common Stock could decrease, which could cause the price of MICT Common Stock and trading volume to decline.

***If MICT continues to fail to meet all applicable Nasdaq requirements, Nasdaq may delist its common stock, which could have an adverse impact on its liquidity and market price.***

MICT Common Stock is currently listed on Nasdaq, which has qualitative and quantitative listing criteria. If MICT continues to be unable to comply with Nasdaq listing requirements, including, for example, if the closing bid price for MICT Common Stock continues to fall below \$1.00 per share, Nasdaq could determine to delist the MICT Common Stock which could adversely affect its market liquidity market price. In that regard, on September 1, 2017, MICT received a written notice from Nasdaq indicating that it was not in compliance with Nasdaq Listing Rule 5550(a)(2), as the closing bid price for MICT's common stock was below \$1.00 per share for the preceding 30 consecutive business days. On January 8, 2018, MICT received a written notice from Nasdaq that for at least 10 consecutive business days, from December 20, 2017 to January 5, 2018, the closing bid price of MICT Common Stock had been at \$1.00 or greater and, as a result, had regained compliance with Nasdaq Listing Rule 5550(a)(2). On December 12, 2018, MICT received a new written notice from Nasdaq indicating that it was not in compliance with Nasdaq Listing Rule 5550(a)(2), as the closing bid price for MICT's common stock was below \$1.00 per share for the preceding 30 consecutive business days. Accordingly, Nasdaq provided MICT a period of 180 calendar days, until June 10, 2019, to regain compliance by maintaining a minimum closing bid price of at least \$1.00 for a minimum of ten (10) consecutive trading days. If the closing bid price of MICT Common Stock remains below \$1.00 until June 10, 2019 MICT Common Stock may be subject to delisting. There can be no assurance, that MICT will be able to regain compliance with Nasdaq's minimum bid price requirement. If MICT regains compliance with the Nasdaq's minimum bid price requirement, there can be no assurance that MICT will be able to maintain compliance with the Nasdaq listing requirements, or that MICT's common stock will not be delisted from The Nasdaq Capital Market in the future. Such delisting could adversely affect the ability to obtain financing for the continuation of MICT's operations and could result in the loss of confidence by investors, customers and employees.

## RISK FACTORS RELATED TO BI CHINA

### Risks Related to BI China's Business and Industry

***BI China is engaging in new business ventures in China and it cannot guarantee the level of future earnings from these ventures.***

From its inception through 2015, BI China was primarily a lottery business and its revenues were primarily generated by online lottery. Since the suspension of online lottery licenses by the Chinese government in March 2015, BI China has re-focused its business model to explore new ventures and new revenue streams. Some of the products central to the new business model of BI China, such as “play for fun” games and other virtual and high frequency games, are still under development. Furthermore, regulatory changes in China will need to occur before BI China can fully take advantage of some of the business ventures it is currently engaged in. BI China cannot assure you that such regulatory changes will take place in the near future or at all. BI China also cannot guarantee that the new products and ventures will be successful and widely adopted by the Chinese population. Because these new ventures represent a new business model for BI China, the level of future earnings from these ventures cannot be guaranteed.

***BI China is dependent on PRC government agencies on both the national and provincial level for the execution of its new business model. The contracts entered into with such government agencies also exposes BI China to additional business risks and compliance obligations.***

The new business model is highly dependent on the successful cooperation with a number of provinces and government agencies in China. Future business generated from contracts with the Welfare Lottery Centers and other provinces and government agencies in China may be materially adversely affected if:

- BI China's reputation or relationship with government agencies is impaired;
- BI China is suspended or otherwise prohibited from contracting with any significant government agency;
- levels of government expenditures and authorizations decrease or shift to other areas;



BI China is prevented from entering into new government contracts or extending existing government contracts based on violations or suspected violations of laws or regulations; or

- there is a change in political climate that adversely affects existing or prospective relationships.

In addition, BI China must comply with PRC laws and regulations relating to the formation, administration, and performance of contracts with governmental agencies. These laws and regulations affect how business is conducted with government agencies in the PRC. Contracts with governmental agencies may contain, or under applicable law, may be deemed to contain, provisions not typically found in private commercial contracts, including provisions in BI China's current contracts with provincial agencies enabling the respective agency to terminate the contract in case of force majeure, including change in political climate, or if a failure to pay an initial minimum guarantee payment before a certain date.

If a government customer terminates a contract, BI China may not recover the incurred or committed costs, receive any settlement of expenses, or earn a profit on work completed prior to the termination. Further, an agency within a government may share information regarding such a termination with other agencies. As a result, BI China's ongoing or prospective relationships with other government agencies could be impaired.

***BI China has reported losses in each of the last five years and its business model is subject to uncertainties, which makes it difficult to evaluate its business.***

BI China has a new business model in an emerging and rapidly evolving market. This makes it difficult for you to evaluate the business, financial performance and prospects of BI China. Its historical growth rate may not be indicative of its future performance. BI China has not achieved profitability, including in the period immediately prior to the date that the lottery was suspended. There can be no assurance that BI China will be able to achieve profitability or growth in the future. BI China may not be able to achieve or sustain profitability on a quarterly or annual basis. You should consider the risks and uncertainties that fast-growing companies in a rapidly evolving market may encounter.

The impact of the suspension of online lottery sales since March 2015 has significantly impacted BI China's financial results and BI China has not been able to re-gain profitability since then.

***Interim net revenues and operating results may fluctuate, which makes BI China's results of operations difficult to predict and may cause interim results of operations to fall short of expectations.***

BI China's interim revenues and operating results have fluctuated in the past and may continue to fluctuate depending upon a number of factors, many of which are out of its control. For these reasons, comparing BI China's operating results on a period-to-period basis may not be meaningful, and you should not rely on past results as an indication of future performance. Interim and annual net revenues, costs and expenses as a percentage of net revenues may be significantly different from historical or projected rates. Operating results in future periods may fall below expectations. Any of these events could cause the value of BI China's business to fall. Other factors that may affect BI China's financial results include, among others:

- its ability to successfully implement the new business strategies in the China lottery and gaming industry;
- changes in government policies or regulations, or their enforcement;
- economic conditions in China and worldwide; and
- geopolitical events or natural disasters such as war, threat of war, earthquake or epidemics.

***The successful operation of the BI China business depends upon the performance and reliability of the Internet infrastructure in China.***

The BI China business depends on the performance and reliability of the Internet infrastructure in China. Almost all access to the Internet is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology of China. In addition, the national networks in China are connected to the Internet through state-owned international gateways, which are the only channels through which a domestic user can connect to the Internet outside of China. BI China may not have access to alternative networks in the event of disruptions, failures or other problems with China's Internet infrastructure. In addition, the Internet infrastructure in China may not support the demands associated with continued growth in Internet usage.

The failure of telecommunications network operators to provide BI China with the requisite bandwidth could also interfere with the speed and availability of its websites and online products. BI China has no control over the costs of the services provided by the national telecommunications operators. If the prices that BI China pays for telecommunications and Internet services rise significantly, gross margins could be adversely affected. In addition, if Internet access fees or other charges to Internet users increase, user traffic may decrease, which in turn may significantly decrease BI China's revenues.

***Customer growth and activity on mobile devices depend upon effective use of mobile operating systems, networks and standards that BI China does not control.***

The success of the new gaming products being developed by BI China depend, in part, on the utilization of mobile devices by users of these products. As new mobile devices and platforms are released, it is difficult to predict the problems that may be encountered in supporting applications for these alternative devices and platforms, and therefore, BI China may need to devote significant resources to the development, support and maintenance of such applications. In addition, future growth and results of operations could suffer if BI China experiences difficulties in the future with its relationships with providers of mobile operating systems or mobile application download stores. BI China is further dependent on the interoperability of its platform with popular mobile operating systems that it does not control, such as iOS and Android, and any changes in such systems that degrade the functionality of the BI China platform or gives preferential treatment to competitive products could adversely affect the usage of the BI China platform on mobile devices. In the event that it is more difficult for BI China's customers to use the new products via their mobile devices, or if customers choose not to access or to use any app developed by BI China, customer growth could be harmed and the BI China business, financial condition and operating results may be adversely affected.

***BI China depends on its technology and advanced information systems, which may fail or be subject to disruption.***

BI China is dependent on its IT systems for its business. The efficiency and reliability of the BI China systems are in turn dependent on the functionality and stability of the underlying technical infrastructure. The functionality of the servers used by BI China and the related hardware and software infrastructure are of considerable significances to the BI China business, reputation and ability to attract business partners and users. BI China's IT systems may be damaged or interrupted by increases in usage, human errors, unauthorized access, destruction of hardware, power cuts not covered by backup facilities, system crashes, software problems, virus attacks, natural hazards or disasters, or similar disruptions or disruptive events. Furthermore, current IT systems used by BI China may be unable to support a significant increase in online traffic or increased number of users, whether as a result of organic or inorganic growth of the business. BI China has in place business continuity procedures, disaster recovery systems and security measures to protect against network or technical failures or disruptions. Despite such procedures, failures in computer processing and weakness in the existing software and hardware cannot be completely prevented or eliminated. Any failure of BI China's IT system and infrastructure could lead to significant costs and disruptions that could reduce revenues, harm BI China's reputation and/or have a material adverse effect on its operations.

In addition, BI China relies on bandwidth providers, communications carriers, data centers and other third parties for key aspects of the process in providing services to its users. Any failure or interruption in the services and products provided by these third parties could limit BI China's ability to operate certain of its businesses, which could in turn have a material adverse effect on the BI China business and financial condition.

***If BI China is unable to continue to innovate or if it fails to adapt to changes in BI China's industry, its business, financial condition and results of operations would be materially and adversely affected.***

The Internet industry is characterized by rapidly changing technology, evolving industry standards, new service and product introductions and changing customer demands. Furthermore, competitors are constantly developing innovations in Internet search, online marketing, communications, social networking and other services to enhance users' online experience. While BI China will continue to invest significant resources in infrastructure, research and development and other areas in order to enhance the BI China platform technology, existing products and services and to introduce new high quality products and services that will attract more participants to BI China apps and platforms.

The changes and developments taking place in the BI China industry may also require BI China to re-evaluate its business model and adopt significant changes to its long-term strategies and business plan. BI China's failure to innovate and adapt to these changes would have a material adverse effect on its business, financial condition and results of operations.

***BI China relies on senior management and key personnel.***

BI China's success will depend to a significant extent upon the experience of executive directors and senior management whose continued service may not be guaranteed. The departure of one or more key executives or senior management could have a material and adverse effect on BI China's performance. In addition, BI China's expansion may require the recruitment of additional skilled personnel, the unavailability of which may have an adverse effect on operations.

***The success of the BI China business depends on its ability to maintain and enhance the BI China reputation and brand.***

BI China believes that its reputation in the industry, particularly underpinning relationships with government departments and with commercial partners as a leading, reliable and trustworthy service provider is of significant importance to the success of BI China's business. Since the online gaming and lottery market is highly competitive, the ability to succeed in these markets depends largely on maintaining and enhancing the BI China reputation and brand, which may be difficult and expensive.

BI China has developed a reputation by providing users with what they believe are superior and trustworthy services. BI China has conducted, and may continue to conduct, various marketing and promotion activities. It cannot be assured, however, that these marketing efforts and promotions will be successful. In addition, any negative publicity in relation to BI China's services or products, regardless of its veracity, could harm its reputation and, in turn, have adverse effects on customer loyalty. If BI China fails to maintain and enhance its reputation, or if BI China incurs excessive expenses in efforts to do so, its business, financial condition and results of operations may be materially and adversely affected.

***The failure to manage the growth of the BI China business and operations could harm BI China.***

BI China's business has become increasingly complex, both in the types of businesses which BI China operates and their scale. BI China may need to expand its headcount, office facilities and infrastructure if its new business ventures become successful. This expansion will increase the complexity of operations and place a significant strain on management, operational and financial resources. BI China must continue to effectively hire, train and manage new employees. If new hires perform poorly or if it is unsuccessful in hiring, training, managing and integrating new employees, BI China's business, financial condition and results of operations may be materially harmed.

Current and planned personnel, systems, procedures and controls may not be adequate to support future operations. To effectively manage the expected growth of operations and personnel, BI China will need to continue to improve transaction processing, operational and financial systems, procedures and controls, which could be particularly challenging. These efforts will require significant managerial, financial and human resources. It cannot be assured that BI China will be able to effectively manage such growth or to implement all these systems, procedures and control measures successfully. If BI China is unable to manage such growth effectively, its business and prospects may be materially and adversely affected.

***Future strategic acquisitions may have a material adverse effect on the BI China business, reputation and results of operations.***

BI China may acquire additional assets, products, technologies or businesses that are complementary to its existing business if such opportunities are presented. Future acquisitions and subsequent integration of newly acquired assets and businesses into BI China would require significant attention from management and could result in a diversion of resources from BI China's existing business, which in turn could have an adverse effect on business operations. Acquired assets or businesses may not generate the financial results expected. In addition, acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the occurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired business. Moreover, the cost of identifying and consummating acquisitions may be significant. In addition to possible shareholders' approval, approvals and licenses from the relevant government authorities in the PRC for the acquisitions may be required to be obtained and compliance with any applicable PRC laws and regulations could result in increased cost and delay.

***BI China may not be able to recoup the investments made to expand and upgrade facilitation and technology capabilities.***

BI China has invested and will continue to invest significant sums in upgrading its technology platform and databases. Heavy investment in technology capabilities is expected to continue for a number of years. Such costs associated with these investments are expected to be recognized earlier than some of the anticipated benefits, and the return on these investments may be lower, or may develop more slowly, than expected. Such capital expenditures or investments may not be recoverable, in part or in full, or the recovery of these capital expenditures or investments may take longer than expected, which could adversely affect the financial condition and results of operation of BI China.

***If BI China is unable to recruit, train and retain qualified personnel or sufficient workforce while controlling labor costs, BI China's business may be materially and adversely affected.***

BI China intends to hire additional qualified employees to support its business operations and planned expansion. The future success of BI China depends, to a significant extent, on its ability to recruit, train and retain qualified personnel, particularly technical, fulfillment, marketing and other operational personnel with experience in the online, gaming and digital technology industry. Current experienced mid-level managers are instrumental in implementing BI China's business strategies, executing business plans and supporting business operations and growth. The effective operation of managerial and operating systems, fulfillment infrastructure, customer service center and other back office functions also depends on the hard work and quality performance of management and employees. Since BI China's industry is characterized by high demand and intense competition for talent and labor, no assurance can be provided that attraction or retention of qualified staff or other highly skilled employees necessary to achieve its strategic objectives can or will be maintained. Recent tightening of the labor market and an emerging trend of shortage of labor supply has been observed. Labor costs in China have increased with China's economic development, particularly in the large cities where BI China's headquarters are operated. In addition, the ability to train and integrate new employees into BI China's operations may also be limited and may not meet the demand for business growth on a timely fashion, or at all, and such rapid expansion may impair the ability to maintain corporate culture.

***The proper functioning of BI China's technology platform is essential to its business, therefore any failure to maintain the satisfactory performance of the BI China websites and systems could materially and adversely affect BI China's business and reputation.***

The satisfactory performance, reliability and availability of BI China's technology platform are critical to the success and ability of BI China to attract and retain customers and provide quality customer service. Any system interruptions caused by telecommunications failures, computer viruses, hacking or other attempts to harm systems that result in the unavailability or slowdown of the BI China platform could reduce the volume of payments facilitated and the amount of traffic to BI China's applications. The BI China servers may also be vulnerable to computer viruses, physical or



electronic break-ins and similar disruptions, which could lead to system interruptions, platform slowdown or unavailability, delays or errors in transaction processing or the loss of data.

Security breaches, computer viruses and hacking attacks have become more prevalent in BI China's industry. No assurances can be provided that current security mechanisms will be sufficient to protect IT systems from any third-party intrusions, viruses or hacker attacks, information or data theft or other similar activities. Any such future occurrences could reduce customer satisfaction, damage BI China's reputation and result in a material decrease in BI China's revenue.

Additionally, upgrades and improvements to BI China's technology platform must continue in order to support its business growth. Failure to do so could impede such potential growth. However, there can be no assurances that BI China will be successful in executing these system upgrades and improvement strategies. In particular, the BI China systems may experience interruptions during upgrades, and the new technologies or infrastructures may not be fully integrated with the existing systems on a timely basis, or at all. In addition, BI China may experience surges in online traffic, which can put additional demands on technology platforms at specific times. If existing or future technology platforms do not function properly, it could cause system disruptions and slow response times, affecting data transmission, which in turn could materially and adversely affect the business, financial condition and results of operations of BI China.

***BI China is exposed to potential contractual claims by third parties arising from regulatory actions, which could damage the BI China reputation and results of operations.***

BI China has entered into various service and other contracts with a number of third parties. Many of these agreements contain warranties, indemnities and termination provisions in which BI China makes representations and warranties to the counterparties as to the legitimacy of BI China's operations and compliance with relevant laws and regulations. If a claim or regulatory action is brought against BI China's counterparties alleging that BI China's historical business conduct breached such provisions on which such counterparties have relied, whether as a result of judicial proceedings or a change of law or otherwise, BI China may face material claims or regulatory actions and may owe damages to the relevant third parties. Liability may also remain for any outstanding fees payable to the counterparty of an agreement which has been terminated.

***Failure to adequately protect user account information could have a material adverse effect.***

BI China processes its users' personal data (including name, address, age, bank details and user history) as part of its business and therefore must comply with data protection laws in China. Data protection laws restrict the ability to collect and use personal information relating to BI China's users and potential users. Notwithstanding BI China's IT and data security and other systems, BI China may not be effective in detecting any intrusion or other security breaches, or safeguarding against sabotage, hackers, viruses and cyber-crime. BI China is exposed to the risk that personal data could be wrongfully accessed and/or used, whether by employees, users or other third parties, or otherwise lost or disclosed or processed in breach of data protection laws. If BI China or any of the third party service providers upon whom it relies fails to transmit users information and payment details online in a secure manner or if any such theft or loss of personal users data were to otherwise occur, BI China could be subjected to liabilities under the data protection laws or result in the loss of the goodwill of users.

***BI China does not have any insurance coverage against product liability claims or business interruptions.***

As the insurance industry in China is still in an early stage of development, insurance companies in China currently offer limited business insurance products. As a result, BI China does not have any product liability insurance or business interruption insurance covering its Chinese operations. As the number of products and services BI China offers continues to increase, BI China may be increasingly exposed to claims related to such products and services. Any such claims, business disruption, or natural disaster could result in the incurrence of substantial costs and a diversion of resources away from BI China's business, which would have an adverse effect on BI China's business and results of operations.

***BI China may be unable to adequately protect its intellectual property rights.***

BI China's trademarks, software, technology know-how and other intellectual property is designed to provide competitive advantages to it, which are important to its achievements to date and its future success. It cannot be assured that steps taken to protect its intellectual property rights will be sufficient to prevent infringement of its intellectual property rights. BI China's failure to adequately protect its intellectual property rights, including rights in its trademarks and know-how, could have a material adverse effect on operations.

The validity, enforceability and scope of protection available under intellectual property laws with respect to the Internet industry in China are uncertain and evolving. Implementation and enforcement of PRC intellectual property-related laws have historically been deficient and ineffective. Accordingly, protection of intellectual property rights in China may not be as effective as in the United States or other western countries. Furthermore, policing unauthorized use of proprietary technology is difficult and expensive, and resorting to litigation to enforce or defend copyrights or other intellectual property rights or to determine the enforceability, scope and validity of proprietary rights or those of others may be necessary. Such litigation and any adverse determination thereof could result in substantial costs and diversion of resources and management attention away from BI China's business.

***BI China may be subject to allegations or liabilities for infringement of third-party intellectual property rights based on the content available on BI China websites or information services.***

BI China provides its users with real-time news, data, analyses, real-time match scores and other contents on its information platform. Such contents are obtained from a third-party professional sports information agency as well as publicly available sources. The user forum of BI China websites also hosts a significant amount of content generated by its users. It cannot be assured that BI China will not be subject to allegations, claims or lawsuits by third parties regarding the use of sports related information or any other content on BI China websites, which may infringe upon the intellectual property rights of such third parties. If such claims are found valid by the courts and their removal is ordered from BI China websites, BI China's information platform will become less attractive and its user experience and satisfaction will be adversely affected. Even if BI China successfully defends itself against such claims or allegations, considerable costs in such defense may be incurred or reputational damage may be suffered due to the negative publicity associated with such claims or allegations.

**Risks Related to BI China's Corporate Structure**

***If the PRC government finds that the agreements that establish the structure for operating BI China's businesses in China do not comply with PRC governmental restrictions on foreign investment in the Internet, gaming and the***

*lottery business, or if these regulations or the interpretation of existing regulations change in the future, BI China could be subject to severe penalties or be forced to relinquish interests in those operations.*

Current PRC laws and regulations place certain restrictions on foreign ownership of companies that engage in the Internet, gaming and lottery businesses. Therefore, BI China conducts operations in China principally through contractual arrangements among its wholly-owned PRC subsidiary, Beijing Brookfield Interactive Science & Technology Development Co. Limited (“**Beijing Brookfield**”), BI China’s contractually controlled entities in the PRC and their respective shareholders, by entering into a set of variable interest entities agreements, including exclusive option agreements, shareholder voting rights delegation agreements, exclusive business cooperation agreements, equity pledge agreements and loan agreements. These contractual arrangements (i) enable BI China to exercise effective control over these entities, and (ii) economically obligates BI China to absorb the losses and provide the right to receive the benefits of these entities, requiring BI China to treat them as BI China’s contractually controlled entities and to consolidate their operating results. For a detailed discussion of these contractual arrangements, see “*Description of the Business of BI China — Business Model — Group Structure and Recent Restructuring.*”

Although it is believed by BI China, based on the opinion of Global Law Office, its PRC counsel, that BI China is compliant with current PRC regulations, PRC laws and regulations governing the validity of these contractual arrangements are open to varying interpretations and the relevant government authorities have broad discretion in interpreting these laws and regulations. It cannot be assured that BI China will have the ability to enforce these contracts or that the PRC government would agree that these contractual arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future.

If the PRC government determines that BI China is not in compliance with applicable laws and regulations, it could revoke business and operating licenses, require BI China to discontinue or restrict operations, restrict BI China's right to collect revenues, block websites, require the restructuring of operations, impose additional conditions or requirements with which BI China may be unable to comply with, or take other regulatory or enforcement actions against BI China that could be harmful to its business. The imposition of any of these penalties would result in a material and adverse effect on BI China's ability to conduct business.

***Any failure by contractually controlled entities or their respective shareholders to perform contractual obligations may have a material adverse effect on the BI China business.***

Despite their contractual obligations to do so, BI China's contractually controlled entities and their respective shareholders may fail to take certain actions required for BI China's business or fail to follow BI China's instructions. If they fail to perform their obligations under their respective agreements, BI China may have to rely on legal remedies under PRC laws, including seeking specific performance or injunctive relief, which may not be effective.

All of these contractual arrangements are governed by PRC laws and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal environment in the PRC is not as developed as compared to certain other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit the ability to enforce these contractual arrangements, which may make it difficult to exert effective control over these contractually controlled entities, and BI China's ability to conduct business may be adversely affected.

***The shareholders of contractually controlled entities have potential conflicts of interest with BI China, which may adversely affect the BI China business.***

BI China has designated individuals who are PRC nationals to be the shareholders of contractually controlled entities, Hulian Xincal and NewNet. These current shareholders of the contractually controlled entities are relied upon to fulfill their fiduciary duties and abide by the PRC laws and act in BI China's best interests. The interests of these individuals may differ from the interests of BI China. These shareholders may breach, or cause the contractually controlled entities to breach, or refuse to renew, the existing contractual arrangements with them and Hulian Xincal or NewNet, which would have a material and adverse effect on the ability to effectively control Hulian Xincal and NewNet. When conflicts of interest arise, it cannot be assured that any or all of these shareholders will act in the best interests of BI China or such conflicts will be resolved in BI China's favor.

Currently, BI China does not have any arrangements to address potential conflicts of interest between it and these shareholders, except that BI China may exercise its purchase option under the purchase option agreements with these shareholders to request them to transfer all of their equity ownership in Hulian Xincal or NewNet to one or more individuals which designated by BI China. BI China relies on the shareholders, particularly Mr. Wei Qi as a director, to abide by PRC law, which provides that directors owe a fiduciary duty to BI China. Such fiduciary duties require directors to act in good faith and in the best interests of BI China and not to use their positions for personal gains. If conflicts of interest or disputes between BI China and the shareholders of Hulian Xincal or NewNet cannot be resolved, BI China would have to rely on legal proceedings, which could result in disruption of business, and which carries a substantial uncertainty as to the outcome of any such legal proceedings.

***Contractual arrangements with contractually controlled entities may result in adverse tax consequences.***

Under applicable PRC tax laws and regulations, arrangements and transactions among related parties may be subjected to audit or scrutiny by the PRC tax authorities within ten (10) years after the taxable year when the arrangements or transactions are conducted. BI China could face material and adverse tax consequences if the PRC tax authorities were to determine that the contractual arrangements among Beijing Brookfield, BI China's contractually controlled entities in China and their respective shareholders were not entered into on an arm's-length basis and therefore constituted unfavorable transfer pricing arrangements. Unfavorable transfer pricing arrangements could, among other things, result in an upward adjustment of income subject to taxation. In addition, the PRC tax authorities may impose interest on late payments on contractually controlled entities for the adjusted but unpaid taxes. BI China's results of operations may be materially and adversely affected if these contractually controlled entities' tax liabilities increase significantly or if they are required to pay interest on late payments.

***PRC laws and regulations limit the ability of BI China's PRC subsidiaries to pay dividends to BI China.***

Under PRC laws and regulations, Beijing Brookfield, as a wholly foreign-owned enterprise in the PRC, may pay dividends only out of its accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise such as Beijing Brookfield is required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund a statutory reserve fund, until the aggregate amount of such a fund reaches 50% of its registered capital. At its discretion, it may allocate a portion of its after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends. Furthermore, if Beijing Brookfield incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to BI China. In addition, the PRC tax authorities may require an adjustment to taxable income under the contractual arrangements Beijing Brookfield currently has in place with BI China's contractually controlled entities in a manner that would materially and adversely affect its ability to pay dividends and other distributions.

Any limitation on the ability of Beijing Brookfield to pay dividends or make other distributions to BI China could limit the ability of BI China to use such dividends as a source of financing.

***PRC regulation of loans to, and direct investment in, PRC entities by offshore companies and governmental control of currency conversion may limit BI China's ability to fund expansion or operations.***

Under PRC laws and regulations, BI China is permitted to utilize the proceeds from any future offering to fund its PRC subsidiaries by making loans to such PRC subsidiaries or additional capital contributions to Beijing Brookfield,



subject to applicable government registration and approval requirements.

Any loans to BI China's PRC subsidiaries, which are treated as foreign-invested enterprises under PRC laws, are subject to PRC regulations and foreign exchange loan registrations. For example, loans to BI China's PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of the State Administration of Foreign Exchange ("**SAFE**"). The statutory limit for the total amount of foreign debts of a foreign-invested company is the difference between the amount of total investment, as approved by the Ministry of Commerce (the "**MOC**") or its local counterpart, and the amount of registered capital of such foreign-invested company.

BI China may also decide to finance Beijing Brookfield by means of capital contributions. These capital contributions must be approved by the MOC or its local counterpart. In addition, SAFE issued a circular in September 2008, SAFE Circular 142, regulating the conversion by a foreign-invested enterprise of foreign currency registered capital into RMB by restricting how the converted RMB may be used. SAFE Circular 142 provides that the RMB capital converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable government authority, and unless otherwise provided by law, may not be used for equity investments within the PRC. Although on July 4, 2014, the SAFE issued the *Circular of the SAFE on Relevant Issues Concerning the Pilot Reform in Certain Areas of the Administrative Method of the Conversion of Foreign Exchange Funds by Foreign-invested Enterprises*, or SAFE Circular 36, which launched a pilot reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises in certain designated areas from August 4, 2014 and some of the restrictions under SAFE Circular 142 will not apply to the settlement of the foreign exchange capitals of the foreign-invested enterprises established within the designated areas and such enterprises are allowed to use their RMB capital converted from foreign exchange capitals to make equity investment, BI China's PRC subsidiaries are not established within the designated areas. On March 30, 2015, SAFE promulgated Circular 19, to expand the reform nationwide.

Circular 19 came into force and replaced both Circular 142 and Circular 36 on June 1, 2015. Circular 19 allows foreign-invested enterprises to make equity investments by using RMB fund converted from foreign exchange capital. However, Circular 19 continues to prohibit foreign-invested enterprises from, among other things, using RMB fund converted from its foreign exchange capitals for expenditure beyond its business scope, providing entrusted loans or repaying loans between non-financial enterprises. In addition, SAFE strengthened its oversight of the flow and use of the RMB capital converted from foreign currency registered capital of a foreign-invested company. The use of such RMB capital may not be altered without SAFE's approval, and such RMB capital may not in any case be used to repay RMB loans if the proceeds of such loans have not been used. Violations of these circulars could result in severe monetary or other penalties. These circulars may significantly limit the ability to use RMB converted from the net proceeds of this offering to fund the establishment of new entities in China by BI China's PRC subsidiaries, to invest in or acquire any other PRC companies through such PRC subsidiaries, or to establish new contractually controlled entities in the PRC.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, BI China's ability to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to Beijing Brookfield or future capital contributions by BI China to its PRC subsidiaries, cannot be assured. If BI China fails to complete such registrations or obtain such approvals, its ability to capitalize or otherwise fund PRC operations may be negatively affected, which could materially and adversely affect BI China's liquidity and ability to fund and expand its business.

### **Risks Related to Doing Business in China**

***The PRC legal system embodies uncertainties which could limit the legal protections available to investors and BI China.***

As its main operating entities and a majority of its assets are located in China, PRC laws and the PRC legal system in general may have a significant impact on BI China's business operations. Although China's legal system has developed over the last several decades, PRC laws, regulations and legal requirements remain underdeveloped relative to the United States of America. Moreover, PRC laws and regulations change frequently and their interpretation and enforcement involve uncertainties. For example, the interpretation or enforcement of PRC laws and regulations may be subject to government rules or policies, some of which are not published on a timely basis or at all. In addition, the relative inexperience of China's judiciary system in some cases may create uncertainty as to the outcome of litigation. These uncertainties could limit BI China's ability to enforce its legal or contractual rights or otherwise adversely affect its business and operations.

Furthermore, due to the existence of unpublished rules and policies, and since newly issued PRC laws and regulations may have expected and unexpected retrospective effects, BI China may not be aware of a violation of certain PRC laws, regulations, policies or rules until after the event.

**The complexities, uncertainties and rapid changes in PRC regulation of the Internet, gaming and lottery businesses and companies require significant resources for compliance.**

The PRC government extensively regulates the Internet, gaming and lottery industries, including foreign ownership of, and the licensing and permit requirements pertaining to, companies doing business in these industries. These laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainty. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations. Issues, risks and uncertainties relating to PRC regulation of these businesses include, but are not limited to, the following:

There are uncertainties relating to the regulation of the Internet, lottery and gaming businesses in China, including evolving licensing practices. This means that permits, licenses or operations at some of BI China's controlled entities and subsidiaries may be subject to challenge, or BI China, its controlled entities or its subsidiaries may fail to obtain permits or licenses that may be deemed necessary for operations or BI China may be unable to obtain or renew certain permits or licenses.

New laws and regulations that regulate Internet activities and the lottery and gaming industries, including online lottery services, may be promulgated. If these new laws and regulations are promulgated, additional licenses may be required for operations. If BI China's operations do not comply with these new regulations after they become effective, or if it fails to obtain any licenses required under these new laws and regulations, BI China could be subject to penalties.

BI China only has contractual control over its operating websites and does not directly own the websites due to the restriction of foreign investment in businesses providing value-added telecom services in China, including Internet content provision services. If the authorities challenge BI China's corporate structure or rights to its websites, it could significantly disrupt BI China's business, subject BI China to sanctions, compromise enforceability of related contractual arrangements, or have other adverse effects.

The interpretation and application of existing PRC laws, regulations and policies and any new laws, regulations or policies relating to the Internet, gaming and lottery industries have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of companies in these

industries, including BI China's business. BI China cannot assure you that it has obtained all the permits or licenses required for conducting its business in China or will be able to maintain existing licenses or obtain any new licenses required under any new laws or regulations. There are also risks associated with being found in violation of existing or future laws and regulations given the uncertainty and complexity of China's regulation of these businesses.

In addition, new laws and regulations applicable to the Internet, lottery and gaming industries could be issued at the national or provincial level, or existing regulations could be interpreted more strictly. No assurance can be given that business on these industries in general or BI China's products and services in particular will not be adversely impacted by further regulations. In particular, technical limitations on Internet use can also be developed or implemented. For example, restrictions can be implemented on personal Internet use in the workplace in general or access to BI China's sites in particular. All such regulations, restrictions and limitations could lead to a reduction of user activities or a loss of users, and restrict the types of products and services BI China may be able to offer in China, which in turn could have a material adverse effect on BI China's financial condition and results of operations.

***Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of draft PRC Foreign Investment Law and how it may impact the viability of the current corporate structure, corporate governance and business operations of BI China.***

The Ministry of Commerce published a discussion draft of the proposed Foreign Investment Law in January 2015 aiming to, upon its enactment, replace the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The draft Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. The draft Foreign Investment Law, if enacted as proposed, may materially impact the viability of the current corporate structure, corporate governance and business operations of BI China in many aspects.

Among other things, the draft Foreign Investment Law expands the definition of foreign investment and introduces the principle of “actual control” in determining whether a company should be treated as a foreign-invested enterprise, or an FIE. According to the definition set forth in the draft Foreign Investment Law, FIEs refer to enterprises established in China pursuant to PRC law that are solely or partially invested by foreign investors. The draft Foreign Investment Law specifically provides that entities established in China (without direct foreign equity ownership) but “controlled” by foreign investors, through contract or trust for example, will be treated as FIEs. Once an entity falls within the definition of FIE, it may be subject to foreign investment “restrictions” or “prohibitions” set forth in a “negative list” to be separately issued by the State Council later. If an FIE proposes to conduct business in an industry subject to foreign investment “restrictions” in the “negative list,” the FIE must go through a market entry clearance by the Ministry of Commerce before being established. If an FIE proposes to conduct business in an industry subject to foreign investment “prohibitions” in the “negative list,” it must not engage in the business. However, an FIE, during the market entry clearance process, may apply in writing to be treated as a PRC domestic enterprise if its foreign investor(s) is/are ultimately “controlled” by PRC government authorities and its affiliates and/or PRC citizens. In this connection, “control” is broadly defined in the draft law to cover the following summarized categories: (i) holding 50% of more of the voting rights of the subject entity; (ii) holding less than 50% of the voting rights of the subject entity but having the power to secure at least 50% of the seats on the board or other equivalent decision making bodies, or having the voting power to exert material influence on the board, the shareholders’ meeting or other equivalent decision making bodies; or (iii) having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity’s operations, financial matters or other key aspects of business operations.

The structure adopted by BI China, has been adopted by many PRC-based companies, to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. See “*Risk Factors — Risk Factors Related to BI China — Risks Related to BI China’s Corporate Structure*” and “*Description of the Business of BI China — Business Model — Group Structure and Recent Restructuring.*” Under the draft Foreign Investment Law, entities that are controlled via contractual arrangement would also be deemed as FIEs, if they are ultimately “controlled” by foreign investors. Therefore, for any companies with such a structure in an industry category that is included in the “negative list” as restricted industry, the structure may be deemed legitimate only if the ultimate controlling person(s)

is/are of PRC nationality (either PRC government authorities and its affiliates or PRC citizens). Conversely, if the actual controlling person(s) is/are of foreign nationalities, then the contractually controlled entities will be treated as FIEs and any operation in the industry category on the “negative list” without market entry clearance may be considered as illegal.

The draft Foreign Investment Law has not taken a position on what actions shall be taken with respect to the existing companies with such a structure, whether or not these companies are controlled by Chinese parties. Moreover, it is uncertain whether the internet and online sales of lottery products, in which BI China's entities operate, will be subject to the foreign investment restrictions or prohibitions set forth in the "negative list" to be issued. If the enacted version of the Foreign Investment Law and the final "negative list" mandate further actions, such as Ministry of Commerce market entry clearance, to be completed by companies with existing structures, BI China will face uncertainties as to whether such clearance can be timely obtained, or at all.

The draft Foreign Investment Law, if enacted as proposed, may also materially impact the corporate governance practice and increase BI China's compliance costs. For instance, the draft Foreign Investment Law imposes stringent ad hoc and periodic information reporting requirements on foreign investors and the applicable FIEs. Aside from investment implementation report and investment amendment report that are required at each investment and alteration of investment specifics, an annual report is mandatory, and large foreign investors meeting certain criteria are required to report on a quarterly basis. Any company found to be non-compliant with these information reporting obligations may potentially be subject to fines and/or administrative or criminal liabilities, and the persons directly responsible may be subject to criminal liabilities.

***The 2006 M&A Rules establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it difficult for BI China to pursue growth through acquisitions in China.***

The 2006 M&A Rules include provisions that purport to require approval of the Ministry of Commerce for acquisitions by offshore entities established or controlled by domestic companies, enterprises or natural persons of onshore entities that are related to such domestic companies, enterprises or natural persons, and prohibit offshore entities from using their foreign-invested subsidiaries in China, or through "other means," to circumvent such requirement. As part of BI China's growth strategy, it obtained control over Hulian Xincui and NewNet by entering into contractual arrangements with PRC nationals to create the wholly foreign-owned enterprise ("WFOE") legal structure. BI China did not seek the approval of the Ministry of Commerce for those transactions based on the legal advice obtained from PRC legal counsel in those transactions that such approval was unnecessary. However, the 2006 M&A Rules also prohibit companies from using any "other means" to circumvent the approval requirement set forth therein and there is no clear interpretation as to what constitutes "other means" of circumvention of the requirement under the 2006 M&A Rules. The Ministry of Commerce and other applicable government authorities would therefore have broad discretion in determining whether an acquisition is in violation of the 2006 M&A Rules. If PRC regulatory authorities take a view that is contrary to that of BI China, severe penalties may be imposed. In addition, BI China may grow its business, in part, by acquiring complementary businesses in China. If required to obtain the approval from the Ministry of Commerce, completion of such transaction may be delayed or even inhibited. The ability to expand BI China's business or maintain or expand market share through future acquisitions would as such be materially and adversely affected.



In addition, in August 2011 the Ministry of Commerce issued the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the MOFCOM Security Review Rules. The MOFCOM Security Review Rules, effective from September 1, 2011, require certain merger and acquisition transactions to be subject to merger control review or security review. The MOFCOM Security Review Rules further provide that, when deciding whether a specific merger or acquisition of a PRC enterprise by foreign investors is subject to the security review by the Ministry of Commerce, the principle of substance over form should be applied and foreign investors are prohibited from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. There is no explicit provision in the MOFCOM Security Review Rules stating that BI China's business falls into the scope subject to the security review. However, as these rules are relatively new and there is a lack of clear statutory interpretation on the implementation of these new rules, there can be no assurance that the Ministry of Commerce will not apply these rules to the contractual arrangements with Hulian Xincui and NewNet.

If found to be in violation of the MOFCOM Security Review Rules, or upon a failure to obtain any required approvals, the relevant regulatory authorities would have broad discretion in dealing with such violations against BI China, including levying fines, confiscating income, revoking BI China's PRC contractually controlled entities' business or operating licenses or requiring BI China to restructure or unwind the relevant ownership structure or operations. Any of these actions could cause significant disruption to BI China's business operations and may materially and adversely affect its business, financial condition and results of operations. Further, if the business of any target company being sought for acquisition in the future falls into the ambit of security review, complying with the requirements of the relevant rules could be prohibitively time consuming or legally prohibited, either by equity or asset acquisition, capital contribution or through any contractual arrangement, which could have a material and adverse impact on the ability to expand BI China's business or maintain its market share.

***Governmental control of currency conversion may affect the value of BI China's business.***

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of foreign currency out of China. All of BI China's revenues are received in Renminbi. Going forward, under the current corporate structure, BI China's principal source of income is expected to be from dividend payments to BI China from Beijing Brookfield. Shortages in the availability of foreign currency may restrict the ability of Beijing Brookfield to remit sufficient foreign currency to pay dividends or other payments, or otherwise satisfy their foreign currency-denominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents BI China from obtaining sufficient foreign currency to satisfy its currency demands, it may be unable to pay dividends in foreign currencies to BI China shareholders.

***Fluctuations in exchange rates of the Renminbi could materially affect financial results.***

The exchange rates between the Renminbi and the British pound and other foreign currencies are affected by, among other things, changes in China's political and economic conditions. The People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve policy goals.

As BI China may rely on dividends and other fees paid to it by Beijing Brookfield and affiliated consolidated entities in China, any significant revaluation of the Renminbi may materially and adversely affect cash flows, net revenues, earnings and the financial position, and the value of BI China.

***BI China's results or financial performance may be adversely affected by inflation in China.***

In the past China has experienced substantial rates of inflation. Inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets in China. Furthermore, in an attempt to stabilize inflation, China has previously imposed price controls. Past governmental efforts to curb inflation have also involved more drastic economic measures which had a materially adverse effect on the level of economic activity. There can be no assurance that the PRC will be able to continue to exercise effective control over inflation rates or that a high rate of inflation will not have a materially adverse effect on results or financial performance.

***BI China's operations may be adversely affected by changes in China's political, economic and social conditions.***

Substantially all of BI China's assets and operations are located in China. Accordingly, its business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in China generally and by continued economic growth in China as a whole.

The Chinese economy differs from the economies of most developed countries in many respects, including the level of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. In addition, the Chinese government continues to play a significant role in regulating industrial development by imposing industrial policies. The Chinese government also exercises significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth over the past decade, growth has been uneven, both geographically and among various sectors of the economy. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on BI China. For example, the financial condition and results of operations of BI China may be adversely affected by government control over capital investments or changes in tax regulations. In the past the Chinese government has implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China, which may adversely affect BI China's business and operating results. Any significant increase in China's inflation rate could increase costs and have a negative impact on operating margins. In addition, any sudden changes to China's political system or the occurrence of widespread social unrest could have negative effects on BI China's business and results of operations.

***Regulation and censorship of information disseminated over the internet in China may adversely affect BI China's business, and may cause liability for content that is displayed on any of its websites.***

China has enacted laws and regulations governing internet access and the distribution of products, services, news, information, audio-video programs and other content through the internet. In the past, the PRC government has prohibited the distribution of information through the internet that it deems to be in violation of PRC laws and regulations. If any of BI China's internet information were deemed by the PRC government to violate any content restrictions, BI China would not be able to continue to display such content and could become subject to penalties, including confiscation of income, fines, suspension of business and revocation of required licenses, which could

materially and adversely affect the business, financial condition and results of operations of BI China. BI China may also be subjected to liability for any unlawful actions of its customers or users of its website or for content distributed by BI China that is deemed inappropriate. It may be difficult to determine the type of content that may result in liability, and if BI China is found to be liable, it may be prevented from operating any of its website in China.

*Discontinuation of preferential tax treatments currently enjoyed or other unfavorable changes in tax law could result in additional compliance obligations and costs.*

Operating in the high-technology and software industry, one of BI China's operating entities in China enjoys the preferential tax treatment according to the prevailing PRC tax laws. Such PRC subsidiaries may, if the relevant requirements are met, qualify for high and new technology enterprises specially supported by the PRC. For a qualified high and new technology enterprise, the applicable enterprise income tax rate is 15%. The high and new technology enterprise qualification is re-assessed by the relevant authorities every three years. The discontinuation of the preferential tax treatment currently enjoyed could materially and adversely affect the financial condition and results of operations of BI China.

*Under the EIT Law, BI China may be classified as a "resident enterprise" of China. Such classification would likely result in unfavorable tax consequences.*

Under the enterprise income tax law ("**EIT Law**"), which has been revised effective as of February 24, 2017, and its implementation rules, (the "**Implementation Rules**"), which became effective on January 1, 2008, an enterprise established outside of the PRC with "de facto management bodies" within the PRC is considered a resident enterprise and is subject to enterprise income tax, or EIT, at the rate of 25% on its global income. The Implementation Rules define the term "de facto management bodies" as "establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise." The State Administration of Taxation issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or Circular 82, on April 22, 2009. Circular 82 provides that a foreign enterprise controlled by a PRC company or a PRC company group will be classified as a "resident enterprise" with its "de facto management bodies" located within China if the following criteria are satisfied: (i) the place where the senior management and core management departments that are in charge of its daily operations perform their duties is mainly located in the PRC; (ii) its financial and human resources decisions are made by or are subject to approval by persons or bodies in the PRC; (iii) its major assets, accounting books, company seals, and minutes and files of its board and shareholders' meetings are located or kept in the PRC; and (iv) more than half of the enterprise's directors or senior management with voting rights frequently reside in the PRC.

Currently, it is not believed that either BI China (Brookfield Interactive (Hong Kong) Limited) or Beijing Brookfield (Beijing Brookfield Interactive Science & Technology Co. Limited) meets all of the criteria above. While, based on the opinion of BI China's PRC counsel, Global Law Office, BI China has been advised that none of its entities incorporated outside of China is a PRC resident enterprise for PRC tax purposes, if the PRC authorities were to subsequently determine that BI China should be so treated, a 25% EIT on BI China's global income could significantly increase BI China's tax burden and materially and adversely affect its financial condition and results of operations.

Pursuant to the EIT Law, dividends generated after January 1, 2008 and payable by a foreign-invested enterprise in China to its foreign investors will be subject to a 10% withholding tax, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement and provided that relevant tax authorities approved the foreign investors as the beneficial owners of such dividends under applicable tax regulations. Substantially all of BI China's income may come from dividends from Beijing Brookfield, through its holding company incorporated under the laws of Hong-Kong, Brookfield Interactive (Hong Kong) Limited. In accordance with Announcement of the State Administration of Taxation on the Entry into Force and Implementation of the Agreement between the Government of the People's Republic of China and the Government of the United Kingdom of Great Britain and Northern Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital Gains and the Protocol thereto entered into in June 2011, or the Double Tax Avoidance Arrangement, and other applicable PRC laws, if a U.K. resident enterprise is determined by the relevant PRC tax authority to have satisfied the relevant conditions and requirements under the Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the U.K. resident enterprise receives from a PRC resident enterprise may be reduced to 5%. To the extent dividends paid by Beijing Brookfield to Brookfield Interactive (Hong Kong) Limited are subject to withholding tax, the amount of funds available to BI China to meet cash requirements will be reduced.

Furthermore, the State Administration of Taxation promulgated the Announcement of the State Administration of Taxation on Issues concerning “Beneficial Owners” in Tax Treaties in February 2018, or Beneficial Owners Announcement, which provides guidance for determining whether a resident of a contracting state is the “beneficial owner” of an item of income under China’s tax treaties and tax arrangements. According to the Beneficial Owners Announcement, a beneficial owner generally must be engaged in substantive business activities. An agent or designated payees will not be regarded as a beneficial owner and, therefore, will not qualify for treaty benefits. If BI China and Beijing Brookfield are not considered resident enterprises, there is no assurance that dividends distributed to Brookfield Interactive (Hong Kong) Limited will be eligible for a reduced withholding tax rate under the applicable treaty.

***Dividends payable to BI China’s foreign parent company after the Business Combination may become subject to taxes under PRC tax laws.***

Under the EIT Law and its implementation regulations issued by the State Council, a 10% PRC withholding tax is applicable to dividends payable to investors that are non-resident enterprises, which do not have an establishment or place of business in the PRC or which have such establishment or place of business but the dividends are not effectively connected with such establishment or place of business, to the extent such dividends are derived from sources within the PRC. Furthermore, if BI China is deemed a PRC resident enterprise, dividends payable to a parent company that is not a PRC entity may be subject to PRC tax at a rate of 10%, subject to any reduction or exemption set forth in applicable tax treaties. If dividends payable to BI China’s non-PRC parent company after the Business Combination are subject to PRC tax, the value of an investment in BI China may be reduced.

***BI China faces uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises by its non-PRC holding companies.***

The PRC tax authorities have enhanced their scrutiny over the direct or indirect transfer of certain taxable assets, including, in particular, equity interests in a PRC resident enterprise, by a non-resident enterprise by promulgating and implementing Circular 59 and Circular 698, which became effective in January 2008, and a Circular 7 in replacement of some of the existing rules in Circular 698, which became effective in February 2015.

Under Circular 698, where a non-resident enterprise conducts an “indirect transfer” by transferring the equity interests of a PRC “resident enterprise” indirectly by disposing of the equity interests of an overseas holding company, the non-resident enterprise, being the transferor, may be subject to PRC enterprise income tax, if the indirect transfer is considered to be an abusive use of company structure without reasonable commercial purposes. As a result, gains derived from such indirect transfer may be subject to PRC tax at a rate of up to 10%. Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the



taxable income of the transaction.

In February 2015, the State Administration of Taxation issued Circular 7 to replace the rules relating to indirect transfers in Circular 698. Circular 7 has introduced a new tax regime that is significantly different from that under Circular 698. Circular 7 extends its tax jurisdiction to not only indirect transfers set forth under Circular 698 but also transactions involving transfer of other taxable assets, through the offshore transfer of a foreign intermediate holding company. In addition, Circular 7 provides clearer criteria than Circular 698 on how to assess reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. Circular 7 also brings challenges to both the foreign transferor and transferee (or other person who is obligated to pay for the transfer) of the taxable assets. Where a non-resident enterprise conducts an “indirect transfer” by transferring the taxable assets indirectly by disposing of the equity interests of an overseas holding company, the non-resident enterprise being the transferor, or the transferee, or the PRC entity which directly owned the taxable assets may report to the relevant tax authority such indirect transfer. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise.

BI China faces uncertainties on the reporting and consequences on future private equity financing transactions, share exchange or other transactions involving the transfer of shares in BI China by investors that are non-PRC resident enterprises. The PRC tax authorities may pursue such non-resident enterprises with respect to a filing or the transferees with respect to withholding obligation, and request BI China’s PRC subsidiaries to assist in the filing. As a result, BI China and non-resident enterprises in such transactions may become at risk of being subject to filing obligations or being taxed, under Circular 59 or Circular 698 and Circular 7, and may be required to expend valuable resources to comply with Circular 59, Circular 698 and Circular 7 or to establish that they should not be taxed under these circulars, which may have a material adverse effect on their financial condition and results of operations.

The PRC tax authorities have the discretion under SAT Circular 59, Circular 698 and Circular 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the taxable assets transferred and the cost of investment. While currently, BI China has no plans to pursue any acquisitions in China or elsewhere in the world, it may seek to pursue acquisitions in the future that may involve complex corporate structures. If BI China is considered a non-resident enterprise under the PRC Enterprise Income Tax Law and if the PRC tax authorities make adjustments to the taxable income of the transactions under SAT Circular 59 or Circular 698 and Circular 7, BI China’s income tax costs associated with such potential acquisitions will be increased, which may have an adverse effect on its financial condition and results of operations.

***A failure by shareholders or beneficial owners who are PRC citizens or residents in China to comply with certain PRC foreign exchange regulations could restrict BI China’s ability to distribute profits, restrict overseas and cross-border investment activities or subject it to liability under PRC laws, which could adversely affect its business and financial condition.***

In July 2014, SAFE, issued the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Overseas Investment Financing and Roundtrip Investments via Overseas Special Purpose Companies, or SAFE Circular 37, which annulled the previously applicable Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles, or SAFE Circular 75. SAFE Circular 37 states that the PRC institutes, citizens or residents must register with the relevant local SAFE branch or central SAFE in connection with their direct establishment or indirect control of an offshore entity established with their domestic enterprise's legal assets or equity or overseas legal assets or equity for the purpose of investment and financing, and in connection with a roundtrip investment, whereby the PRC institutes, citizens or residents engage in direct investment activities domestically through the offshore entity directly or indirectly, that is establishment of foreign investment enterprises or projects domestically through setting up new enterprise or merger and acquisition and obtain the ownership, right of control and right of operation and management and other rights and interests. In addition, such PRC institutes, citizens or residents must apply for the registration of the overseas investment foreign exchanges before they invest in the special purpose companies with their domestic legal assets and interests, and amend their SAFE registrations when the offshore special purpose companies undergoes material events, such as the change of their shareholders, names, operation period and other basic information, or their increases or decreases in investment amount, transfers or exchanges of shares, mergers or divisions, or other material events, or offering equity incentive to the directors, supervisors, senior management and other employees with the equity or option of the non-listed special purpose companies, or obtaining the profit, dividend from the special purpose companies or no-longer holding the rights and interests of the special purpose companies due to share transfer, bankruptcy, dissolution, liquidation, expiration of the operation period, change of identity and other reasons or transferring the financing fund back inland after the special purpose companies has completed the overseas financing.

BI China is committed to complying, and to ensuring that its shareholders and beneficial owners who are PRC citizens or residents comply, with SAFE Circular 37 requirements and has requested that its beneficial owners who are PRC residents to complete the registration under SAFE Circular 37, if applicable. However, BI China may not be fully informed of the identities of all its beneficial owners who are PRC citizens or residents, and therefore will not have the ability to compel beneficial owners to comply with SAFE Circular 37 requirements. As a result, it cannot be assured that all BI China shareholders or beneficial owners who are PRC citizens or residents have complied with, and will in the future make or obtain any applicable registrations or approvals required by, SAFE Circular 37 or other related regulations. Failure by such shareholders or beneficial owners to comply with SAFE Circular 37, or failure by BI China to amend the foreign exchange registrations of its PRC subsidiaries, could subject BI China to fines or legal sanctions, restrict its overseas or cross-border investment activities, limit the ability of Beijing Brookfield to make distributions or pay dividends or affect the BI China ownership structure, which could adversely affect its business and prospects.

***A failure to comply with PRC regulations regarding the registration of shares and share options held by BI China employees who are PRC citizens may subject such employees and/or BI China to fines, legal and administrative sanctions.***

BI China intends to establish a share incentive scheme which would make grants to BI China employees who are residents of the PRC. BI China is aware that on February 15, 2012, SAFE promulgated the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Share Incentive Plans of Overseas Publicly-Listed Companies, or the Share Option Rules, which replaced the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Share Ownership Plans or Share Option Plans of Overseas Publicly-Listed Companies issued by SAFE on March 28, 2007. Under the Share Option Rules and other relevant rules and regulations, PRC residents who participate in share incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a share incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the share incentive plan on behalf of its participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of share options, the purchase and sale of corresponding shares or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the share incentive plan if there is any material change to the share incentive plan, the PRC agent or the overseas entrusted institution or other material changes. As of the date of this registration statement, BI China is discussing with its legal representatives the proper way to apply for registration with the Beijing branch of SAFE pursuant to the Share Option Rules. See “*Description of the Business of BI China — Regulation — Regulations on Foreign Exchange.*”

***Failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject BI China to penalties.***

Companies operating in China are required to participate in various government sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of BI China employees up to a maximum amount specified by the local government from time to time at locations where BI China operates. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations. BI China's PRC operating entities incorporated in various locations in China have not made adequate employee benefit payments and BI China has recorded accruals for estimated underpaid amounts in its financial statements. It may be required to make up the contributions for these plans as well as to pay late fees and fines. If BI China is subject to late fees or fines in relation to the underpaid employee benefits, its financial condition and results of operations may be adversely affected.

***BI China could be adversely affected by violations of applicable anti-corruption laws such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act of 2010.***

Anti-corruption laws, such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act of 2010, generally prohibit directly or indirectly giving, offering, or promising anything of value to improperly induce the recipient to act, or refrain from acting, in a manner that would confer a commercial advantage. The anti-bribery provisions of the U.S. Foreign Corrupt Practices Act generally prohibit directly or indirectly giving, offering or promising an inducement to a public official (broadly interpreted) to corruptly influence the official's actions in order to obtain a commercial advantage. The U.K. Bribery Act of 2010 prohibits both domestic and international bribery, as well as bribery in both the private and public sectors. In addition, an organization that "fails to prevent bribery" by anyone associated with the organization may be charged under the U.K. Bribery Act unless the organization can establish the defense of having implemented "adequate procedures" to prevent bribery. BI China has adopted and implemented policies and procedures designed to ensure that those involved in the marketing, sale, and distribution of its products are both aware of these legal requirements and committed to complying therewith. However, it cannot be assured that these policies and procedures will protect BI China from potentially illegal acts committed by individual employees or agents. If BI China is found to be liable for anti-corruption law violations, it could be subject to criminal or civil penalties or other consequences that could have a material adverse effect on its business and financial condition.

***We identified material weaknesses in connection with our internal control over financial reporting. Although we are taking steps to remediate these material weaknesses, we may not be successful in doing so in a timely manner, or at all, and we may identify other material weaknesses.***

In connection with the audits of our consolidated financial statements for the years ended December 31, 2017 and 2016, our management and independent auditors identified material weaknesses in our internal control over financial reporting. The material weaknesses related to (i) our lack of a sufficient number of personnel with an appropriate level of knowledge and experience in the application of International Financial Reporting Standards as issued by the International Accounting Standards Board, commensurate with our financial reporting requirements and (ii) the fact that policies and procedures with respect to the review, supervision and monitoring of our accounting and reporting functions were either not designed and in place or not operating effectively. As a result, numerous adjustments to our consolidated financial statements were identified and made during the course of the audit.

We are currently not required to comply with Section 404 of the Sarbanes-Oxley Act as a private company, and are therefore not required to make an assessment of the effectiveness of our internal control over financial reporting. Further, our independent auditor has not been engaged to express, nor have they expressed, an opinion on the effectiveness of our internal control over financial reporting. Had we and our independent auditor performed an evaluation of our internal control over financial reporting in accordance with the provisions of the Sarbanes-Oxley Act, additional control deficiencies may have been identified by our management or independent auditor, and those control deficiencies could have also represented one or more material weaknesses. In an effort to remediate the material weakness, we plan to combine our finance and accounting personnel with the other parties in the transaction, and as part of that combined business will have in place a Chief Financial Officer with public company experience.

Assessing our procedures to improve our internal control over financial reporting is an ongoing process. We can provide no assurance that our remediation efforts described herein will be successful and that we will not have material weaknesses in the future. Any material weaknesses we identify could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our consolidated financial statements.

***BNN's independent auditor's report contains an explanatory paragraph that expresses substantial doubt about BNN's ability to continue as a "going concern."***

As of June 30, 2018, BNN had incurred a loss for the period of £9.2 million, had negative cash flows from operations of £14.4 million, and an accumulated deficit of £91.5 million. Cash and cash equivalents was £9.7 million at June 30, 2018. Further, BNN has incurred and expects to continue to incur significant costs in pursuit of its operating plans. BNN management's plans to address this need for capital are discussed in the section of this report titled "*Operating and Financial Review and Prospects of BNN*" and Note 2 to its interim condensed consolidated financial statements as at and for the six month period ended June 30, 2018. BNN cannot assure you that its plans will be successful. These factors, among others, raise substantial doubt about BNN's ability to continue as a going concern. The financial statements contained elsewhere in this report do not include any adjustments that might result from BNN's inability to continue as a going concern.

RISK FACTORS RELATED TO PARAGONEX

**Risks Related to the ParagonEx Business**

*The revenue and profitability of ParagonEx are influenced by trading volume and currency volatility, which are directly impacted by domestic and international market and economic conditions that are beyond the control of ParagonEx.*

During recent years, there has been significant disruption and volatility in the global financial markets. ParagonEx's revenue is influenced by the general level of trading activity in the global financial markets. Its revenue and operating results may vary significantly from period to period due primarily to movements and trends in the world's financial markets and to fluctuations in trading levels. ParagonEx has generally experienced greater trading volume in periods of volatile markets. In the event ParagonEx experiences lower levels of market volatility, its revenue and profitability will likely be negatively affected. In addition, the End Users of the brokerage firms which operate and offer ParagonEx's trading platform (which ParagonEx refers to as its B2B customers) are primarily individual retail customers who view trading in the markets which ParagonEx offers as an alternative investment class. If global economic conditions limit the disposable income of its customers, the business of ParagonEx could be materially adversely affected as its customers may choose to curtail their trading, which could result in reduced customer trading volume and trading revenue.

Like other financial services firms, the business and profitability of ParagonEx are directly affected by elements that are beyond its control, such as economic and political conditions, broad trends in business and finance, changes in the volume of market transactions, changes in supply and demand for currencies, movements in currency exchange rates, changes in the financial strength of market participants, legislative and regulatory changes, changes in the markets in which such transactions occur, changes in how such transactions are processed and disruptions due to terrorism, war or extreme weather events. Any one or more of these factors, or other factors, may adversely affect the business and results of operations and cash flows of ParagonEx. A weakness in equity markets could result in reduced trading activity by ParagonEx's B2B customers and their End Users and, therefore, could have a material adverse effect on its business, financial condition and results of operations and cash flows. As a result, period-to-period comparisons of operating results may not be meaningful and the future operating results of ParagonEx may be subject to significant fluctuations or declines.

***The trading activities of ParagonEx involve significant risks and unforeseen events that could have a material adverse effect on its business, financial condition, results of operations and cash flows.***

ParagonEx offers the End Users of its B2B customers access to a wide array of products, including Forex, CFDs, spread bets, futures, commodities, stocks, OTC currency derivatives and gold and silver spot trading products. The trading activities by ParagonEx in these various products involve significant risks.

The principal sources of revenues and profits of ParagonEx arise from the difference between the prices at which it buys and sells, or sells and buys, the assets underlying its trading products. ParagonEx may incur trading losses for a variety of reasons, including:

price changes;

lack of liquidity in the underlying asset in which ParagonEx has positions; and



inaccuracies in the ParagonEx proprietary pricing mechanism, or rate engine, which evaluates, monitors and assimilates market data and reevaluates its outstanding quotes, and is designed to publish prices reflective of prevailing market conditions throughout the trading day.

These risks may affect the prices at which ParagonEx is able to sell or buy such assets or may limit or restrict its ability to either resell an asset that it has purchased or repurchase an asset that it has sold.

In addition, competitive forces often require ParagonEx to match the breadth of quotes which competitors display and to hold varying amounts and types of assets at any given time. By having to maintain positions in certain assets, ParagonEx is subjected to a high degree of risk. ParagonEx may not be able to manage such risk successfully and may experience significant losses from such activities, which could have a material adverse effect on its business, financial condition, results of operations and cash flows.

These risks include market risk, counterparty risk, liquidity risk, technology risk, third-party risk and risk of human error. In addition, unexpected events can occur that can result in great financial loss to ParagonEx, including its inability to effectively integrate new products into existing trading platforms or the failure by ParagonEx to properly manage the market risks associated with making markets for new products. The profit margins for these products may not be similar to the profit margins historically realized with respect to forex trading.

Furthermore, the consideration payable to ParagonEx for trading on its software platform and supply of its ancillary services is dependent upon the B2B customers' ability to pay this consideration from its End Users – further exposing ParagonEx to the credit risks of each such B2B customer.

***Closure of a major B2B customer due to regulatory or other reasons will likely have a material adverse effect on ParagonEx's business, financial condition, results of operation and cash flow.***

ParagonEx's is reliant on a relatively small number of major B2B customers from which it derives the vast majority of its revenue and net income. The shutdown or suspension of operations of any one or more such major B2B customer, whether due to regulatory or other reasons, will therefore likely have a material adverse effect on ParagonEx's business, financial condition, results of operation and cash flow.

***Any disruption or corruption of the proprietary technology belonging to ParagonEx could have a material adverse effect on its business, financial condition and results of operations and cash flows.***

ParagonEx relies on its proprietary technology to receive and properly process internal and external data. Any disruption in the proper functioning or any corruption of ParagonEx software or erroneous or corrupted data may cause it to make erroneous trades or require ParagonEx to suspend services, any of which could have a material adverse effect on the business, financial condition and results of operations and cash flows of ParagonEx.

*Systems failures could cause interruptions in ParagonEx services or decreases in the responsiveness of ParagonEx services, which could harm its business.*

If the ParagonEx systems fail to perform, ParagonEx could experience disruptions in operations, slower response times or decreased customer satisfaction. The ability of ParagonEx to facilitate transactions successfully and provide high quality customer service depends on the efficient and uninterrupted operation of its computer and communications hardware and software systems. These systems have historically experienced periodic interruptions and disruptions in operations, which is believed to continue to occur from time to time. The ParagonEx systems are also vulnerable to damage or interruption from human error, natural disasters, power loss, telecommunication failures, break-ins, sabotage, computer viruses, intentional acts of vandalism and similar events. ParagonEx does not have fully redundant capabilities nor does it maintain an alternative disaster-recovery site. While ParagonEx currently maintains a disaster recovery plan (“**DRP**”), which is intended to minimize service interruptions and secure data integrity, the **DRP** may not work effectively during an emergency. Any systems failure that causes an interruption in ParagonEx’s services or decreases the responsiveness of ParagonEx’s services could impair its reputation, damage its brand name and materially adversely affect ParagonEx’s business, financial condition and results of operations and cash flows.

***ParagonEx may not be able to develop and adopt new technologies in a timely fashion, which could adversely impact its ability to compete in the markets in which ParagonEx operates.***

The success of ParagonEx in the past has largely been attributable to its proprietary technology that has taken many years to develop. If competitors develop more advanced technologies, ParagonEx may be required to devote substantial resources to the development of more advanced technology to remain competitive. The industry within which ParagonEx operates is characterized by rapidly changing technology, evolving industry standards and changing trading systems, practices and techniques. ParagonEx may not be able to keep up with these rapid changes in the future, develop new technology, realize a return on amounts invested in developing new technologies or remain competitive in the future.

***Security breaches and other disruptions could compromise information and cause exposure to potential liability, which would cause the business and reputation of ParagonEx to suffer.***

In the ordinary course of its business, ParagonEx collects and stores sensitive data, including intellectual property, proprietary business and customer information, and personally identifiable information of B2B customers, End Users and employees, in data centers and on ParagonEx networks. Therefore, it must comply with data protection laws and regulations applicable to its activities, and may be subject to data protection authorities seeking to assert authority over it if such authorities deem such activities to be taking place within their jurisdiction. In addition, the secure processing, maintenance and transmission of this information is critical to the operations of ParagonEx. Despite its security measures, ParagonEx has, from time to time, experienced third-party cyberattacks as well as unintentional errors that can damage ParagonEx's systems or expose sensitive information. Further, ParagonEx information technology and infrastructure may be vulnerable to future attacks by hackers or compromised due to employee error, malfeasance or other disruptions, such as "distributed denial of service" or similar cyberattacks. Any such event could compromise ParagonEx's networks and the information stored there could be accessed, publicly disclosed, lost or stolen.

While liability for known past events has not been material to ParagonEx's business, financial condition, results of operations or cash flows, any such access, disclosure or other loss of information could result in future legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disruption of operations and services provided to customers, damage to the ParagonEx reputation or a loss of confidence in its products and services, any of which could adversely affect the business, financial condition, results of operations and cash flows of ParagonEx. ParagonEx does not currently maintain cyber risk insurance, and even if such insurance is obtained following the completion of the transactions contemplated by this registration statement it may not be sufficient to cover all losses from any future breaches of ParagonEx systems.

***Products linked to cryptocurrencies could expose ParagonEx to technology, regulatory and financial risks.***

ParagonEx has recently begun offering derivative products linked to Bitcoin and other cryptocurrencies in certain jurisdictions, and intends to expand the types of products offered, the associated types of cryptocurrencies and the jurisdictions in which the products are offered. The distributed ledger technology underlying cryptocurrencies and other similar financial assets is evolving at a rapid pace and may be vulnerable to cyberattacks or have other inherent weaknesses that are not yet apparent. ParagonEx may be, or may become, exposed to risks related to cryptocurrencies or other financial products that rely on distributed ledger technology through the facilitation of clients' activities involving such financial products linked to distributed ledger technology.

There is currently no broadly accepted regulatory framework for Bitcoin or other cryptocurrencies, and the regulation of cryptocurrencies is developing and changing rapidly in the United States and other countries around the world. For example, in the United States, it is unclear whether many cryptocurrencies are “securities” under federal securities laws, and the implications for ParagonEx if any of ParagonEx’s products are linked to cryptocurrencies that are determined to be securities could be significant and adverse. In addition, some market observers have asserted that recent price increases in many cryptocurrency markets, such as that for Bitcoin, indicate the existence of a “bubble,” and if markets for any cryptocurrencies linked to products suffer severe declines, ParagonEx’s B2B customers and End Users could experience significant losses and their business could be lost.

***ParagonEx may not be able to protect its intellectual property rights or may be prevented from using intellectual property necessary for its business.***

ParagonEx relies on a combination of copyright and trade secrets in jurisdictions in which ParagonEx operates to protect proprietary technology and intellectual property rights belonging to ParagonEx. ParagonEx does not have any patents or registered trademarks, which might adversely affect its ability to defend against technologies that mimic the features and functionality of ParagonEx proprietary platform as well as to protect its brands. While access to proprietary technology is rigorously controlled, and confidentiality and invention assignment agreements with ParagonEx employees, consultants and other third parties are entered into, it is possible that third parties may copy or otherwise obtain and use proprietary technology belonging to ParagonEx without authorization or otherwise infringe on the rights of ParagonEx. Such unauthorized use and infringement would undermine the competitive benefits offered by this proprietary technology and could adversely impact the business and results of operations and cash flows of ParagonEx.

ParagonEx also licenses or is permitted to use intellectual property, data or technologies owned by others, including stock exchanges. There is no assurance that these intellectual property rights, data or technologies will continue to be available on the same or commercially reasonable terms. Additionally, in the event such intellectual property or technology becomes material to the ParagonEx business, the loss of such licenses or the inability of ParagonEx to otherwise continue to use such technologies would have a material adverse effect on the ParagonEx business. ParagonEx may also face claims of infringement that could interfere with its ability to use technology that is material to its business operations.

***ParagonEx may face claims of infringement or misappropriation of intellectual property rights of third parties, which could expose ParagonEx to significant litigation expenses, losses or licensing expenses.***

ParagonEx did not conduct patent searches in order to ensure that it does not infringe any patents of third parties nor can it ensure that all its software developers did not infringe third parties’ intellectual property rights while developing ParagonEx’s proprietary platform. Intellectual property infringement claims might result in costly and time-consuming

litigation, expose ParagonEx to substantial damages or license fees with respect to the infringed rights and ultimately even require ParagonEx to cease using some or all of its proprietary platform or redesign it.

***ParagonEx has incorporated certain software components into its mobile applications that are subject to open source licenses and might require it to disclose certain proprietary source code.***

ParagonEx's mobile applications include software components licensed under open source licenses. Some open source licenses could require ParagonEx, under certain circumstances, to license or disclose code or inventions that are included in the mobile applications and may also expose ParagonEx to increased litigation risk.

***The requirements of the new European Union General Data Protection Regulations (GDPR) came into force in May 2018. If ParagonEx fails to comply with such regulations, it may be unable to offer its services to End Users in the European Union.***

The requirements of the new General Data Protection Regulations (“**GDPR**”) of the European Union (“**EU**”) came into force in May 2018. Data ‘controllers’ and ‘processors’, as defined by the GDPR, who process personal data of subjects in the EU, regardless of where the data is held or processed, will have to comply with these regulations. The GDPR has a significant effect on a company’s privacy and data protection practices, as it introduces various changes to how personal information should be collected, maintained, processed and secured. Non-compliance with the GDPR may result in fines of up to €20 million or 4% of ParagonEx’s annual global turnover, and ParagonEx will be particularly exposed to enforcement action in light of the amount of End User data it holds and processes. A company could also be subject to private litigation and loss of customer goodwill and confidence.

In its B2B operations, ParagonEx primarily acts as a ‘data processor’ and relies on its B2B customers to collect personal data from its End Users only in accordance with applicable consents or other lawful grounds. In its capacity as a data processor, ParagonEx processes a large quantity of personal End User data, including sensitive data such as name, address, age, bank details and trading history. Such data could be wrongfully accessed or used by employees, customers, suppliers of third parties, or lost, disclosed or improperly processed in breach of data protection regulations.

ParagonEx has undergone a robust and risk-oriented GDPR-preparation project, pursuant to a designated GDPR gap analysis that was prepared for that purpose. As part of such project, ParagonEx mapped the personal data lifecycle of the organization, including how personal data of EU-based End Users and EU employees is collected, stored, secured and shared with third parties. ParagonEx subsequently drafted applicable internal policies and procedures to address the various GDPR requirements, reviewed necessary product and IT implementations, put in place adequate contractual measures with respect to sharing data with third parties, appointed an external data protection officer, and more.

However, GDPR requires compliance with various national data protection laws governing the collection, use and disclosure of personal data in all countries in which ParagonEx’s B2B customers operate, and ParagonEx’s endeavors in the matter, despite being comprehensive and systematic, may not be completely successful. If ParagonEx is not fully compliant with the new EU GDPR, it may have a material adverse effect on its long-term success.

***Attrition of customer accounts and failure to attract new accounts in a cost-effective manner could have a material adverse effect on the business, financial condition and results of operations and cash flows of ParagonEx.***

The ParagonEx customer base is comprised of a few B2B customers that account for the generation of substantially all trading activity on ParagonEx's platform. Although products and tailored services designed to enable B2B customers to educate, support and retain End Users are offered, efforts to attract new B2B customers and to support its existing B2B customer in reducing the attrition rate of their existing End Users may not be successful. If ParagonEx's B2B customers are unable to maintain or increase End User retention rates or generate a substantial number of new End Users in a cost-effective manner, ParagonEx's business, financial condition and results of operations and cash flows would likely be adversely affected. Although significant financial resources on sales and marketing expenses and related expenses have been expended and ParagonEx plans to continue to do so, these efforts may not be cost-effective at attracting new B2B customers. In particular, ParagonEx believes that rates for desirable advertising and marketing placements, including online, search engine, print and television advertising, are likely to increase in the foreseeable future, possibly placing ParagonEx's B2B customers at a disadvantage relative to its larger competitors in its ability to expand or maintain advertising and marketing commitments. If ParagonEx's B2B customers do not achieve their advertising objectives, ParagonEx's profitability and growth may be materially adversely affected.



*ParagonEx is subject to litigation risk which could adversely affect ParagonEx's reputation, business, financial condition and results of operations and cash flows. ParagonEx's inactive Romanian subsidiary is under scrutiny as part of an industry-wide investigation held by Romanian law enforcement agencies. A class action has recently been filed against ParagonEx's Israeli subsidiary, Toyga, regarding supposed deficiencies in its disbursements toward employee pension funds.*

Although most of ParagonEx's business is not subject to regulatory oversight, many aspects of the business of ParagonEx involve risks that expose ParagonEx to potential liability in the jurisdictions in which it operates, as well as the rules and enforcement efforts of regulators and self-regulatory organizations worldwide. These risks include, among others, new or existing requirements made by regulators which ParagonEx fails to meet, disputes over trade terms with B2B customers and other market participants, End User losses (and consequently B2B customer losses) resulting from system delay or failure and End User and customer claims that ParagonEx employees executed unauthorized transactions, made materially false or misleading statements or lost or diverted End User assets in ParagonEx's custody. ParagonEx may also be subject to regulatory investigation and enforcement actions by regulators seeking to impose significant fines or other sanctions in the jurisdictions in which ParagonEx and its B2B customers operate or in which any End Users are located, which in turn could also trigger civil litigation for previous operations that may be deemed to have violated applicable rules and regulations in one or more jurisdictions.

The volume of claims and the amount of damages and fines claimed in litigation and regulatory proceedings against financial services firms has been increasing and may continue to increase. The amounts involved in the trades executed by ParagonEx, together with rapid price movements in its currency pairs, can result in potentially large damage claims in any litigation resulting from such trades. Dissatisfied End Users (directly or indirectly by bringing claims against the relevant B2B customers with whom they engaged), regulators or self-regulatory organizations may make claims against ParagonEx regarding the quality of trade execution, improperly settled trades, failure to obtain required regulatory approvals or licenses, mismanagement or even fraud, and these claims may increase as the ParagonEx business expands.

ParagonEx is already facing such risk in Romania, where it has come to ParagonEx's attention that its now-defunct subsidiary, Urom Support Srl ("**Urom**"), is apparently under investigation as part of a broad inquiry launched by Romanian law enforcement agencies across the entire online financial trading industry in the country. Thus far, no formal charges have been brought against Urom or, to ParagonEx's knowledge, against any of its officers, directors or affiliates. However, ParagonEx does not know the exact scope, extent, timeframe or objectives of the inquiry. If any further actions were to be taken as part of such inquiry or if its scope extends beyond the confines of the Romanian subsidiary, it might have a material adverse effect on ParagonEx or its affiliates despite Urom's impending expulsion from ParagonEx's corporate group.

Litigation may also arise from disputes over the exercise of the rights of ParagonEx with respect to B2B and End User customer accounts and collateral. Although ParagonEx agreements generally provide that ParagonEx may exercise rights with respect to B2B and End User customer accounts and collateral as ParagonEx deems reasonably necessary

for its protection, the exercise of these rights may lead to claims by customers that such rights were exercised improperly.

Litigation may also arise from various other corporate, commercial or employment disputes in which ParagonEx or its subsidiaries are or may become involved, including class actions which may be brought against them in Israel or abroad. Such risk recently materialized when a motion to approve a class action was filed with the Israeli regional labor court in Tel Aviv against Toyga Media Ltd. (“**Toyga**”), one of ParagonEx’s Israeli subsidiaries, by a former employee of ParagonEx who served as a customer retention representative. The motion asserts that since August 2011, Toyga has been making insufficient contributions to its employees’ pension funds by starting such contributions only after a certain period of time rather than from the first day of employment, and that Toyga further failed to make such contributions at the higher rates stipulated by a certain governmental extension order which allegedly applies to it. The motion further asserts that Toyga failed to consider sales commissions as part of the employees’ wages for purposes of calculating the pension contributions, resulting in an additional deficiency in such contributions. The class action is for a total amount of NIS 46,802,700, or approximately \$13.0 million as of December 31, 2018. Toyga has been granted an extension to file its response to the motion to allow the parties to exhaust discussions regarding a possible settlement, and a preliminary hearing in the case is set for April 11, 2019.

ParagonEx may also have to rely on litigation to enforce intellectual property rights, protect trade secrets, determine the validity and scope of the proprietary rights of others or defend against claims of infringement or invalidity. Even if ParagonEx prevails in any litigation or enforcement proceedings against it, ParagonEx could incur significant legal expenses defending against the claims, even those without merit. Moreover, because even claims without merit can damage ParagonEx's reputation or raise concerns among ParagonEx's B2B customers and End Users, ParagonEx may feel compelled to settle claims at significant cost. The initiation of any claim, proceeding or investigation against ParagonEx, or an adverse resolution of any such matter, could have a material adverse effect on the ParagonEx reputation, business, financial condition and results of operations and cash flows.

***ParagonEx may be subject to customer litigation, financial losses, regulatory sanctions and harm to its reputation as a result of employee misconduct or errors that are difficult to detect and deter.***

There have been a number of highly publicized cases involving fraud or other misconduct by financial services firms and their employees in recent years. ParagonEx employees could open new accounts without following appropriate proceedings, execute unauthorized transactions for End Users of ParagonEx's B2B customers, use their assets improperly or without authorization, carry out improper activities on behalf of such customers, make false or partial representations to End Users, provide services to End Users in a manner that is prohibited or without the appropriate licenses, or use confidential customer or company information for personal or other improper purposes, as well as improperly record or otherwise try to hide improper activities from ParagonEx. Further, in instances where ParagonEx B2B customers fail to comply with applicable regulation, regulators and End Users may attempt to make a claim against ParagonEx for providing the platform for execution of transactions that caused such violations. ParagonEx cannot assure you that ParagonEx would not be held responsible for breaches or violations by its B2B customers. Employees' misconduct exposes ParagonEx to the risk of material losses and regulatory sanctions.

In addition, employee errors, including mistakes in executing, recording or reporting transactions for End Users, may cause ParagonEx to enter into transactions that End Users disavow and refuse to settle. Employee errors expose ParagonEx to the risk of material losses until the errors are detected and the transactions are unwound or reversed. The risk of employee error or miscommunication may be greater for products that are new or have non-standardized terms. Further, such errors may be more likely to occur following any acquisitions during the integration of or migration from technological systems. Misconduct by ParagonEx employees or former employees could subject ParagonEx to financial losses or regulatory sanctions and seriously harm ParagonEx's reputation.

It may not be possible to detect or deter employee misconduct, and the precautions taken to prevent and detect this activity may not be effective in all cases. ParagonEx's employees may also commit good faith errors that could subject ParagonEx to financial claims for negligence or otherwise, as well as regulatory actions.

Misconduct by employees of ParagonEx's B2B customers can also cause exposure to claims for financial losses or regulatory proceedings when it is alleged ParagonEx or its employees knew or should have known that an employee of a ParagonEx B2B customer was not authorized to undertake certain transactions or made false representations to End Users. Dissatisfied End Users or B2B customers can make claims against ParagonEx, including claims for negligence, fraud, unauthorized trading, failure to supervise, breach of fiduciary duty, employee errors, intentional misconduct, unauthorized transactions by persons associated with ParagonEx or failures in the processing of transactions.

***End User accounts may be vulnerable to identity theft and credit card fraud.***

Credit card issuers have adopted credit card security guidelines as part of their ongoing efforts to prevent identity theft and credit card fraud. ParagonEx continues to work with credit card issuers to ensure that ParagonEx services, including End User account maintenance, comply with these rules. When there is unauthorized access to credit card data that results in financial loss, there is the potential that ParagonEx could experience reputational damage and parties could seek damages.

***If ParagonEx reputation is harmed, or the reputation of the online financial services industry as a whole is harmed, the business, financial condition and results of operations and cash flows of ParagonEx may be materially adversely affected.***

The ability of ParagonEx to attract and retain employees and B2B customers and the ability of its B2B customers to attract and retain End Users may be adversely affected if ParagonEx's reputation is damaged. If ParagonEx fails, or appears to fail, to deal with issues that may give rise to reputation risk, the business prospects of ParagonEx could be materially adversely affected. These issues include, but are not limited to, appropriately dealing with potential conflicts of interest, legal and regulatory requirements, ethical issues, money-laundering, privacy, client data protection, record keeping, sales and trading practices, and the proper identification of the legal, credit, liquidity, and market risks inherent in ParagonEx's business. Failure to appropriately address these issues could also give rise to additional legal risk, which could, in turn, increase the size and number of claims and damages asserted against ParagonEx or subject it to regulatory enforcement actions, fines and penalties. Any such sanctions could materially adversely affect ParagonEx's reputation, thereby reducing the ability of ParagonEx to attract and retain employees and B2B customers and, in turn, the ability of its B2B customers to retain End Users.

In addition, ParagonEx's ability to attract and retain B2B customers and the ability of such B2B customers to attract and retain End Users may be adversely affected if the reputation of the online financial services industry as a whole or the CFD trading industry is damaged. In recent years, a number of financial services firms have suffered significant damage to their reputations from highly publicized incidents that in turn resulted in significant and in some cases irreparable harm to their business. A perception of instability within the online financial services industry also could materially adversely affect the ability of ParagonEx to attract and retain B2B customers and the ability of such B2B customers to attract and retain End Users.

***The loss of key ParagonEx employees could materially adversely affect its business, including the ability to grow the business.***

ParagonEx key executives and employees have significant experience in the CFD trading industry and have made significant contributions to the business of ParagonEx. In addition, other senior ParagonEx employees have made significant contributions to ParagonEx's business. The continued success of ParagonEx is dependent upon the retention of these and other key ParagonEx executive officers and employees, as well as the services provided by the trading staff, technology and programming specialists and a number of other key managerial, marketing, planning, financial, technical and operations personnel employed by ParagonEx. The loss of such key personnel could have a materially adverse effect on ParagonEx's business. In addition, the ability of ParagonEx to grow its business is dependent, to a large degree, on its ability to retain such executives and employees.

*The industries in which ParagonEx operates are highly competitive, which may adversely affect ParagonEx if it is unable to compete effectively.*

The CFD trading market served by ParagonEx and the PaaS offering is rapidly evolving and characterized by intense competition and evolving domestic and global regulatory oversight and rules. Tighter spreads and increased competition could make the business of ParagonEx less profitable. The prospects of ParagonEx's success may be materially adversely affected by its inability to adapt to these changes and effectively manage the risks, expenses and difficulties frequently encountered in the operation of a business in a rapidly evolving industry.

In addition, competitors of ParagonEx include sophisticated institutions which have larger customer bases, more established name recognition and substantially greater financial, marketing, technological and personnel resources than ParagonEx does. These advantages may enable them to, among other things:

- develop products and services that are similar to those of ParagonEx, or that are more attractive to existing and prospective B2B customers and End Users in one or more markets in which ParagonEx does business;

- provide products and services not offered by ParagonEx;

- provide execution and clearing services that are more rapid, reliable, efficient or less expensive;

- offer products and services at prices below those of ParagonEx to gain market share and to promote other businesses, such as forex options, futures, listed securities, CFDs, precious metals and OTC derivatives;

- adapt at a faster rate to market conditions, new technologies and customer demands;

- offer better, faster and more reliable technology;

- outbid ParagonEx for desirable acquisition targets;

- more efficiently engage in and expand existing relationships with strategic alliances;

- market, promote and sell their products and services more effectively; and

develop stronger relationships with B2B customers.

These competitors, including commercial and investment banking firms, may have access to capital in greater amounts and at lower costs than ParagonEx does, and, therefore, may be better able to respond to changes in the industries in which ParagonEx operates, to compete for skilled professionals, to finance acquisitions, to fund internal growth and to compete for market share generally. Among other things, access to capital determines creditworthiness, which if perceived negatively in the market could materially impair the ability of ParagonEx to attract customer assets. Access to capital also determines the degree to which ParagonEx can expand its operations. Therefore, if ParagonEx is not able to maintain or increase capital on competitive terms, it could be at a significant competitive disadvantage, and the ability of ParagonEx to maintain or increase revenue and earnings could be materially impaired. Also, new or existing competitors in certain markets could make it difficult for ParagonEx to maintain current market share or increase it in desirable markets. Increased competition could also result in narrowing bid/offer spreads, which could materially adversely affect the business, financial condition and results of operations and cash flows of ParagonEx. Any reduction in revenues without a commensurate reduction in expenses would decrease profitability. ParagonEx may not be able to compete effectively against these firms, particularly those with greater financial resources, and failure to do so could materially and adversely affect the business, financial condition and results of operations and cash flows of ParagonEx.



***ParagonEx may be unable to respond to its B2B customers' demands for new services and products and its business, financial condition and results of operations and cash flows may be materially adversely affected.***

The market for Internet-based and mobile trading is characterized by:

changing End User demands;

the need to enhance existing services and products or introduce new services and products;

evolving industry practices; and

rapidly evolving technology solutions.

New services and products provided by competitors of ParagonEx may render existing services and products less competitive. The future success of ParagonEx will depend, in part, on its ability to respond to its existing and prospective B2B customers' demands (and the demands of such B2B customers' existing and prospective End Users) for new services and products on a timely and cost-effective basis and to adapt to address the increasingly sophisticated requirements and varied needs of ParagonEx's existing and prospective B2B customers and the needs of such B2B customers' existing and prospective End Users. ParagonEx may not be successful in developing, introducing or marketing new services and products. In addition, the new service and product enhancements offered by ParagonEx may not achieve market acceptance. Any failure on the part of ParagonEx to anticipate or respond adequately to customer requirements or changing industry practices, or any significant delays in the development, introduction or availability of new services, products or service or product enhancements could have a material adverse effect on the business, financial condition and results of operations and cash flows of ParagonEx.

***The international nature of ParagonEx operations presents special challenges and the failure to adequately address such challenges or compete in these markets, either directly or through joint ventures with local firms, could have a material adverse effect on the business, financial condition and results of operations and cash flows of ParagonEx.***

In 2017, ParagonEx generated its revenues from B2B customers and End Users located in approximately 150 countries. Moreover, expanding the ParagonEx business into new markets, such as China, is an important part of the growth strategy of ParagonEx. Due to certain cultural, regulatory and other challenges relevant to those markets, however, ParagonEx may be at a competitive disadvantage in those regions relative to local firms or to international firms that have a well-established local presence. These challenges include:

less developed or mature local technological infrastructure and higher costs, which could make ParagonEx products and services less attractive or accessible in emerging markets;

Exposure to potential diverse regulatory requirements of multiple jurisdictions, which may be more burdensome, not clearly defined and subject to unexpected changes, potentially exposing ParagonEx to significant compliance costs and regulatory penalties;

less developed and established local financial and banking infrastructure, which could make ParagonEx's products and services less accessible;

reduced protection of intellectual property rights;

inability to enforce contracts;

difficulties and costs associated with staffing and managing foreign operations, including reliance on newly hired local personnel;

tariffs and other trade barriers;

currency and tax laws that may prevent or restrict the transfer of capital and profits among the various ParagonEx operations around the world; and

time zone, language and cultural differences among personnel in different areas of the world.

In addition, in order to be competitive in these local markets, or in some cases because of restrictions on the ability of foreign firms to do business locally, ParagonEx may seek to operate through joint ventures with local firms. Doing business through joint ventures may limit the ability to control the conduct of the business and could expose ParagonEx to reputational and greater operational risks. ParagonEx may also face intense competition from other international firms over relatively scarce opportunities for market entry. Given the intense competition from other international brokers also seeking to enter these new markets, ParagonEx may have difficulty finding suitable local firms willing to enter into the kinds of relationships with it needed to gain access to these markets. This competition could make it difficult for ParagonEx to expand its business internationally as planned.

***If the operating subsidiaries of ParagonEx are unable to pay it fees or dividends when needed, ParagonEx may be unable to satisfy its obligations when they arise.***

As a holding company, nearly all of the funds of ParagonEx are generated by its operating subsidiaries. Historically, ParagonEx has accessed these funds through receipt of dividends from these subsidiaries, or, in the case of its Belize subsidiary — by charging it a license fee. The subsidiary in Belize is further subject to regulation and requirements of regulatory bodies in Belize relating to liquidity and capital standards, which may have the effect of limiting funds available for the payment of license fees or dividends to ParagonEx. Accordingly, if ParagonEx subsidiary in Belize is unable to pay fees or dividends and make other payments to ParagonEx when needed, due to regulatory restrictions or otherwise, ParagonEx may be unable to satisfy obligations when they arise.

***ParagonEx depends on one major B2B customer for a significant portion of its revenues, and its future revenues and earnings could be negatively impacted by the loss or reduction of the demand for services by such customer.***

A significant portion of ParagonEx's annual revenues in the past two years were derived from one leading B2B customer, namely UFX, which operates two regulated companies. As of December 31, 2017, the revenues from UFX accounted for approximately 93% of ParagonEx's revenues. Any disruption in the business operations of UFX, including as a result of regulatory or banking restrictions, would likely result in a substantial reduction or complete loss of the revenue and income generated by such customer, which would have a material adverse impact on ParagonEx's financial condition and performance.

***The services provided by ParagonEx to several of its main B2B customers are comprehensive, which may cause such customers to be considered operationally dependent on ParagonEx.***

As part of its business development strategy, ParagonEx has supported the founders of several of its major B2B customers in the incorporation or acquisition of their companies, as well as in obtaining and renewing their regulatory licenses. ParagonEx further provides several of these B2B customers with comprehensive services which cover a considerable portion of the overall scope of such B2B customers' operations and which they receive exclusively from ParagonEx, possibly causing such B2B customers to be operationally dependent on ParagonEx. Consequently, such B2B customers may be regarded as related parties of ParagonEx or as having a connection to ParagonEx for various accounting, tax and corporate purposes, and certain transactions between the parties may not be regarded as having been conducted at arm's-length or on fair market terms.

***Recent and potential changes to rules regarding cross-border taxation, the revised interpretation of existing tax rules or increased scrutiny of existing structures, could increase the tax liability of ParagonEx.***

ParagonEx aims to ensure that each legal entity within its group is a tax resident of the jurisdiction in which it is incorporated or registered and has no taxable presence in any other jurisdiction, and that the pricing of any arrangements between group companies, such as intra-group provision of services, are established on an arm's-length basis. However, if any group company is found to have a taxable presence elsewhere, whether on the basis of existing law or the current practice of any tax authority or by reason of a change in law or practice, or if tax authorities in relevant jurisdictions do not regard the arrangements between any of the group companies as being made at arm's-length or insofar as changes occur in transfer pricing regulations or in the interpretation of existing transfer pricing regulations, this may have a material adverse effect on the amount of tax payable. Heightened attention has been given at national and supranational levels, particularly through the G20/OECD Base Erosion and Profit Shifting program ("BEPS"), as well as in other public forums and the media, with regard to matters of cross-border taxation, and in particular, to taxation of the digital economy.

In this context, ParagonEx expects to be subject to increased reporting requirements regarding its international tax structure. In addition, changes are expected to the definition of the "permanent establishment" concept under bilateral tax treaties or a multilateral instrument, and to the manner in which the existing "permanent establishment" concept is interpreted by tax authorities, such that ParagonEx may be subject to corporate tax with regard to profits attributed to additional jurisdictions in which it does not currently have a taxable presence under the rules as currently interpreted. Furthermore, the Isle of Man government is in the process of introducing rules aimed at bolstering its compliance with EU and international obligations in the context of which minimum requirements with regard to the substance and activities of locally registered companies are expected to be introduced. Any changes in the rules regarding cross-border taxation or the revised interpretation of existing tax rules could increase the tax liability of ParagonEx and have a material adverse effect on its business, results of operations, financial condition and prospects.

***The Israeli tax authority (ITA) is reviewing ParagonEx's tax position.***

The Israeli tax authority (the "ITA") is in the process of reviewing ParagonEx's tax position and has initiated an audit of ParagonEx's tax filings in Israel. The ITA is asserting that ParagonEx is effectively controlled and managed from Israel, and should therefore be subject to Israeli taxation on its entire global income in accordance with the local tax ordinance. Consequently, ParagonEx has been issued with a demand from the ITA, requiring it to pay the minimum tax advancements that are levied on all new businesses registering in Israel. Although ParagonEx has presented the ITA with documentation and other evidence supporting its position that it is not controlled or managed from Israel and that it has acted in accordance with all applicable tax laws and regulations, there remains a risk that the ITA may reject such position and tax ParagonEx's past and future earnings under Israeli law. Furthermore, even if the ITA were to accept ParagonEx's position that it is neither controlled or managed from Israel nor has a permanent establishment in Israel, it may still challenge the transfer pricing between the Israeli and non-Israeli entities within the ParagonEx corporate group and determine that a larger portion of ParagonEx's overall income should be attributed to its Israeli

subsidiaries and taxed accordingly. Since ParagonEx has thus far benefited from a zero corporate tax rate in the Isle of Man, a determination by the ITA subjecting ParagonEx to Israeli taxation, whether fully or partially, will likely impose a material tax liability with regard to ParagonEx past operations and further impact its net earnings going forward. ParagonEx's management considers the probability of such an outcome to be remote.

The ITA is presently conducting a civil tax audit of certain of the Israeli subsidiaries of ParagonEx, and has requested certain information and documentation regarding those Companies. In November 2018, Toyga Media Ltd. received a formal notification that its file was transferred from the ITA to the District Attorney's Office

*ParagonEx's major shareholders and employees, as well as the shareholder of UFX, were exposed in the 'Panama papers'.*

The publication of the 'Panama papers' exposed, among other things, the breakdown of the shareholdings in ParagonEx as well as the shareholdings in UFX. This exposure gives rise to potential tax, regulatory and banking risks which are currently difficult to assess.

*ParagonEx's subsidiary in Belize may not be able to provide liquidity services due to regulatory limitations.*

The regulatory authority which oversees the operations of ParagonEx's subsidiary in Belize has recently been viewed as unreliable by the Cyprus Securities Exchange Commission ("CySec"), which is the regulator of two of ParagonEx's main B2B customers, due, among other things, to the Belize regulator's disregard of CySec's circular on the implications of the Negative Balance Protection ("NBP") requirement and the Adequacy of Risk Transferring Arrangements. While ParagonEx plans to establish a substitute liquidity-providing subsidiary and have it obtain a license in a reputable jurisdiction that will be acceptable to CySec, or engage with a third party entity licensed in such a jurisdiction, it cannot be certain that such a license will be granted or that such third party arrangement will be acceptable to CySec. Furthermore, ParagonEx expects to incur increased expenses in connection with regulatory compliance, as well as increased operational and tax expenses in connection with its need to immediately implement certain remedial measures to ensure its ongoing operations.

#### **Risks Related to Regulation Applicable to ParagonEx B2B Customers**

*Failure by ParagonEx B2B customers to comply with the rapidly evolving laws and regulations governing their businesses could potentially result in regulatory agencies taking action against ParagonEx, which could significantly harm its business.*

The operations of ParagonEx's B2B customers are generally regulated by governmental bodies or self-regulatory organizations. Among other things, ParagonEx B2B customers are subject to regulation concerning:

· sales and marketing activities, including interaction with, and solicitation of, customers;

trading practices, including leverage and the types of investment products offered or to be offered; the types of End Users that may make use of the services;

· the methods by which customers can fund accounts;

· treatment of customer assets, including custody, control, safekeeping and, in certain countries, segregation of customer funds and securities;

· maintaining specified minimum amounts of capital and limiting withdrawals of funds;

· continuing education requirements for employees;

· Know-your-client and anti-money laundering practices;

· record keeping and reporting; and

· supervision regarding the conduct of directors, officers and employees.

Though ParagonEx conducts its business in a manner which it believes to be compliant with applicable local law, regulators may attempt to assert authority over ParagonEx's activities that they deem to take place within the jurisdiction they regulate, including solely by virtue of the presence of End Users within the jurisdiction. In addition, new laws, rules or regulations may be enacted that change the regulatory landscape and result in new, or clarify preexisting, registration or licensing requirements. As a result, a regulator overseeing the activities of a ParagonEx's B2B customer may attempt to assert authority over ParagonEx.



Regulators and self-regulatory organizations (including those in the jurisdictions in which End Users are present) broadly oversee the conduct of the business of ParagonEx B2B customers and several perform regular examinations of their operations to monitor compliance with applicable laws and regulations. If a regulator finds that a ParagonEx B2B customer has failed to comply with applicable rules and regulations using ParagonEx trading platform, the regulator may potentially subject ParagonEx to censure, fines, cease-and-desist orders, suspension of business operations, removal of personnel, civil litigation or other sanctions. Further, in instances where a ParagonEx B2B customer is servicing End Users, such End Users may make a claim, or claims, against ParagonEx for non-compliance with laws or regulations in that jurisdiction, including a claim that ParagonEx is required to be regulated as a Business to Consumer (“B2C”) type of business. ParagonEx could incur significant legal expenses in defending itself against, and resolving actions or investigations by, such regulatory agencies. An adverse resolution of any future actions or investigations by such regulatory agencies could result in a negative perception of ParagonEx, which in turn could have a materially adverse effect on the business, financial condition, and results of operations and cash flows of ParagonEx.

***ParagonEx subsidiary in Belize is required to maintain high levels of capital, which could constrain its growth and subject it to regulatory sanctions.***

The regulators of ParagonEx’s subsidiary in Belize have stringent rules requiring that it maintains specific minimum levels of regulatory capital. As of June 30, 2018, ParagonEx’s subsidiary in Belize was required to maintain approximately \$500,000 in minimum capital. Additional revisions to the existing rules or new capital adequacy rules applicable to ParagonEx’s subsidiary in Belize may be proposed and ultimately adopted, which could further increase the minimum capital requirements in the future.

Even if regulators do not change existing regulations or adopt new ones, the minimum capital requirements will generally increase in proportion to the size of the business conducted by the regulated ParagonEx subsidiary. As a result, ParagonEx may need to increase regulatory capital in order to expand operations and increase revenue. The inability to increase capital on a cost-efficient basis could constrain the growth of ParagonEx. In addition, in many cases, ParagonEx is not permitted to withdraw regulatory capital maintained by ParagonEx’s subsidiary in Belize without prior regulatory approval or notice, which could constrain the ability to allocate capital resources most efficiently throughout the global operations of ParagonEx. In particular, these restrictions could adversely affect the ability of ParagonEx to withdraw funds needed to satisfy ongoing operating expenses, debt service and other cash needs. While it is expected that the current amount of regulatory capital will be sufficient to meet anticipated short-term increases in requirements, any failure to maintain the required levels of regulatory capital, or to report any capital deficiencies or material declines in capital could result in severe sanctions, including fines, censure, restrictions on the ability of ParagonEx’s subsidiary in Belize to conduct business and revocation of registrations. The imposition of one or more of these sanctions could ultimately lead to the liquidation of ParagonEx’s subsidiary in Belize.

***Servicing customers via the Internet may require ParagonEx to comply with the laws and regulations of each country in which it is deemed to conduct business. Failure to comply with such laws may negatively impact***

*financial results.*

Since ParagonEx's services and PaaS offerings are available over the Internet in foreign countries and ParagonEx's B2B customers and their End User clients are located or reside in foreign countries, foreign jurisdictions may require ParagonEx to qualify to do business in their country. ParagonEx may be required to comply with the laws and regulations of each country in which business is conducted, including laws and regulations currently in place or which may be enacted related to Internet services available to the residents of each country from service providers located elsewhere. Any failure to develop effective compliance and reporting systems could result in regulatory penalties in the applicable jurisdiction, which could have a material adverse effect on the business, financial condition and results of operations and cash flows of ParagonEx.

## **Risks Related to ParagonEx Counterparties**

***If ParagonEx loses access to prime brokers and other liquidity providers it may be unable to provide competitive trading services, which will materially adversely affect the business, financial condition and results of operations and cash flows of ParagonEx.***

ParagonEx engages third-party financial institutions to provide it with market liquidity. ParagonEx maintains relationships with a large network of liquidity providers, including established global prime brokers such as JFD. ParagonEx maintains these relationships on an as-needed basis, particularly those with prime brokers, for access to a pool of liquidity to ensure that the ability to execute trades in the products offered at the notional amounts requested by End Users. These liquidity providers, although under contract with ParagonEx, may terminate the arrangements at any time. If ParagonEx were to experience a disruption in the services provided by a liquidity provider, particularly a prime broker, due to a financial, technical or other adverse development, the business of ParagonEx could be adversely affected to the extent that it is unable to transfer positions and margin balances to another liquidity provider that allows ParagonEx to offer competitive trading services in a timely fashion. In the event of the insolvency of one or more prime brokers or other liquidity providers, ParagonEx may not be able to recover any or all of the funds deposited with such entity as ParagonEx will be among the entity's unsecured creditors. In the event that ParagonEx no longer has access to the current levels of liquidity, ParagonEx may be unable to provide competitive trading services, which would materially adversely affect the business, financial condition and results of operations and cash flows of ParagonEx.

***A systemic market event that impacts the various market participants with whom ParagonEx interacts could have a material adverse effect on the business, financial condition and results of operations and cash flows of ParagonEx.***

ParagonEx interacts with various third parties through relationships with liquidity providers and introducing brokers. Some of these market participants could be overleveraged. In the event of sudden, large market price movements, such market participants may not be able to meet their obligations to brokers who, in turn, may not be able to meet their obligations to their counterparties. As a result, a systemic collapse in the financial markets could occur, which would have a material adverse effect on the business, financial condition and results of operations and cash flows of ParagonEx.

***ParagonEx is subject to risk of default by financial institutions that hold ParagonEx funds and the funds of ParagonEx B2B customers.***

ParagonEx has significant deposits of its own funds and funds belonging to its B2B customers and their End Users with banks and other financial institutions, including liquidity providers. In the event of the insolvency of one of these financial institutions, ParagonEx might not be able to fully recover the deposited assets since ParagonEx will be among the institution's unsecured creditors. As a result, ParagonEx's business could be materially adversely affected by the loss of these funds.

***ParagonEx is subject to credit risk in that an End User's losses may exceed the amount of cash in their account. ParagonEx faces further credit risk from its inability to collect payments from its B2B customers due to regulatory constraints.***

The trading operations of ParagonEx requires a commitment of capital and involves risks of loss because of the potential that an End User's losses may exceed the amount of cash in their account. The ParagonEx margin policy allows End Users to leverage their account balances by trading notional amounts that may be significantly larger than their cash balances. ParagonEx marks End Users' accounts to market each time a price in their portfolio changes. While this allows ParagonEx to closely monitor each End User's exposure, it does not guarantee the ability to eliminate negative End User account balances prior to an adverse price change or other market events. Although ParagonEx has the ability to alter margin requirements without prior notice to End Users, this may not eliminate the risk that access to liquidity becomes limited or market conditions, including price volatility and liquidity constraints, change faster than the ability of ParagonEx to modify its margin requirements. Changes in market conditions or unforeseen extreme market events could result in End Users experiencing losses in excess of deposited funds. In such an event, ParagonEx may not be able to recover the negative client equity from End Users, which may result in incurring a bad debt expense. In addition, if ParagonEx cannot collect funds from its B2B customers due to regulatory constraints. ParagonEx may nonetheless be required to fund positions held with liquidity providers or other third parties and face further write-offs on account of bad debt. Any of the foregoing events could have a material adverse effect on the business, financial condition, results of operations and cash flows of ParagonEx.

***Failure of third-party systems or third-party service and software providers upon which ParagonEx relies could adversely affect the business of ParagonEx.***

ParagonEx relies on certain third-party computer systems or third-party service and software providers, including trading platforms, back-office systems, Internet service providers, and software development partners and communications facilities. Any interruption in these third-party services, or deterioration in their performance or quality, could adversely affect the business of ParagonEx. If the arrangements with any such third party is terminated, ParagonEx may be unable to find alternative systems or service providers on a timely basis or on commercially reasonable terms. This could have a material adverse effect on the business, financial condition and results of operations and cash flows of ParagonEx.

***Failure to maintain relationships with introducing brokers who direct new End Users to ParagonEx's B2B customers could have a material adverse effect on the business, financial condition and results of operations and cash flows of ParagonEx.***

ParagonEx B2B customers have relationships with introducing brokers who direct new End Users to them and provide marketing and other services for these End Users. In certain jurisdictions, ParagonEx's B2B customers can only

provide services through introducing brokers. For the year ended December 31, 2017, approximately 13% of retail trading volume on ParagonEx's trading platform was derived from End Users referred by introducing brokers. Many relationships with introducing brokers are nonexclusive or may be terminated by the brokers on short notice. In addition, under the agreements with introducing brokers, they have no obligation to provide ParagonEx's B2B customers with new End Users or minimum levels of transaction volume. The failure of ParagonEx's B2B customers to maintain these relationships with introducing brokers, the failure of the introducing brokers to provide new End Users to such B2B customers or the failure to create new relationships with introducing brokers would result in a loss of revenue, which could have a material adverse effect on the business, financial condition and results of operations and cash flows of ParagonEx. To the extent any competitor of ParagonEx's B2B customers offers more attractive compensation terms to one or more introducing brokers, that brokers' services could be lost or ParagonEx's B2B customers could be required to increase the compensation paid to retain the brokers, which will likely be offset from the amounts payable to ParagonEx by its B2B customers, back-to-back. In addition, ParagonEx's B2B customers may agree to set the compensation for one or more introducing brokers at a level where, based on the transaction volume generated by End Users directed to ParagonEx's B2B customers by such brokers, it would have been more economically attractive to seek to acquire the End Users directly rather than through the introducing broker.

***The ParagonEx business or reputation could be harmed by the misconduct or errors of brokers who are B2B customers or introducing brokers that are difficult to detect and deter.***

ParagonEx may be perceived as responsible for improper conduct by the brokers who are its B2B customers and introducing brokers, even though it does not control their activities. Many of CFD brokers or introducing brokers operate websites and telemarketing centers, which are used to advertise and promote services or direct End Users to ParagonEx's PaaS offering. It is difficult to closely monitor the contents of these websites and the activities conducted by such telemarketing centers to ensure that the statements they make and the activities they conduct in relation to ParagonEx's PaaS offerings are accurate and comply with applicable rules and regulations. Any disciplinary action taken against a CFD broker who is a ParagonEx customer or any introducing brokers could have a material adverse effect on ParagonEx's reputation, damage its brand name and materially adversely affect the business, financial condition and results of operations and cash flows of ParagonEx.

***ParagonEx is exposed to closure of bank accounts and disengagement of payment processors.***

In recent years, many of the bank accounts of ParagonEx and its B2B customers have been closed due to internal risk management policies of banks and their growing reluctance to deal with funds derived from trading in Forex, CFDs, cryptocurrencies and other financial instruments. ParagonEx's Israeli subsidiary, Toyga Online Ltd., is a party to litigation against a local bank in Israel in this regard – see “*Description of the Business of ParagonEx — Business — Legal Proceedings.*” Similarly, ParagonEx's business model is highly dependent on its B2B customers' relationships with payment processing service providers, through which essentially all End User deposits are funneled. ParagonEx's ability to maintain bank accounts and gateways to major credit card and e-payment facilities is vital for its operation as a going concern, and if no banking and payment processing solutions remain available to it, ParagonEx may be forced to severely reduce its business activities or suspend them altogether. While ParagonEx continues to seek alternative banking and payment processing solutions, it is already suffering from increased banking and payment processing commissions and legal fees as a result of these obstacles.

## **Risks Related to ParagonEx's Operations in Israel**

***Potential political, economic and military instability in Israel could adversely affect ParagonEx's operations.***

Several of ParagonEx's offices and operating facilities are located in Israel. Accordingly, with respect to its Israeli facilities, political, economic and military conditions in Israel directly affect ParagonEx's operations. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its Arab neighbors. A state of hostility, varying in degree and intensity, has led to security and economic problems for Israel.

Since October 2000 there has been an increase in hostilities between Israel and the Palestinians, including the Israel-Gaza conflict, which has adversely affected the peace process and has negatively influenced Israel's relationship with its Arab citizens and several Arab countries. Such ongoing hostilities may hinder Israel's international trade relations and may limit the geographic markets where ParagonEx can sell its products and solutions. Hostilities involving or threatening Israel, or the interruption or curtailment of trade between Israel and its present trading partners, could materially and adversely affect ParagonEx's operations.

In addition, since Israel's establishment, companies based in Israel and companies doing business with Israel have been the subject of an economic boycott by members of the Arab League and certain other predominantly Muslim countries. Although Israel has entered into various agreements with certain Arab countries and the Palestinian Authority, and various declarations have been signed in connection with efforts to resolve some of the economic and political problems in the Middle East, ParagonEx cannot predict whether or in what manner these problems will be resolved. Wars and acts of terrorism have resulted in significant damage to the Israeli economy, including reducing the level of foreign and local investment.

Furthermore, certain of ParagonEx's officers and employees may be obligated to perform annual reserve duty in the Israel Defense Forces and are subject to being called up for active military duty at any time. All Israeli male citizens who have served in the army are subject to an obligation to perform reserve duty until they are between 40 and 49 years old, depending upon the nature of their military service.



CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

MICT believes that some of the information in this proxy statement/prospectus constitutes forward-looking statements within the definition of the Private Securities Litigation Reform Act of 1995. You can identify these statements by forward-looking words such as “estimates,” “projected,” “expects,” “anticipates,” “forecasts,” “plans,” “intends,” “believes,” “may,” “will,” “should,” “future,” “propose” and variations of these words or similar expressions (or the negative versions of such words or expressions) that are intended to identify forward-looking statements. You should read statements that contain these words carefully because they:

discuss future expectations;

contain projections of future results of operations or financial condition; or

state other “forward-looking” information.

MICT believes it is important to communicate its expectations to its stockholders. However, there may be events in the future that MICT is not able to predict accurately or over which it has no control. The risk factors and cautionary language discussed in this proxy statement/prospectus provide examples of risks, uncertainties and events that may cause actual results to differ materially from the expectations described by MICT in such forward-looking statements, including among other things:

our history of losses;

disruption or corruption of ParagonEx’s and BI China’s technology and information systems, including any security breaches;

litigation;

the effect of government regulation and taxation on our business, including regulatory developments related to cryptocurrencies and national and provincial regulations in China;

potential infringements on ParagonEx’s and BI China’s intellectual property;

political and economic conditions affecting countries in which we currently do business or into which we may expand;

reduction in demand for services affecting future revenues;

loss of key personnel and ability to attract qualified personnel;

our ability to compete for acquisition opportunities and our ability to integrate and operate acquired businesses;

integration of the business of ParagonEx and BI China; and

other factors.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this proxy statement/prospectus.

All forward-looking statements included herein attributable to any of MICT or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable laws and regulations, MICT undertakes no obligations to update these forward-looking statements to reflect events or circumstances after the date of this proxy statement/prospectus or to reflect the occurrence of unanticipated events.

Before a stockholder grants its proxy or instructs how its vote should be cast or vote on the Proposals, it should be aware that the occurrence of the events described in the “*Risk Factors*” section and elsewhere in this proxy statement/prospectus may adversely affect MICT and GFH.

## THE ACQUISITION AGREEMENT AND RELATED AGREEMENTS

### The Acquisition Agreement

This section is a summary description of the material provisions of that certain acquisition agreement entered into on December 18, 2018 by the Parties (as defined below) (the “**Acquisition Agreement**”) but does not purport to describe all of the terms thereof. The following summary is qualified in its entirety by reference to the complete text of the Acquisition Agreement, a copy of which is attached hereto as Annex B. All interested parties are strongly urged to read the Acquisition Agreement, along with the related agreements and documents, in their entirety, as this summary should not be relied upon to provide all the terms and conditions of the Acquisition Agreement that may be material to you.

### General Description of the Acquisition Agreement

On December 18, 2018 the following parties entered into the Acquisition Agreement: (i) MICT, (ii) GFH (iii) Merger Sub, (iv) BNN, (v) BI China, (vi) the BI China Sellers, (vii) ParagonEx, (viii) the ParagonEx Executing Shareholders and the 102 Trustee as registered holder on behalf of all ParagonEx Executing Shareholders who are beneficial owners of 102 Shares (collectively representing not less than 75% of the ParagonEx equity securities outstanding on a fully diluted basis) and (ix) the ParagonEx Seller Representative. MICT, GFH, Merger Sub, BNN, BI China, the BI China Sellers, ParagonEx, the ParagonEx Sellers and the ParagonEx Seller Representative are sometimes referred to herein individually as a “**Party**” and, collectively, as the “**Parties to the Acquisition Agreement.**” The following is a summary of the key terms of the Acquisition Agreement.

The Acquisition Agreement contemplates a business combination consisting of: (1) a tender offer by BNN for shares of MICT, as more fully described below (the “**Offer**”); (2) a merger between MICT and Merger Sub, with MICT continuing as the surviving entity, and as a result of which each issued and outstanding share of common stock of MICT will be converted automatically into 0.93 GFH Ordinary Shares (the “**Merger**”); (3) an acquisition by GFH of all the issued and outstanding securities of BI China from BNN and the other BI China Sellers in exchange for newly issued GFH Ordinary Shares (the “**BNN Acquisition**”); (4) an acquisition by GFH of all the issued and outstanding ParagonEx Ordinary Shares from the ParagonEx Sellers in exchange for a combination of cash, notes and newly issued GFH Ordinary Shares (the “**ParagonEx Acquisition**”); and (5) a spin-off of MICT’s current business assets, including MICT’s interest in Micronet, a partially owned subsidiary, to MICT’s Stockholders who retain shares of MICT after the Offer, provided that seven percent (7%) of the shares of Micronet, otherwise distributable to stockholders of MICT will be held back for issuance to Sunrise Securities, Trump Securities or their Affiliates, as payment for any claims for compensation under the Sunrise Agreement (the “**Spin-Off,**” and together with the Offer, the Merger, the BNN Acquisition, the ParagonEx Acquisition and the other transactions contemplated by the Acquisition Agreement, the “**Transactions**”).

In addition, in December 2018, GFH conducted a private placement (the “**GFH Private Placement**”), in connection with which GFH entered into subscription agreements with certain investors (the “**Private Placement Investors**”) pursuant to which such Private Placement Investors agreed to purchase an aggregate of \$23,500,000 in ordinary shares of GFH, the proceeds from which shall be released to GFH immediately prior to the Closing, conditioned upon receipt of approval of the stockholders of MICT to the Transactions and satisfaction or waiver of the conditions to Closing set forth in Article XII of the Acquisition Agreement. The proceeds of the GFH Private Placement, plus any funds contributed by BI China to cover any shortfall of the GFH Private Placement, along with senior unsecured promissory notes in a total principal amount of (i) \$10,000,000 if paid in a single lump sum, or (ii) \$12,000,000 payable in eight equal installments over a period of 22 months, at GFH’s sole discretion, to the ParagonEx Sellers as partial consideration for the ParagonEx Ordinary Shares to be acquired by GFH in the ParagonEx Acquisition.

At Closing, GFH shall assume, pay, perform, and discharge all the obligations of BNN under an unsecured convertible loan note with a currently outstanding principal balance of Six Million Pounds (£6,000,000) (the “**BNN Convertible Note**”), convertible into GFH shares at a conversion price of \$1.65 per share and with a term of two (2) years from the Closing. Interest on the BNN Convertible Note will accrue at a rate of 6% per annum and will be payable semi-annually.

#### *Tender Offer*

BNN will commence the Offer for up to approximately 20% of the outstanding shares of MICT Common Stock, from the public stockholders of MICT, at a price per share of \$1.65 net to the seller in cash (the “**Offer Price**”), without interest, and upon the terms and conditions of the Acquisition Agreement. The initial expiration date of the Offer is a minimum of twenty (20) Business Days following the commencement of the Offer (the “**Expiration Time**”). BNN expressly reserves the right (i) to increase the Offer Price and (ii) to waive any condition to the Offer or modify the terms of the Offer, except that, without the prior written consent of MICT, BNN shall not (a) reduce the number of shares of MICT Common Stock subject to the Offer, (b) reduce the Offer Price to be paid pursuant to the Offer, (c) add to the Tender Offer Conditions (as defined in the Acquisition Agreement) or amend or modify any Tender Offer Condition in any manner adverse to the holders of shares of MICT Common Stock, (d) except as otherwise provided in Section 1.1 of the Acquisition Agreement, extend the Expiration Time, or (e) change the form of consideration payable in the Offer, *provided that* nothing in this clause shall limit BNN’s ability to provide additional cash consideration in addition to the Offer Price.

If the Offer is terminated, withdrawn or otherwise not consummated due to the failure of the condition in the Tender Offer Conditions that the Offer shall not have caused the shares to be held of record by fewer than 300 round lot holders or require pursuant to one or more Nasdaq rules or regulations that the Company obtain stockholder approval in connection therewith, then MICT shall have the option to either (i) terminate this Agreement and receive the Target Termination Fee contemplated by Section 13.3(b) of the Acquisition Agreement, or (ii) not to terminate the Acquisition Agreement and to continue to seek to consummate the transactions contemplated thereby.

#### *The Spin-Off*

Pursuant to the Acquisition Agreement, and subject to the closing of the Business Combination, it is contemplated that MICT shall spin-off its holdings in Micronet to MICT’s stockholders who retain shares of MICT after the Offer, provided that seven percent (7%) of the shares of Micronet otherwise distributable to MICT’s stockholders will be held back for potential issuance to Sunrise Securities, Trump Securities or their Affiliates as payment for any claims for transaction fee payable to Sunrise under the Sunrise Agreement. See the section entitled “*Description of the Business of MICT — Legal Proceedings.*”

Micronet is a publicly traded company on the Tel Aviv Stock Exchange that operates in the Mobile Resource Management market and designs, develops, manufactures and sells rugged mobile computing devices that provide fleet operators and field workforces with computing solutions in challenging work environments. For a more complete discussion of Micronet's business, see Micronet's public filings in connection with its listing on the Tel Aviv Stock Exchange. Following the Spin-Off, the shares of Micronet that are spun-off to MICT's stockholders who retain shares of MICT after the Offer are expected to continue to trade on the Tel Aviv Stock Exchange, and it is not contemplated that such shares will be listed on any U.S. exchange. Further, the Acquisition Agreement provides that MICT may sell certain of its shares of Micronet during the interim period if such sales are necessary to complete the transactions contemplated by the Acquisition Agreement, including the Spin-Off, and accordingly, there is no way for MICT's stockholders to determine at this time how many shares of Micronet will be distributed or the number of shares of Micronet they will be entitled to upon the completion of the Spin-Off.

Moreover, Micronet anticipates that it will be required to obtain, and it is currently in the process of seeking, additional financing, which is likely to be dilutive to Micronet's stockholders, due to an increase in cash flow needs on the one hand, and the utilization of most of its existing resources on the other. Such increase in cash flow needs is due to both a significant decrease in Micronet's recent sales results, and a lower sales forecast than in previous years. This recent decline in Micronet's sales forecast is primarily due to a number of factors, including a decrease in the rate of sales of Micronet's customers to end customers, delays in the launch of the new generation of products, and a decrease in demand due to delays in the implementation of the Electronic Logging mandate. These factors are expected to result in significant cash flow deficits through 2019.

Given the uncertainty as to the number of shares of Micronet to be distributed, Micronet's need for financing, and the difficult position Micronet currently is in, MICT's stockholders should not ascribe significant value to the Spin-Off in determining whether or not to participate in the Offer.

The fair market value of the Micronet shares that stockholders receive in connection with the Spin-Off (including the amount of any taxes withheld therefrom) will generally be includable in such stockholders' gross income as dividend income on the date of receipt, to the extent that the distribution is paid out of MICT's current or accumulated earnings and profits (as determined under U.S. federal income tax principles). For a more complete discussion of the U.S. federal income tax consequences of the Business Combination, see the section entitled "*Proposal 1: The Business Combination Proposal — Material United States Federal Income Tax Considerations.*"

### *Merger*

Subject to the approval by the holders of MICT Common Stock (the "**MICT Stockholders**"), MICT and Merger Sub shall consummate the Merger, pursuant to which, among other things, (a) Merger Sub will merge with and into MICT, following which MICT will continue as the surviving corporation; (b) the board of directors and executive officers of Merger Sub will each hold office in MICT as the Surviving Corporation; and (c) every issued and outstanding share of MICT Common Stock, subject to the limitations set forth in the Acquisition Agreement, will be converted automatically into 0.93 GFH Ordinary Shares (the "**Conversion Ratio**"), following which all shares of MICT Common Stock will automatically be canceled and cease to exist, provided that, if the Parties mutually agree, for Nasdaq listing purposes, the Conversion Ratio may be a ratio other than 0.93 for one (but in no event will the Conversion Ratio be in excess of one (1) share of MICT Common Stock for five (5) shares of GFH Ordinary Shares); (d) all MICT Options that are outstanding and unexercised immediately prior to the Effective Time will survive the Closing and will be converted into and become an option to purchase GFH Ordinary Shares (the "**MICT Replacement Option**"), with (i) the per share price for the GFH Ordinary Shares issuable upon exercise of each MICT Replacement Option will be the same as the per share exercise price for the applicable MICT Option immediately before the Merger and (ii) each MICT Replacement Option subject to expiration on the fifteen (15) month anniversary of the Closing Date; (e) GFH will assume MICT's 2012 Stock Incentive Plan and 2014 Stock Incentive Plan; and (f) each outstanding MICT Warrant shall be canceled and replaced with an MICT Replacement Warrant to purchase GFH Ordinary Shares, with substantially the same terms and conditions as the original MICT Warrant, except that (i) the number of GFH

Ordinary Shares which can be purchased with each MICT Replacement Warrant shall be adjusted by the Conversion Ratio and (ii) the exercise price for each MICT Replacement Warrant shall be adjusted by the Conversion Ratio.



*Share Exchange*

At Closing, BNN and the other BI China Sellers will sell to GFH all of the issued and outstanding BI China Securities (the “**BI China Purchased Securities**”). As full consideration for the BI China Purchased Securities, GFH will issue to the BI China Sellers (including BNN) an aggregate number of GFH Ordinary Shares equal to the number of shares to be issued to the BI China Sellers in accordance with the capitalization table attached as Schedule 3.2(d) to the Acquisition Agreement.

At Closing, GFH will purchase the ParagonEx Purchased Securities of the ParagonEx Sellers, and as consideration, the ParagonEx Sellers will receive the following: (a) the Cash Payment from the GFH Private Placement and funds received from BI China pursuant to the GFH Private Placement shortfall, if applicable; (b) the ParagonEx Notes which entitle the ParagonEx Sellers to receive, at GFH’s sole discretion, either (i) the full principal amount of the ParagonEx Notes in a single lump-sum payment upon Closing or (ii) an aggregate amount of \$12,000,000 payable in eight equal installments over a twenty-two (22) month period; and (c) an aggregate number of GFH Ordinary Shares (the “**ParagonEx Exchange Shares**”) equal to the number of shares to be issued to the ParagonEx Sellers. In addition, as a separate transaction and not as consideration for the ParagonEx Purchased Securities, GFH shall issue and deliver to each of Saar Pilosof and Haim Toledano (in addition to the ParagonEx Exchange Shares issued to them in their capacity as ParagonEx Sellers) an aggregate of Two Million (2,000,000) shares of GFH Ordinary Shares (the “**ParagonEx Founders’ Additional Shares**”).

Any ParagonEx Non-Executing Shareholder as of the Closing shall become a ParagonEx Seller by virtue of the provisions of Section 3.13 in the Acquisition Agreement, whereby ParagonEx Executing Shareholders, who collectively hold 75% of the issued and outstanding share capital and voting power of ParagonEx, are deemed to have accepted an offer by GFH to purchase all of their securities in ParagonEx in accordance with the terms set forth and conditions in the Merger Agreement, which offer is conditioned upon the sale of all of the outstanding shares of ParagonEx on a fully diluted basis.

Subject to the terms and conditions of the Acquisition Agreement, and assuming that none of the shares of MICT’s common stock are purchased by BNN in connection with the Offer, MICT’s Stockholders will own approximately 5.27% of GFH after giving effect to the transactions contemplated by the Acquisition Agreement.

*Representations and Warranties*

The Acquisition Agreement contains a number of representations and warranties made by each of MICT, BNN, BI China, ParagonEx, the ParagonEx Sellers, GFH, and the BI China Sellers, which in certain cases are subject to

specified exceptions and materiality, Material Adverse Effect, knowledge and other qualifications contained in the Acquisition Agreement or in information provided pursuant to certain disclosure schedules to the Acquisition Agreement. “**Material Adverse Effect**” as used in the Acquisition means, with respect to any specified Person, any fact, event, occurrence, change or effect that has had, or would reasonably be expected to have, individually or in the aggregate, a material adverse effect upon (a) the business, assets, Liabilities, results of operations, prospects or condition (financial or otherwise) of such Person and its Subsidiaries (excluding, with respect to MICT, its Subsidiaries or assets to be spun-off in connection with the Spin-Off), taken as a whole, or (b) the ability of such Person or any of its Subsidiaries (excluding, with respect to MICT, its Subsidiaries to be spun-off in connection with the Spin-Off) on a timely basis to consummate the transactions contemplated by this Acquisition Agreement or the Ancillary Documents to which it is a party or bound or to perform its obligations hereunder or thereunder, in each case subject to certain customary exceptions.

Certain of the representations and warranties are subject to specified exceptions and qualifications contained in the Acquisition Agreement or in information provided pursuant to certain disclosure schedules to the Acquisition Agreement.

In the Acquisition Agreement, MICT made certain customary representations and warranties to GFH, BNN, BI China, ParagonEx and the ParagonEx Sellers, including among others, related to the following: (1) corporate matters, including due organization, existence and good standing; (2) authority and binding effect relative to execution and delivery of the Acquisition Agreement and certain Ancillary Documents; (3) governmental approvals; (4) non-contravention; (5) capitalization; (6) SEC filings and financial statements; (7) absence of certain changes; (8) compliance with laws; (9) actions, orders and permits; (10) taxes and returns; (11) employee matters and benefit plans; (12) real property; (13) personal property; (14) title to and sufficiency of assets; (15) material contracts; (16) transactions with affiliates; (17) Investment Company Act of 1940; (18) finders and brokers; (19) certain business practices; (20) insurance; (21) subsidiaries; (22) information supplied; (23) waiver of Section 203 of the Delaware General Corporation Law (the “**DGCL**”); and (24) disclosure.

In the Acquisition Agreement, BNN and BI China jointly and severally made certain customary representations and warranties to MICT and the ParagonEx Sellers, including among others, related to the following: (1) corporate matters, including due organization, existence and good standing; (2) authority and binding effect relative to execution and delivery of the Acquisition Agreement and certain Ancillary Documents; (3) capitalization; (4) subsidiaries; (5) approvals; (6) non-contravention; (7) financial statements; (8) absence of certain changes; (9) compliance with laws; (10) permits; (11) litigation; (12) material contracts; (13) intellectual property; (14) taxes and returns; (15) real property; (16) personal property; (17) title to and sufficiency of assets; (18) employee matters; (19) benefit plans; (20) environmental matters; (21) transactions with related persons; (22) insurance; (23) top customers and suppliers; (24) certain business practices; (25) Investment Company Act of 1940; (26) finders and brokers; (27) ownership; (28) information supplied; and (29) disclosure.

In the Acquisition Agreement, ParagonEx made certain customary representations and warranties to GFH, MICT and BNN, including among others, related to the following: (1) corporate matters, including due organization, existence and good standing; (2) authority and binding effect relative to execution and delivery of the Acquisition Agreement and certain Ancillary Documents; (3) capitalization; (4) subsidiaries; (5) governmental approvals; (6) non-contravention; (7) financial statements; (8) absence of certain changes; (9) compliance with laws; (10) permits; (11) litigation; (12) material contracts; (13) intellectual property; (14) taxes and returns; (15) real property; (16) personal property; (17) title to and sufficiency of assets; (18) employee matters; (19) benefit plans; (20) environmental matters; (21) transactions with related persons; (22) insurance; (23) top customers and suppliers; (24) certain business practices; (25) Investment Company Act of 1940; (26) finders and brokers; (27) information supplied; and (28) disclosure.

In the Acquisition Agreement, each of the ParagonEx Sellers severally and not jointly made certain customary representations and warranties to GFH, MICT and BNN, including among others, related to the following: (1)

corporate matters, including due organization, existence and good standing; (2) authority and binding effect relative to execution and delivery of the Acquisition Agreement and certain Ancillary Documents; (3) ownership; (4) governmental approvals; (5) non-contravention; (6) litigation; (7) finders and brokers; (8) information supplied; and (9) percentage of ParagonEx Executing Shareholders.

In the Acquisition Agreement, GFH made certain customary representations and warranties to MICT, BNN and ParagonEx, including among others, related to the following: (1) corporate matters, including due organization, existence and good standing; (2) authority and binding effect relative to execution and delivery of the Acquisition Agreement and certain Ancillary Documents; (3) governmental approvals; (4) non-contravention; (5) capitalization; (6) finders and brokers; (7) ownership of exchange shares; and (8) activities of GFH and Merger Sub.

In the Acquisition Agreement, each of the BI China Sellers severally and not jointly made certain customary representations and warranties to GFH, MICT and ParagonEx, including among others, related to the following: (1) corporate matters, including due organization, existence and good standing; (2) authority and binding effect relative to execution and delivery of the Acquisition Agreement and certain Ancillary Documents; (3) ownership; (4) governmental approvals; (5) non-contravention; (6) litigation; (7) finders and brokers; and (8) information supplied.

### *Covenants of the Parties*

Each Party agreed in the Acquisition Agreement to use its commercially reasonable efforts to effect the Closing. The Acquisition Agreement also contains certain customary covenants by the Parties during the period between the date of the Acquisition Agreement and the earlier of the Closing or the termination of the Acquisition Agreement in accordance with its terms (the “**Interim Period**”). Such customary covenants, include without limitation, (1) that access to the properties, books and personal will be given (a) by BI China and GFH to MICT and ParagonEx, (b) by ParagonEx to MICT, BNN and BI China certain Access Rights, and (c) by MICT to GFH, BNN, BI China and ParagonEx; (2) BI China, ParagonEx, and MICT will operate their respective businesses in the ordinary course of business; (3) MICT, BNN and ParagonEx will procure audited consolidated financial statements for fiscal years ended December 31, 2017 and 2016; (4) MICT will keep current and timely all of its public filings; (5) no insider trading; (6) notification of certain breaches, consent requirements or other matters; (7) efforts to consummate the Closing and obtain third party and regulatory approvals; (8) further assurances; (9) public announcements; (10) confidentiality; (11) retention of documents and information; (12) indemnification of directors and officers; (13) satisfaction of the reporting requirements of Section 16(a) of the Exchange Act; and (14) GFH shall be entitled to place legends on book entries and certificates evidencing GFH Ordinary Shares. In addition to the foregoing, the Acquisition Agreement also contains a number of transaction specific covenants as described herein below.

The Acquisition Agreement and the consummation of the transactions contemplated thereby requires the approval of MICT’s stockholders. MICT and GFH agreed, as promptly as practicable after the date of the Acquisition Agreement, to prepare, with the reasonable assistance of BI China and ParagonEx and file with the SEC, a registration statement on Form F-4 (as amended or supplemented from time to time, and including the joint proxy statement/prospectus contained therein, the “**Registration Statement**”) in connection with the registration under the Securities Act of the issuance of shares of GFH Ordinary Shares to the holders of MICT’s securities, BI China’s securities, ParagonEx’s securities, the ParagonEx Founders’ Additional Shares and the shares issuable to the Private Placement Investors and containing a proxy statement for the purpose of soliciting proxies from the MICT stockholders to approve the Acquisition Agreement, the transactions contemplated thereby and related matters (the “**MICT Stockholder Approval**”).

Each of the Parties also agreed not to solicit or enter into any alternative competing transactions during the Interim Period without the prior written consent of BNN and ParagonEx, on the one hand and MICT on the other hand, as applicable; provided, that prior to obtaining the MICT Stockholder Approval, MICT’s board of directors may, directly or indirectly, through any representative, with respect to any third party (and its representatives) that has made an

acquisition proposal after the date of the Acquisition Agreement that was not solicited in violation of the Acquisition Agreement and that MICT's board of directors determines in good faith (after consultation with its financial advisor and its outside legal counsel) either constitutes or is reasonably expected to lead to a superior proposal, engage or participate in discussions or negotiations with such third-party (and its representatives) and MICT may furnish non-public information relating to MICT and its subsidiaries to such third-party. MICT agreed that its board of directors would recommend that MICT's stockholders approve the Merger and that it would not fail to make, withdraw, amend or modify such recommendation unless prior to the MICT Stockholder Approval it receives an unsolicited alternative transaction proposal after the date of the Acquisition Agreement that it determines in good faith to be superior to the transactions contemplated by the Acquisition Agreement and that the failure to take such action would reasonably be expected to be inconsistent with the board of director's fiduciary duties. In such case MICT's board of directors is entitled to change its recommendation prior to the Special Meeting (a "**Change in Recommendation**"). Prior to such Change in Recommendation, if requested by either BI China or ParagonEx, BI China and ParagonEx, as the case may be, shall have a five business day period to negotiate modifications to the Acquisition Agreement with MICT in order to obviate the need for the Change in Recommendation.

The Parties each agreed to take all necessary action, including causing the directors of GFH to resign, so that effective as of the Closing, GFH's board of directors (the "**Post-Closing GFH Board**") will consist of up to nine (9) individuals; provided that two (2) individuals who serve as directors of MICT as of the date of the Acquisition Agreement (the "**Continuing Directors**"), which Continuing Directors shall be selected by ParagonEx, shall serve as members of the Post-Closing GFH Board until the earlier of the completion of the Spin-Off or 180 days after the Closing. Immediately after the Closing, the Parties shall take all necessary action to designate and appoint to the initial Post-Closing GFH Board (i) up to seven (7) persons that are designated by BNN and ParagonEx prior to the Closing (three (3) of whom shall be appointed by BNN and four (4) by ParagonEx).

The Parties agreed that ten (10) Business Days prior to the designated Closing Date or such other date as the Parties shall mutually agree, each of GFH, BI China and ParagonEx shall prepare and deliver to the other Parties a statement (each a "**Pre-Closing Statement**") setting forth, as of the end of the calendar month immediately preceding the month in which the Closing is designated to take place, such Party's determination of its net working capital (which net working capital in the case of BI China shall include the amount of any prepayment by BNN to ParagonEx for working capital under their Prepayment Agreement).

MICT and GFH agreed that promptly after the Closing (and in any event within 60 days of the record date for the Spin-Off), they would complete the Spin-Off.

BNN agreed that within fifteen (15) Business Days after the date of the Acquisition Agreement, BNN shall take all necessary actions under its articles of association to reduce the drag-along threshold in its governing documents to 55% and thereafter use the drag-along provision to cause the other equity holders of BI China to transfer their BI China shares to GFH.

BNN also agreed to amend the outstanding BNN Convertible Note in a form reasonably satisfactory to ParagonEx to provide that the ParagonEx Notes shall rank senior to the BNN Convertible Note.

#### *Non-Survival of Representations, Warranties, Covenants and Agreements*

The representations, warranties, covenants and agreements made by the Parties do not survive the Effective Time, except for (a) those covenants and agreements contained therein that by their terms apply or are to be performed in whole or in part after the Effective Time, (b) those covenants and agreements set forth in Article XIV of the Agreement, and (c) a valid fraud claim with respect to the negotiation and execution of the Acquisition Agreement and the Ancillary Documents.





*Conditions to Consummation of the Transactions*

The obligations of the each Party to consummate the Transactions are subject to various conditions, including the following mutual conditions of the parties unless waived: (1) the approval of MICT Stockholder Matters; (2) expiration of the waiting period under Antitrust Laws; (3) receipt of the requisite regulatory approvals; (4) requisite consents; (5) no law or order preventing or prohibiting the transactions contemplated by the Acquisition Agreement; (6) no pending litigation to enjoin or restrict the consummation of the Closing; (7) the election or appointment of the members of the board of directors of GFH post-closing; (8) the effectiveness of the Registration Statement; and (9) the approval of the GFH Ordinary Shares, the BI China Exchange Shares and the ParagonEx Exchange Share for listing on Nasdaq.

Unless waived by BNN and BI China, the obligations of GFH, BNN, BI China and the BI China Sellers to consummate the Transactions are subject to the satisfaction of the following closing conditions, in addition to the receipt of customary certificates and other closing deliveries: (1) the representations and warranties of MICT, ParagonEx and the ParagonEx Seller are true and correct as of the date of the Acquisition Agreement and on and as of the Closing (subject to Material Adverse Effect and exceptions for other dates); (2) MICT and ParagonEx have performed in all material respects the respective obligations and complied in all material respects with their respective covenants and agreements under the Acquisition Agreement required to be performed or complied with on or prior the date of the Closing; (3) the absence of any Material Adverse Effect with respect MICT since the date of the Acquisition Agreement which is continuing and uncured; and (4) closing deliverables are made, including those related to (a) the resignations of certain MICT directors and officers, (b) the approvals from ParagonEx Optionholder Instruments, (c) the filing of the GFH Equity Plan and GFH Israeli Sub-Plan, (d) the receipt of share certificates and (d) confirmation of the registered agent filing for Maples Corporate Services (BVI) Limited.

Unless waived by ParagonEx, the obligations of ParagonEx to consummate the Transactions are subject to the satisfaction of the following closing conditions, in addition to the receipt of customary certificates and other closing deliveries: (1) the representations and warranties of MICT, GFH, BNN and BI China are true and correct as of the date of the Acquisition Agreement and on and as of the Closing (subject to Material Adverse Effect and exceptions for other dates); (2) MICT, GFH, BNN and BI China have performed in all material respects the respective obligations and complied in all material respects with their respective covenants and agreements under the Acquisition Agreement required to be performed or complied with on or prior the date of the Closing; (3) the absence of any Material Adverse Effect with respect MICT since the date of the Acquisition Agreement which is continuing and uncured; and (4) closing deliverables are made, including those related to (a) the resignations of certain MICT directors and officers and (b) the termination of certain contracts.

Unless waived by MICT, the obligations of MICT to consummate the Transactions are subject to the satisfaction of the following closing conditions, in addition to the receipt of customary certificates and other closing deliveries: (1) the representations and warranties of BI China, BNN, ParagonEx or any ParagonEx Seller are true and correct as of the date of the Acquisition Agreement and on and as of the Closing (subject to Material Adverse Effect and exceptions

for other dates); (2) BNN, BI China, ParagonEx and each ParagonEx Seller have performed in all material respects the respective obligations and complied in all material respects with their respective covenants and agreements under the Acquisition Agreement required to be performed or complied with on or prior the date of the Closing; (3) the absence of any Material Adverse Effect with respect to BI China or its subsidiaries or ParagonEx or its subsidiaries since the date of the Acquisition Agreement which is continuing and uncured; (4) the transfer of Excluded ParagonEx Target Companies Share Capital; (5) the termination of UB2000 contract; (6) the execution of the UFX agreement; (7) WFOE to have completed the proper amendment of the registration forms for certain loans; (8) BNN to have completed the registration of pledges; (9) the controlling stockholders of ParagonEx have entered into a confidentiality, IP and non-compete agreements; and (10) closing deliverables are made.

*Termination and Termination Fee*

The Acquisition Agreement may be terminated under certain circumstances at any time prior the Closing, including, among other reasons: (a) by mutual written consent of MICT, BNN, BI China and ParagonEx; (b) by written notice by MICT, BNN, BI China and ParagonEx if the any of the closing conditions have not been satisfied or waived by May 15, 2019 (unless there's a breach on the part of the terminating party); (c) by written notice by any of MICT, BNN, BI China or ParagonEx if a governmental authority of competent jurisdiction shall have issued an order or taken any other action permanently restraining, enjoining or otherwise prohibiting the Transactions, and such order or other action has become final and non-appealable; (d) by written notice by BNN or BI China for MICT's breach, such that (i) the breach is material and results in a failure of certain closing conditions or (ii) the breach remains uncured; (e) by written notice by ParagonEx for MICT's breach, such that (i) the breach is material and results in a failure of certain closing conditions or (ii) the breach remains uncured; (f) by written notice by MICT for BNN's, BI China's, PargonEx's or any Major ParagonEx Seller's breach, such that (i) the breach is material and results in a failure of certain closing conditions or (ii) the breach remains uncured; (g) by written notice by either BNN, BI China or ParagonEx, if (i) MICT's board of directors (or any committee thereof) shall have effected a MICT Board Recommendation Change or (ii) MICT has entered into binding Superior Proposal; (h) by written notice by MICT, if BNN with respect to any BI China Target Company or any ParagonEx Target Company has entered into binding Superior Proposal; (i) by written notice by either BNN and BI China, on the one hand and ParagonEx on the other hand, if either BNN or BI China, in the case of notice from ParagonEx or ParagonEx, in the case of notice from either BI China or BNN is in material breach of the Acquisition Agreement and such breach remains uncured; (j) by written notice by MICT, if there shall have been an uncured and continuing Material Adverse Effect on the BI China Target Companies or the ParagonEx Target Companies, taken as a whole; (k) by written notice by BI China, if there shall have been a Material Adverse Effect with respect to MICT or the ParagonEx Target Companies, taken as a whole; (l) by written notice by ParagonEx, if there shall have been a Material Adverse Effect on MICT or the BI China Target Companies, taken as a whole; (m) by written notice by either MICT or BNN if the Required Stockholder Approval was not obtained; (n) by written notice by MICT if MICT enters into a Superior Offer; (o) by written notice by MICT if the holders of all of the equity interests in BI China do not to agree to transfer all of their ownership interests in BI China to GFH at least three (3) Business Days prior to the Outside Date; (p) by written notice by any of BNN, BI China or ParagonEx, in the event that Sunrise Securities or any affiliate thereof seeks and obtains from a governmental authority a permanent injunction or other order that has become final and nonappealable preventing the Closing; or (q) if the Offer is not consummated due to the failure of the Tender Offer Conditions that the Offer shall not have caused the shares to be held of record by fewer than 300 round lot holders or require pursuant to one or more Nasdaq rules or regulations that the Company obtain stockholder approval in connection therewith.

The Acquisition Agreement contains certain termination fees for each of MICT, BNN, BI China and ParagonEx, and further provides that, if BI China, PargaonEx or MICT terminate the Acquisition Agreement under specified circumstances, then MICT may be required to pay to BI China and ParagonEx a termination fee of Nine Hundred Thousand U.S. Dollars (\$900,000). BNN and ParagonEx jointly and severally may be required to pay to MICT a base termination fee of One Million Eight Hundred Thousand U.S. Dollars (\$1,800,000) (the "**Target Termination Fee**") if the Acquisition Agreement is terminated under specified circumstances. Further, the Target Termination Fee shall increase to Three Million U.S. Dollars (\$3,000,000) in the event that the Acquisition Agreement is terminated by either MICT or BNN as a result of the failure of MICT to obtain the Required Stockholder Approval and BNN did not vote in favor of the Transactions. Concurrently with the signing of the Acquisition Agreement, BNN and MICT

entered into the Termination Fee Escrow Agreement whereby BNN deposited with the Escrow Agent Nine Hundred Thousand U.S. Dollars (\$900,000) and the BNN Current Shares as collateral and security for the payment of the Target Termination Fee.

Further, in the event the Acquisition Agreement is terminated by BI China or ParagonEx due to material breach of the agreement by the other party, then within three (3) Business Days after such termination, the breaching party shall pay to the non-breaching party an aggregate amount of cash equal to the amount of the costs and expenses, including legal and professional fees, incurred by the non-breaching party in connection with the negotiation and execution of the Acquisition Agreement and the other Ancillary Documents incurred, which amount shall in no event exceed One Million U.S. Dollars (\$1,000,000).

### **Voting Agreement**

In connection with the execution and delivery of the Acquisition Agreement, David Lucatz, on behalf of his affiliates that are stockholders of MICT (the “**Stockholder**”), entered into a voting agreement (the “**Voting Agreement**”) pursuant to which, during the term of such agreement, the Stockholder has agreed to certain actions in support of the transactions contemplated by the Acquisition Agreement and will, at every meeting of the stockholders of MICT called for such purpose, and at every adjournment or postponement thereof (or in any other circumstances upon which a vote, consent or approval is sought, including by written consent), not vote any of his shares of MICT’s common stock at such meeting in favor of, or consent to, and will vote against and not consent to, the approval of any alternative proposal that is intended, or would reasonably be expected, to prevent, impede, interfere with, delay or adversely affect in any material respect the transactions contemplated by the Acquisition Agreement. The Voting Agreement shall terminate, among other reasons, upon the termination of the Acquisition Agreement and if the Offer is terminated, withdrawn or otherwise not consummated.

The foregoing description of the Voting Agreement does not purport to be complete and is qualified in its entirety by reference to the Voting Agreement which is attached hereto as Annex G.

### **Lock-Up Agreements**

Concurrently with the signing of the Acquisition Agreement, the stockholders of MICT who own in excess of 3% of the issued and outstanding GFH Ordinary Shares after consummation of the Transactions have entered into lock-up agreements (the “**MICT Lock-Up Agreements**”). Pursuant to the Lock-Up Agreements these stockholders are prohibited from selling or transferring the GFH Ordinary Shares they received for the period ending on the earlier of twelve (12) months following the Closing Date or the date such stockholders own less than three percent (3%) of the issued and outstanding GFH Ordinary Shares as a result of dilution of their ownership interest. Further, officers and directors of GFH who have entered into a Lock-Up Agreement also must no longer be serving as an officer or director of GFH or any of its Subsidiaries at such time.

BNN has and the ParagonEx Sellers shall enter into lock-up agreements with substantially the same terms and conditions as the MICT Lock-Up Agreements, except that the lock-up period for the ParagonEx Sellers shall be six (6) months.

The foregoing description of the Lock-Up Agreement does not purport to be complete and is qualified in its entirety by reference to the form of Lock-Up Agreement which is attached hereto as Annex F.

## Prepayment Agreement

Concurrently with the execution of the Acquisition Agreement, on December 18, 2018, BNN and ParagonEx entered into that certain Prepayment Agreement (the “Prepayment Agreement”), which provides that irrespective of the Closing of the Acquisition Agreement, BNN and ParagonEx wish to collaborate in the development and offering of an online commodities exchange in China and other markets worldwide, based on ParagonEx’s proprietary software platform and user interface for online trading in contracts-for-difference, and in order to induce ParagonEx to immediately begin such development and adaptation project and supply the working capital necessary for it, BNN will provide ParagonEx \$5,000,000 in cash no later than January 25, 2019, which amount shall either be considered part of the net working capital of BI China and of the net cash of GFH upon Closing of the Acquisition Agreement or converted into an equity investment in ParagonEx if the Acquisition Agreement is terminated for any reason.

## Organization Structures of the Parties Following Consummation of the Transactions

Shareholder	No. of Shares	Percent Holdings	
MICT Stockholders excl. escrow and BNN as MICT shareholder	9,048,077	5.27	%
BNN (as a BI China Seller)	30,481,705	17.77	%
BI China Sellers Other than BNN	28,477,105	16.60	%
ParagonEx Sellers	86,382,373	50.36	%
Private Placement Investors	15,151,515	8.83	%
ParagonEx Founders Additional Shares	2,000,000	1.17	%
Total	171,540,775	100.00	%

### Notes to capitalization table:

Shares issued to BNN as a result of BNN’s shareholding in MICT are included under BNN in the table. Consequently the total number of issued MICT shares at closing shall not exceed 11,092,115 shares. Subject to note 3 below, this includes any and all issued shares, and without derogating from the generality of the aforesaid, it includes MICT shares currently held by BNN, shares issued as a result of the agreed partial conversion of the Yorkville debt into 1,000,000 shares, and any other share issuance until closing (excluding any shares issues as a result of the exercise of any of the options or warrants mentioned in Note 3 below).

2. The number of shares of BNN may increase as a result of BNN buying further shares in the Tender Offer.

3. The number of shares in the above table is subject to potential dilution by the following:

a. Current MICT 1,327,000 employee stock options, out of which 436,000 at an exercise price of \$4.30 per share and 891,000 at \$1.32, all of which exercise period shall end 15 months after closing.

b. 1,187,500 warrants currently held by Yorkville, at an exercise price of \$2.00.

c. 1,200,000 options to MICT directors, management and employees at \$1.65 per share with an exercise period ending 15 months after closing.

d. Up to 1,100,000 warrants to be issued to placement agents of the GFH Private Placement at an exercise price of \$1.65 per share.



e. The BNN Convertible Note, with a principal amount of £6,000,000, convertible into GFH shares at a conversion price of \$1.65 per share.

f. LTIP of 7,575,757 shares to align management and shareholder interests, recruit and retain key management, so as to facilitate the delivery of the company's objectives and positively impact shareholder value.

g. A GFH stock option plan, which may result in up to 15% additional share issuance at exercise prices to be determined by the Board, in line with applicable laws and regulations.

h. Potential issuance of up to 755,448 shares (being 7% of the expected share consideration to MICT's Stockholders) to Sunrise Securities/Trump Securities to satisfy MICT's obligation. In the event that the total number of shares at closing shall fall below 11,092,115 as a result of a lower share issuance between signing and closing, the 7% holdback will be reduced as per the actual number of shares at closing, and the difference shall be issued and allocated pro rata between the MICT Stockholders (direct stockholders and BNN). See section titled "*Description of the Business of MICT — Legal Proceedings.*"

In case of a reverse stock split, as permitted in Section 11.6 of the Acquisition Agreement, to satisfy Nasdaq's listing qualification, the capitalization table shall automatically be deemed to be modified to reflect such adjustment.

## SPECIAL MEETING OF THE STOCKHOLDERS OF MICT

### **General**

MICT is furnishing this proxy statement to its stockholders as part of the solicitation of proxies by its board of directors for use at the Special Meeting to be held on \_\_\_\_\_, and at any adjournment or postponement thereof. This proxy statement is first being furnished to MICT Stockholders on or about \_\_\_\_\_. This proxy statement provides you with information you need to know to be able to vote or instruct your vote to be cast at the Special Meeting. In connection with the Special Meeting, we are also providing you with our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, which includes MICT's financial statements for the year ended December 31, 2017 and MICT Management's Discussion and Analysis of Financial Condition and Results of Operation.

### **Date, Time and Place of Special Meeting**

The Special Meeting will be held at \_\_\_ a.m. Eastern time, on \_\_\_\_\_, 2019, at the offices of Ellenoff Grossman & Schole LLP, 1345 Avenue of the Americas, 11th Floor, New York, New York, or such other date, time and place to which such meeting may be adjourned or postponed, to consider and vote upon the proposals.

### **Voting Power; Record Date**

You will be entitled to vote or direct votes to be cast at the Special Meeting if you owned shares of MICT Common Stock at the close of business on \_\_\_\_\_, which is the record date for the Special Meeting. You are entitled to one vote for each share of MICT Common Stock that you owned as of the close of business on the record date. If your shares are held in "street name" or are in a margin or similar account, you should contact your broker, bank or other nominee to ensure that votes related to the shares you beneficially own are properly counted. On the record date, there were \_\_\_\_\_ shares of MICT Common Stock outstanding.

### **Quorum and Required Vote for Proposals for the Special Meeting**

A quorum of MICT Stockholders is necessary to hold a valid meeting. The holders of a majority of the stock issued, outstanding and entitled to vote, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders and shall be required for the transaction of business, except as otherwise provided by law, by the Certificate of Incorporation, or Bylaws. If, however, such majority shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote at such meeting, present in person or by proxy, shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting unless the adjournment is for more than thirty (30) days or after the adjournment a new record date is set, until the required amount of voting stock shall be present. At such adjourned meeting at which a quorum shall be present in person or by proxy, any business may be transacted that might have been transacted at the meeting originally called.

As a condition to the completion of the Business Combination, the affirmative vote of the holders of a majority of the voting power of the shares of MICT Common Stock entitled to vote on the Business Combination Proposal is required. The affirmative vote of a majority of the voting power of the votes cast at the Special Meeting is required for the Golden Parachute Proposal and the Adjournment Proposal. Accordingly, abstentions and broker non-votes will have no effect on the outcome of any vote on the Golden Parachute Proposal and the Adjournment Proposal, respectively. Abstentions and broker non-votes will, however, have the same effect as voting against the Business Combination Proposal.

## Recommendation to MICT Stockholders

The MICT Board believes that each of the Business Combination Proposal and the Golden Parachute Proposal to be presented at the Special Meeting is in the best interests of MICT and its stockholders and unanimously recommends that its stockholders vote “FOR” each of the Proposals.

When you consider the recommendation of the MICT Board in favor of approval of the Business Combination Proposal, you should keep in mind that its directors and officers may have interests in the Business Combination that are different from, or in addition to, your interests as a stockholder. These interests include, among other things:

Subject to, and upon Closing of, the Business Combination, MICT will issue to its directors/officers the following awards (i) to each of MICT’s Board member, 300,000 options to purchase MICT Common Stock (and the shares issuable upon the exercise thereof) (and in the aggregate, 1,200,000 options) with an exercise price equal to the GFH Purchase Price Per Share which are granted as success bonuses under MICT’s 2012 Stock Incentive Plan or under the GFH Equity Plan (including the GFH Israeli Sub-Plan) and which shall be, converted into MICT Replacement Options (as described in Section 2.6(b) of the Acquisition Agreement) and which, for the, avoidance of doubt, and notwithstanding the termination of directorship of the optionholder, shall expire on the 15 month anniversary of the Closing Date); and (ii) up to an additional, 300,000 restricted shares of MICT Common Stock, to be issued to officers and service providers of MICT and to Mr. Jeffrey P. Bialos, a director of MICT, who shall be entitled to 80,000 restricted shares as consideration for his special efforts and services in actively managing the negotiations and supporting the Business Combination transaction, including the Acquisition Agreement. In addition, DL Capital Ltd. (“**DL Capital**”), an entity under the control of David Lucatz, is entitled to receive (i) an annual bonus of 3% of the amount by which the annual earnings before interest, tax, depreciation and amortization, or EBITDA, for such year exceeds the average annual EBITDA for 2011 and 2010, or \$0, and (ii) a one-time bonus of 0.5% of the purchase price of any acquisition completed by MICT during the term of the agreement, or approximately \$92,079, as a result of the Business Combination. Furthermore, following the Business Combination, the rights and obligations under the DPW Consulting Agreement will be assigned to Mr. Lucatz. Pursuant to the DPW Consulting Agreement (as defined herein), Coolisys Technologies Inc. will, for each of the next two years, pay Mr. Lucatz a consulting fee of \$150,000 as well as issue Mr. Lucatz 150,000 restricted shares of DPW Class A common stock, which restricted shares are valued at \$15,000 based on the closing stock price of DWP Class A common stock on February 1, 2019.

Under the Acquisition Agreement it is stipulated that the Continuing Directors shall be selected by ParagonEx (subject to the agreement of such individuals to serve, and provided further that the selection shall be made prior to the mailing or distribution of the Proxy Statement to the stockholders of MICT), and shall serve as members of GFH Board until the earlier of the completion of the Spin-Off or 180 days after the closing of the Business Combination Transaction.

In addition, Mr. David Lucatz, CEO and Chairman of the Board of MICT may be considered as having an interest in the Business Combination Transaction by virtue of (i) his holdings in MICT through DL Capital Ltd. to the date hereof, which constitutes approximately 13% of the issued Common Stock of MICT, and (ii) his right to be assigned, upon the change of control in MICT to occur upon closing of the Business Combination, with the rights and obligations under the Consulting Agreement entered into by and between MICT, Enertec, Coolisys, DPW and Mr. David Lucatz, in conjunction with, and as a condition to, the closing of the Share Purchase Agreement (as defined below).

### **Broker Non-Votes and Abstentions**

Under the rules of various national and regional securities exchanges your broker, bank or nominee cannot vote your shares with respect to non-routine matters unless you provide instructions on how to vote in accordance with the information and procedures provided to you by your broker, bank or nominee. MICT believes the proposals presented to its stockholders will be considered non-routine and therefore your broker, bank or nominee cannot vote your shares without your instruction. If you do not provide instructions with your proxy, your bank, broker or other nominee may deliver a proxy card expressly indicating that it is NOT voting your shares; this indication that a bank, broker or nominee is not voting your shares is referred to as a “broker non-vote.”

Abstentions are considered present for the purposes of establishing a quorum and will have no effect on the Golden Parachute Proposal, or the Adjournment Proposal. Broker non-votes will have no effect on the Golden Parachute Proposal or the Adjournment Proposal. Abstentions and broker non-votes will, however, have the same effect as voting against the Business Combination Proposal.

## **Voting Your Shares**

Each share of MICT Common Stock that you own in your name entitles you to one vote on each of the proposals for the Special Meeting. Your one or more proxy cards show the number of shares of MICT Common Stock that you own. There are several ways to have your shares voted:

You can submit your vote by completing, signing, dating and returning the enclosed proxy card in the postage-paid envelope provided. If you hold your shares in “street name” through a bank, broker or other nominee, you will need to follow the instructions provided to you by your bank, broker or other nominee to ensure that your shares are represented and voted at the Special Meeting. If you vote by proxy card, your “proxy,” whose name is listed on the proxy card, will vote your shares as you instruct on the proxy card. If you sign and return the proxy card but do not give instructions on how to vote your shares, your shares of MICT Common Stock will be voted, as recommended by the MICT Board. Our board of directors recommends voting “FOR” the Business Combination Proposal, “FOR” the Golden Parachute Proposal and “FOR” the Adjournment Proposal.

You can attend the Special Meeting and vote in person even if you have previously voted by submitting a proxy. You will be given a ballot when you arrive. However, if your shares of common stock are held in the name of your broker, bank or other nominee, you must get a proxy from the broker, bank or other nominee. That is the only way we can be sure that the broker, bank or nominee has not already voted your shares of common stock.

## **Revoking Your Proxy and Changing Your Vote**

If you give a proxy, you may revoke it at any time before the Special Meeting, or at such meeting by doing any one of the following:

you may send another proxy card with a later date;

you may notify MICT’s Secretary, in writing before the Special Meeting that you have revoked your proxy; or

you may attend the Special Meeting, revoke your proxy, and vote in person, as indicated above.

### **Additional Matters May Be Presented at the Special Meeting**

The Special Meeting has been called to consider the approval of the Business Combination Proposal, the Golden Parachute Proposal, and the Adjournment Proposal. The stockholder may also consider and transact such other procedural matters as may properly come before the Special Meeting.

### **Who Can Answer Your Questions about Voting**

If you have any questions about how to vote or direct a vote in respect of your shares of MICT Common Stock, you may call Morrow Sodali LLP, MICT's proxy solicitor, at (800) 662-5200 or banks and brokers can call (203) 658-9400.

### **Appraisal Rights**

Appraisal rights are not available to holders of shares of MICT Common Stock in connection with the Transaction.

## BACKGROUND OF THE TRANSACTIONS

### Background of the Business Combination and Related Transactions

The terms of the Acquisition Agreement are the result of extensive arm's-length negotiations among the management teams of MICT, BNN and ParagonEx, along with their respective advisors and under the guidance of each company's board of directors. MICT followed a careful process assisted by experienced outside financial and legal advisors to rigorously examine potential transactions and transaction candidates. The following is a summary of the background of the events leading up to the decision by MICT to engage in the Business Combination and the negotiation of the Acquisition Agreement with BNN and ParagonEx.

On March 13, 2017, MICT entered into an engagement letter with Trump Securities, LLC and Sunrise Securities LLC ("**Sunrise**") to act as a non-exclusive advisor to provide a range of investment banking services. In connection therewith, Sunrise compiled a list of, and engaged in discussions with, potential counterparties for a strategic transaction with MICT.



In January 2018, BNN approached Mr. Lucatz through Amnon Mandelbaum of Sunrise about potentially purchasing Mr. Lucatz' equity in MICT. This evolved in February 2018 into a discussion as to the possibility of BNN and ParagonEx doing a transaction directly with MICT. Those discussions culminated in a confidentiality and exclusivity agreement being executed on April 23, 2018.

In connection with the transactions contemplated by the confidentiality and exclusivity agreement executed on April 23, 2018, BNN referred to its valuation immediately prior to its delisting from the UK Alternative Investment Market ("AIM") as being indicative of its current valuation. Discussions concerning MICT's valuation were mostly based on some premium to market.

After some discussion, it appears that the parties were not close on relative valuations, and the exclusivity agreement was terminated on May 8, 2018, as were all negotiations regarding any contemplated transaction.

In mid-June 2018, BNN reached out to David Lucatz with a view to acquiring a portion of Mr. Lucatz' equity in MICT. This culminated in the purchase by BNN of 1,363,000 of Mr. Lucatz' shares on June 21, 2018 at a price for \$1.65 per share, which represented a 14.89% stake in MICT. Such purchase contemplated that BNN would subsequently launch a tender offer for MICT's common stock, thereby providing MICT's Stockholders with the option to cash out at a price of \$1.65 per share (subject to a pro rata reduction if more shares were tendered than those BNN offered to purchase in the tender offer), and that the MICT Board would engage in subsequent discussions about a larger series of transactions with BNN and ParagonEx.

Following such purchase, MICT's management and board of directors engaged in discussions regarding renewed negotiations with BNN and ParagonEx, including the potential that BNN might launch a tender offer for MICT's common stock, and on July 1, 2018, the MICT Board approved a non-binding letter of intent with BNN, which was executed on July 2, 2018 (the "LOI"). A Current Report on Form 8-K disclosing the LOI was filed by MICT on July 2, 2018.

In early July 2018, MICT, BNN and ParagonEx exchanged due diligence request lists, and data room access as to BNN and ParagonEx was provided to certain members of the MICT due diligence team on July 19, 2018. In connection with such diligence processes, certain preliminary financial data concerning BNN and ParagonEx, as well as information concerning the general field of operations of each such company, was disclosed to Mr. Lucatz, who subsequently relayed such information to the MICT Board.

In mid-July 2018, MICT began the process of interviewing investment bankers for the purpose of analyzing the transactions contemplated to be entered into and advising the MICT Board as to the fairness of such transactions to the

MICT's stockholders.

On July 25, 2018, Mr. Lucatz, Mr. Bialos of the MICT Board, Mr. Mandelbaum and representatives from Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, PC ("Mintz") met with representatives from BNN, BNN's financial advisor Maxim Group LLC ("Maxim"), and ParagonEx in order to discuss the transactions contemplated to be entered into. Such discussions included but were not limited to matters involving the tender offer price and relative valuations, fiduciary-out provisions in the forthcoming draft of the Acquisition Agreement, termination fees, and transaction expenses.

On July 26, 2018, tax counsel from Mintz provided a preliminary analysis to MICT's management in connection with the contemplated spin-off which indicated that the spin-off would be a taxable event to MICT's Stockholders. Also on July 26, 2018, representatives from Elenoff Grossman & Schole LLP, counsel to BNN ("EGS"), provided to Mintz a draft Structuring Steps Paper which outlined their proposed mechanics of the transactions contemplated to be entered into.

On July 27, 2018, EGS provided to Mintz an initial draft of the Acquisition Agreement.

Throughout early August 2018, representatives from Mintz and EGS communicated by conference call and email regarding certain of the open issues in the initial draft of the Acquisition Agreement. Such matters included but were not limited to voting agreement thresholds, fiduciary-out provisions, termination fees, D&O insurance for current directors and officers of MICT, the removal of Micronet from certain of MICT's representations, warranties and covenants (given that it was being spun off), and tax matters in connection with the inversion that was initially contemplated to be completed in connection with the Business Combination (but which was not ultimately completed due to certain structural changes).

On August 3, 2018, ParagonEx executed a joinder to the confidentiality agreement previously entered into between MICT and BNN on April 23, 2018.

On August 5, 2018, the MICT Board held a telephonic meeting. At such meeting, representatives from Mintz provided an update regarding the status of the negotiations with BNN and ParagonEx, and Mr. Lucatz provided an update on the legal, financial and business due diligence being conducted by MICT. In addition to an overview of the terms of the contemplated transactions, the MICT Board discussed certain potential merits of the contemplated transactions, including that, in connection with the tender offer, MICT's Stockholders would be provided with the option to either (i) cash out at a price of \$1.65 per share (subject to a pro rata reduction if more shares were tendered than those offered to purchase by BNN in the tender offer), which would allow such stockholders to sell their shares at a premium to the market (based both on the current share price, and as adjusted to give effect to the presumed reduction in the value of MICT's stock price pursuant to the spin-off of MICT's Tel Aviv Stock Exchange-listed subsidiary Micronet), or (ii) receive their pro rata portion of the shares of Micronet that would be spun out, which shares would represent all of MICT's current value (other than the value of its listing on The Nasdaq Capital Market and certain other immaterial equity interests), and exchange their shares of MICT's common stock for shares of the ultimate public company. The MICT Board also discussed the respective businesses of BNN and ParagonEx and the synergies that could result from the Business Combination. Additionally, Mr. Bialos led a discussion about BNN's prior delisting from AIM.

During July and August of 2018, MICT's management and the MICT Board engaged in discussions with multiple investment banking firms regarding a potential engagement, and based on these discussions, on September 17, 2018, Coview was engaged by MICT for the purpose of analyzing the transactions contemplated to be entered into and advising the MICT Board as to the fairness of such transactions to MICT's stockholders from a financial point of view.

On August 7, 2018, a conference call was held among representatives from Mintz and MICT's management and board of directors to discuss the open issues in the initial draft of the Acquisition Agreement.

On August 8, 2018, Mintz provided to EGS a revised draft of the Acquisition Agreement. In connection with ongoing discussions regarding BNN's willingness to proceed with the tender offer, representatives from Mintz reiterated to EGS and BNN that the tender offer was important to the MICT Board and that it should remain as part of the contemplated transactions. Conversations about whether BNN would be willing to complete the tender offer continued throughout August 2018.

On August 13, 2018, the MICT Board held a special meeting. At such meeting, the MICT Board received from Mr. Luctaz an update regarding the status of the negotiations with BNN and ParagonEx, and an update on the legal, financial and business due diligence being conducted by MICT. It was further determined by the MICT Board to further negotiate several commercial issues related to, among other things, employee options, escrow deposit and closing conditions for the Business Combination, including termination fees payable during the interim period.

Following such meeting, and pursuant to the direction of the MICT Board, on August 13, 2018, Mr. Bialos reached out to Darren Mercer, BNN's Chief Executive Officer, in order to seek additional information about BNN's prior delisting from AIM and the internal investigation related thereto conducted by Price Waterhouse Coopers ("PwC"). Discussions about this matter ensued among representatives from the MICT Board, representatives from Mintz, Mr. Mercer, representatives from EGS, and representatives from Gateley PLC, which firm had served as personal counsel to Mr. Mercer.

Also on August 13, 2018, EGS provided to Mintz a revised draft of the Acquisition Agreement, as well as drafts of the subscription materials contemplated to be used by BNN in connection with the GFH Private Placement.

On August 16, 2018, in connection with MICT's due diligence efforts, representatives from Mintz requested from EGS financial projections for BNN and ParagonEx and an outline describing BNN's business strategy going forward, as well as additional information regarding BNN's proposed expansion of ParagonEx's trading platform.

On August 17, 2018, Mintz sent to EGS certain comments on the subscription materials contemplated to be used by BNN in connection with the GFH Private Placement.

On August 21, 2018, EGS provided to Mintz a revised draft of the Acquisition Agreement, and on August 22, 2018, EGS communicated to Mintz that BNN and ParagonEx agreed to have two continuing MICT directors remain on the public company's board for some limited period of time.

On August 28, 2018, a conference call was held among representatives from Mintz, MICT's management and board of directors and EGS to discuss certain open issues in the latest draft of the Acquisition Agreement. Such issues included but were not limited to the respective valuations of MICT, BNN and ParagonEx, termination fees and related escrow arrangements, transaction structure (i.e. the use of a BVI entity as the public company), the size of the GFH Private Placement, closing conditions, transaction expenses, and D&O insurance for current directors and officers of MICT.

On September 5, 2018, Mintz provided to EGS a revised draft of the Acquisition Agreement, and on September 6, 2018, EGS provided to Mintz a revised draft of the same.

Also on September 6, 2018, in connection with MICT's due diligence efforts, representatives from Mintz and the MICT Board attended a meeting at the offices of EGS with Mr. Mercer and Mark Hanson, BNN's Chairman, to discuss BNN's delisting and to review materials from the internal investigation conducted by PwC at BNN's request in

connection therewith. A telephonic meeting of the MICT Board was also held to discuss the same topic.

On September 7, 2018, representatives from Mintz and MICT's management, EGS and BNN's management attended a meeting at the offices of EGS to discuss certain open issues in the latest draft of the Acquisition Agreement. The primary items discussed involved the termination fee, closing conditions, and certain other legal issues that the parties viewed as material to the contemplated transactions. Subsequent conversations transpired among representatives from Mintz and the MICT Board concerning due diligence matters, open issues in the latest draft of the Acquisition Agreement, and the question of whether to negotiate for a higher price for the tender offer.

On September 17, 2018, the MICT Board held a special meeting. At such meeting, the MICT Board discussed, among other things, the internal investigation, and it was agreed to seek further assurances from BNN in the form of a representation by BNN or a director thereof pertaining thereto.

Also on September 17, 2018, in connection with MICT's due diligence efforts, representatives from Mintz and EGS discussed MICT's requests for financial statements of BNN and ParagonEx, and representatives from Mintz also conveyed to representatives from EGS MICT's intention to seek further assurances from BNN regarding the internal investigation. ParagonEx's financials were provided to MICT on October 2, 2018, and BNN's financials, which encompassed BI China's financials, were provided to MICT on October 9, 2018.

Also on September 17, 2018, EGS provided to Mintz initial drafts of the form of voting agreement and lock-up agreements. Subsequent drafts of such agreements were circulated between EGS and Mintz in the following months, which were finalized and executed by the relevant parties simultaneously with the Acquisition Agreement on December 18, 2018.

On October 1, 2018, principals of BNN and MICT attended a meeting at the offices of EGS to discuss certain material terms of the Acquisition Agreement.

On October 3, 2018, MICT and ParagonEx received a formal due diligence report from Hogan Lovells LLP ("HL"), which law firm was engaged to act as joint due diligence counsel to MICT and ParagonEx with respect to BNN's Chinese operations.

On October 9, 2018, Mintz sent a draft agreement to representatives from YA II PN, Ltd. ("Yorkville") in connection with the amendment of certain convertible debentures and warrants in MICT held by Yorkville (the "Yorkville Agreement"). Yorkville sent a revised draft of the Yorkville Agreement to Mintz on October 10, 2018, and negotiations regarding the same continued through early December, 2018. Following such negotiations and comments from BNN and EGS, the Yorkville Agreement was finalized on December 8, 2018 and executed on December 17, 2018.

On October 16, 2018, EGS provided to Mintz a revised draft of the Acquisition Agreement.

On October 17, 2018, a conference call was held among representatives from Mintz, MICT's management, EGS, representatives from BNN's management, and representatives from ParagonEx to discuss the termination fees to which the parties to the Acquisition Agreement would be entitled in the event that the Business Combination did not close.

On October 30, 2018, representatives from Mintz, MICT's management, MICT's Israeli counsel Naschitz, Brandes, Amir & Co. ("NB"), EGS, BNN's management, Maxim and ParagonEx attended a meeting at the offices of EGS to discuss certain open issues in the latest draft of the Acquisition Agreement, as well as mechanics for the contemplated

transactions and other matters. At this meeting, BNN and ParagonEx agreed to pay to MICT a base termination fee of \$1,800,000, which would increase to \$3,000,000 under certain specified circumstances. BNN also agreed to deposit \$900,000 and 1,363,000 shares of MICT's common stock into escrow as security for MICT in connection with such termination fee.

On November 1, 2018, EGS provided to Mintz a revised draft of the Acquisition Agreement, which incorporated the revised termination fee, as well as other material changes.

On November 6, 2018, a conference call was held among representatives from Mintz and EGS to discuss the conditions to the tender offer that would be included in the Acquisition Agreement, as well as other items that remained open in the Acquisition Agreement.

On November 7, 2018, a conference call was held among representatives from NB and HL to discuss the due diligence report concerning BNN's Chinese operations.

On November 10, 2018, Mintz provided to EGS a revised draft of the Acquisition Agreement, which was supplemented on November 12, 2018 with additional comments from NB regarding certain of the representations, warranties, and closing conditions for BNN and ParagonEx.



On November 12, 2018, EGS provided to Mintz a revised draft of the conditions to the tender offer that would be included in the Acquisition Agreement, which incorporated a new condition that BNN not be required to complete the tender offer in the event that MICT failed to satisfy any of the initial or continued listing standards of The Nasdaq Capital Market.

Also on November 12, 2018, in light of certain issues that had arisen in connection with MICT's due diligence efforts, representatives from NB, Mintz and MICT's management had discussions about the inclusion of additional protective mechanisms in the Acquisition Agreement and/or negotiating for a more favorable price for MICT's Stockholders. Other open items were discussed as well, including due diligence surrounding BNN's prior delisting from AIM, MICT, BNN and ParagonEx's respective disclosure schedules, the status of CoView's fairness opinion, and the request by ParagonEx that certain members of its current management receive an equity position in the public company resulting from the Business Combination.

On November 13, 2018, the MICT Board held an extended meeting to review the status of and open issues relating to the proposed transaction. Mr. Koch provided an overview of the latest drafts of the Acquisition Agreement and the ancillary documents, copies of which had been provided to the MICT Board in advance of the meeting, as well as the valuations currently attributed to BNN and ParagonEx. Mr. Koch also reviewed the MICT Board's fiduciary duties and other legal aspects of the transaction. Representatives from NB, HL and other advisors also made presentations as to MICT's legal and financial due diligence regarding BNN and ParagonEx. On the basis of due diligence report, the MICT Board noted several issues that it directed be discussed with BNN and ParagonEx in order to mitigate potential risks. These included but were not limited to the absence of non-compete agreements with members of ParagonEx management, the absence of definitive agreements between ParagonEx and any of its major customers under the UFX brand, the need by ParagonEx to complete the acquisition of the share capital of PX Exchange Limited, certain issues regarding BNN's share capital of its Chinese subsidiaries, and certain weaknesses in BNN and its subsidiaries' governance controls and procedures. The MICT Board also addressed MICT's prospects were it to continue as a stand-alone company, which presentation considered the Company's current cash burn, its outstanding debt, and certain other challenges. The MICT Board also considered that the transactions contemplated by the Acquisition Agreement had been public since the LOI was announced on July 2, 2018, and that no alternative proposals had been put forward between such date and the date on which the Acquisition Agreement was executed. The members the MICT Board were given the opportunity to ask questions of Mr. Koch, Guy Eyal from NB, and the other advisors who were present.

On November 14, 2018, the MICT Board held another substantial a meeting to continue its in-depth review of the Business Combination and the transactions contemplated thereby. At such meeting, representatives from CoView provided a detailed presentation regarding the fairness of the Business Combination to MICT's stockholders. Representatives from BNN and ParagonEx were also present at the meeting, and the members of the MICT Board were given the opportunity to ask questions of everyone in attendance. The MICT Board met both together and separately with BNN and ParagonEx representatives to pursue issues it had identified on November 13, 2018. The MICT Board also revisited the merits of the contemplated transactions, noting that, in connection with the tender offer, MICT's stockholder would be provided with the option to either cash out at a price that was at a premium to the market (as adjusted to give effect to the presumed reduction in the value of MICT's stock price pursuant to the

spin-off), or to participate in the spin-off of Micronet and exchange their shares of MICT's common stock for shares of the public company. In connection therewith, the MICT Board considered that, for those stockholders electing to participate in the spin-off, the shares of Micronet that they would receive in connection therewith would represent all of MICT's current value (other than the value of its listing on The Nasdaq Capital Market and certain other immaterial equity interests). The MICT Board also discussed the respective businesses of BNN and ParagonEx and the synergies that could result from the Business Combination, noting that such synergies could result in significant upside for MICT's stockholders opting not to tender their shares.

On November 15, 2018, after considering the information and evaluations from the prior meetings, the MICT Board held a telephonic meeting. At such meeting, the MICT Board determined to preliminarily approve the Business Combination and related transactions, and to grant Mr. Lucatz the authority to execute the Acquisition Agreement in substantially the form discussed at the meetings held on November 13 and 14, 2018; except that Mr. Lucatz was directed, before executing the Acquisition Agreement, to attempt to negotiate for better economic terms and to seek increased protections in the Acquisition Agreement regarding certain of the due diligence issues discussed during the meeting held on November 13, 2018 noted above.

Subsequently, a conference call was held among representatives from MICT and BNN, during which such representatives from MICT sought to negotiate that the stockholders of MICT receive a larger percentage of the public company in connection with the Business Combination. No such increase was ultimately obtained.

On November 16, 2018, representatives from Mintz communicated to EGS a list of open issues in the latest draft of the Acquisition Agreement (including issues regarding the assumption by the public company of MICT's current equity incentive plans), as well as issues regarding certain other aspects of the transactions contemplated by the Business Combination (such as the escrow agreement and the remaining ancillary documents) that needed to be resolved before the Acquisition Agreement could be signed. Multiple conference calls were held in the following days among representatives from Mintz, MICT, BNN, EGS, ParagonEx, and their respective advisors in connection with such matters.

On November 22, 2018, representatives from Herzog Fox & Ne'eman ("HFN"), counsel to ParagonEx, provided to Mintz and EGS a revised draft of the Acquisition Agreement giving effect to many of Mintz and EGS's proposed changes to ParagonEx's representations, warranties and covenants.

On November 27, 2018, in connection with the announcement of its third quarter 2018 financial results, MICT disclosed in a press release that it was continuing to negotiate definitive agreements for the transactions contemplated by the LOI.

Between November 27, 2018 and December 13, 2018, HFN, Mintz and EGS held numerous conferences calls, and exchanged updated versions of the Acquisition Agreements and schedules related thereto. The focus of such discussions were on the remaining open issues, which included but were not limited to actions permitted to be taken by MICT during the interim period (such as the incurrence of additional debt), conditions to the tender offer, composition of the consideration to be paid to ParagonEx, closing conditions for MICT, BNN and ParagonEx, the assumption by the public company of MICT's current equity incentive plans, the capitalization structure of the public company, signatories to the voting agreement (which was ultimately signed only by Mr. Lucatz on behalf of his affiliates that are stockholders of MICT), termination fee triggers and escrow arrangements, the size of the tender offer (which was ultimately reduced from 35.2% to 20% of MICT's outstanding shares of common stock based in part on

the understanding that neither Mr. Lucatz nor his affiliates nor BNN would tender any shares), the ratio by which each share of MICT's common stock that was not validly tendered would convert into shares of the public company (which was ultimately reduced from 1:1 to 1:0.93 due to uncertainties relating to the possible compensation of Sunrise in connection with the Business Combination), retention arrangements for ParagonEx's management, and the Yorkville Agreement, subsequent drafts of the Acquisition Agreement, the disclosure schedules and the ancillary documents were circulated among HFN, Mintz and EGS on November 27, 2018, November 28, 2018, December 4, 2018, December 7, 2018, December 9, 2018, December 10, 2018, December 13, 2018, December 14, 2018, and December 15, 2018, and multiple conference calls were held among the parties to the Acquisition Agreement and/or their representatives and advisors regarding the same, including on December 5, 2017 (among representatives from Mintz, NB, EGS and BNN), December 6, 2018 (among representatives from Mintz, NB, EGS, BNN, and Maxim), December 7, 2018 (among representatives from MICT, Mintz, NB, EGS, BNN, HFN, ParagonEx and Maxim), and December 13, 2018 (among representatives from MICT, Mintz, NB, EGS, BNN, HFN, ParagonEx and Maxim).

On December 7, 2018, EGS sent to Mintz a draft of the escrow agreement concerning the \$900,000 and shares of MICT's common stock that BNN had agreed to deposit as security for MICT in connection with the termination fee, and on December 9, 2018, Mintz sent a further revised draft to EGS seeking to amend, among other provisions, the circumstances under which the escrow property would be released, as well as BNN's ability to vote the escrowed shares during any period of contention. Subsequent drafts of the escrow agreement were circulated between EGS and Mintz in the following days, and the agreement was finalized on December 17, 2018 and executed by MICT, BNN and the escrow agent on December 18, 2018.

On December 12, 2018, the MICT Board held a telephonic meeting to consider the status of the Business Combination and the transactions contemplated thereby. At such meeting, Mr. Lucatz and representatives from Mintz described the status of the latest draft of the Acquisition Agreement and the ancillary documents and highlighted the material changes to the Acquisition Agreement since the version reviewed at the meetings held on November 13 and 14, 2018. The MICT Board engaged in robust discussion regarding the remaining open issues.

On December 17, 2018, the MICT Board held another meeting to focus on recent changes to the Business Combination and the transactions contemplated thereby and their effects, if any, on the fairness opinion being presented by CoView. Specifically, at such meeting, representatives from Mintz provided an overview of the latest drafts of the Acquisition Agreement (which had been circulated in advance of the meeting) and the ancillary documents since the versions reviewed at the meetings held on November 13, 2018, November 14, 2018 and December 12, 2018. In connection therewith, representatives from CoView communicated to the MICT Board that CoView had reviewed such changes to the Acquisition Agreement (including but not limited to the reduction in the tender offer from 35.2% to 20%, and the reduction in the conversion ratio from 1:1 to 1:0.93), and that after considering such changes, and based on the methodology that was previously presented, CoView had concluded that the Business Combination was fair to the stockholders of MICT (other than BNN and its affiliates) from a financial point of view, and that CoView was prepared to issue an opinion regarding the same. Such opinion was delivered on or about December 17, 2018.

Also at such meeting, the MICT Board discussed several areas where MICT was successful in negotiating concessions or better outcomes than were originally advanced by BNN and ParagonEx (including with respect to the termination fees, the tender offer, actions permitted to be taken by MICT during the interim period, and certain other structural provisions that increased deal certainty from MICT's perspective). The MICT Board also revisited the merits of the Business Combination that were discussed at the meeting held on November 14, 2018, and highlighted that MICT had negotiated for increased protections in the Acquisition Agreement regarding certain of the due diligence issues discussed during the meeting held on November 13, 2018, such as the addition of a closing condition requiring ParagonEx to enter into a definitive agreement with UFX, the requirement that certain members of ParagonEx management enter into non-compete agreements in advance of closing, the inclusion of a covenant that ParagonEx would use its best efforts to complete the PX Exchange acquisitions, and the inclusion of covenants to remedy certain of BNN's share capital issues and concerns about governance controls and procedures.

The MICT Board expressed consensus and satisfaction that the appropriate corporate governance steps had been taken. The MICT Board expressed its view that the Business Combination was the best opportunity for maximizing MICT's stockholder value, including with respect to the tender offer, the opportunity to receive a termination fee in the event that the Business Combination did not close, and the other favorable deal terms. Following such discussion, the MICT Board unanimously determined that the transactions contemplated by the Acquisition Agreement, including the Business Combination and the tender offer, were advisable, fair to, and in the best interest of MICT and MICT's Stockholders; approved and declared advisable the Acquisition Agreement and the transactions contemplated therein; and determined to recommend, upon the terms and subject to the conditions of the Acquisition Agreement, that MICT's Stockholders vote to approve the Acquisition Agreement and the transactions contemplated therein. MICT's management was directed to execute the Acquisition Agreement and the ancillary documents.

On December 18, 2018, the Acquisition Agreement and ancillary documents were finalized and executed by the parties thereto.

On December 20, 2018, MICT, BNN and ParagonEx issued a press release to announce the Business Combination, the tender offer, and the other transactions contemplated by the Acquisition Agreement.

## PROPOSAL 1: THE BUSINESS COMBINATION PROPOSAL

### The Acquisition Agreement

#### *Overview*

On December 18, 2018 the following parties entered into the Acquisition Agreement: (i) MICT, (ii) GFH, (iii) Merger Sub, (iv) BNN, (v) BI China, (vi) the BI China Sellers; (vii) ParagonEx, (viii) the ParagonEx Executing Shareholders, and the 102 Trustee as registered holder on behalf of all ParagonEx Executing Shareholders who are beneficial owners of 102 Shares (collectively representing not less than 75% of the ParagonEx equity securities outstanding on a fully diluted basis) and (ix) the ParagonEx Seller Representative. MICT, GFH, Merger Sub, BNN, BI China, the BI China Sellers, ParagonEx, the ParagonEx Sellers and the ParagonEx Seller Representative are sometimes referred to herein individually as a “Party” and, collectively, as the “Parties.” The following is a summary of the key terms of the Acquisition Agreement.

The Acquisition Agreement contemplates a series of five (5) transactions (together, the “**Transactions**”): (1) a tender offer (the “**Offer**”); (2) a merger between MICT and Merger Sub, with MICT continuing as the surviving entity (the “**Merger**”); (3) an acquisition by GFH of all the issued and outstanding Securities of BI China from BNN and the other BI China Sellers in exchange for newly issued GFH Ordinary Shares (the “**BNN Acquisition**”); (4) an acquisition by GFH of all the issued and outstanding ParagonEx Ordinary Shares from the ParagonEx Sellers who are shareholders in exchange for a combination of cash and newly issued GFH Ordinary Shares (the “**ParagonEx Acquisition**”); and (5) a spin-off of MICT’s current business assets, including MICT’s interest in Micronet Ltd., a partially owned subsidiary, to MICT’s Stockholders who retain shares of MICT after the Offer (the “**Spin-Off**,” and together with the Offer, the Merger, the BNN Acquisition, the ParagonEx Acquisition and the other transactions contemplated by the Acquisition Agreement.

In addition, in December 2018, GFH conducted a private placement (the “**GFH Private Placement**”), in connection with which GFH entered into subscription agreements with certain investors (the “**Private Placement Investors**”) and pursuant to which such Private Placement Investors agreed to purchase an aggregate of approximately \$23,500,000 in ordinary shares of GFH, the proceeds of which shall be released to GFH immediately prior to the Closing, conditioned upon receipt of approval of the stockholders of MICT of the Transactions and satisfaction or waiver of the conditions to Closing set forth in Article XII of the Acquisition Agreement. The subscription agreement includes various closing conditions, including, among others, (i) acceptance by GFH of the subscriptions, (ii) the closing of the Transactions is consummated on the terms set forth in the Acquisition Agreement, (a) on or before March 15, 2019 or (b) in the event that the registration statement of MICT is still under review by Securities and Exchange Commission and the Special Meeting is scheduled for a date prior to April 15, 2019, on or before April 15, 2019; however, if this proxy statement/prospectus and approval of listing of GFH’s securities on the Nasdaq Stock Market LLC is proceeding

in the ordinary course such that comments from the SEC have been responded to in a timely manner and the Special Meeting for approval and closing can be accomplished by no later than May 15, 2019, then such April 15, 2019 date will be extended to May 15, 2019; (iii) the Acquisition Agreement is not terminated by any of the parties thereto; and (iv) no fraud is alleged in connection with the Subscription Agreement or the Acquisition Agreement. The subscription agreements shall terminate (i) in the event that any of the closing conditions set forth in the subscription agreements are not satisfied or waived on or prior to closing of the GFH Private Placement, or (ii) upon the termination of the Acquisition, upon which GFH will immediately return to the Private Placement Investors all amounts, without interest or deduction. The closing of the sale of the ordinary shares of GFH is contingent upon a resale registration statement being declared effective by the Securities and Exchange Commission.

The proceeds of the GFH Private Placement, plus any funds contributed by BI China to cover any shortfall of the GFH Private Placement, along with senior unsecured promissory notes in a total principal amount of (i) \$10,000,000 if paid in a single lump sum, or (ii) \$12,000,000 payable in eight equal installments over a period of 22 months, at GFH's sole discretion, to the ParagonEx Sellers as partial consideration for the ParagonEx Ordinary Shares to be acquired by GFH in the ParagonEx Acquisition.

BNN will commence the Offer for up to approximately 20% of the outstanding shares of MICT Common Stock, from the public stockholders of MICT at a price of \$1.65 per share, within fifteen (15) business days and upon the terms and conditions of the Acquisition Agreement. The Offer shall be subject to the satisfaction or waiver (to the extent permitted by this Agreement and under applicable Laws) of the conditions set forth in Annex II of the Acquisition Agreement. The initial expiration date of the Offer is a minimum of twenty (20) business days following the commencement of the Offer.

Subject to the approval by the holders of MICT Common Stock (the "**MICT Stockholders**"), MICT and Merger Sub shall consummate the Merger, pursuant to which, among other things, (A) Merger Sub will merge with and into MICT, following which MICT will continue as the surviving corporation; (B) the board of directors and executive officers of Merger Sub will each hold office in MICT as the Surviving Corporation; and (C) every issued and outstanding share of MICT Common Stock, subject to the limitations set forth in the Acquisition Agreement, will be converted automatically into 0.93 GFH Ordinary Share (the "**Conversion Ratio**"), unless otherwise required for Nasdaq listing purposes, following which all shares of MICT Common Stock will automatically be canceled and cease to exist. For information on the material terms and rights associated with the shares of MICT Common Stock, see the section entitled "*Description of MICT Securities.*"



BNN and the other BI China Sellers (or BNN on behalf of such BI China Sellers) will sell, convey, assign and deliver to GFH all of the issued and outstanding BI China Securities. As full consideration for the securities of BI China, GFH will issue to the BI China Sellers (including BNN) an aggregate number of GFH Ordinary Shares pursuant to the terms and conditions of the Acquisition Agreement.

GFH will purchase the ParagonEx Securities of the ParagonEx Sellers, and as consideration, the ParagonEx Sellers will receive the following: (a) the Cash Payment from the GFH Private Placement and funds received from BI China pursuant to the GFH Private Placement shortfall, if applicable; (b) the ParagonEx Notes; (c) an aggregate number of GFH Ordinary Shares (the “**ParagonEx Exchange Shares**”) equal to the quotient of a fraction, the numerator of which is equal to \$165 Million, less the ParagonEx Cash Payment, plus an amount equal to \$25 Million, and the denominator of which is the GFH Share Price. In addition, GFH shall issue and deliver to each of Saar Pilosof and Haim Toledano (in addition to the ParagonEx Exchange Shares issued to them in their capacity as ParagonEx Sellers) an aggregate number of GFH Ordinary Shares constituting 0.5084% (and for both of them together 1.0168%) of the total issued and outstanding shares of GFH immediately following the Closing and following the issuance of such additional shares, on a fully diluted basis.

Subject to the terms and conditions of the Acquisition Agreement, and assuming that none of the shares of MICT’s common stock are purchased by BNN in connection with the Offer, MICT’s Stockholders will own approximately 5.27% of GFH after giving effect to the transactions contemplated by the Acquisition Agreement.

#### Interests of MICT’s Directors and Officers in the Business Combination

Subject to, and upon Closing of, the Business Combination, MICT will issue to its directors/officers the following awards (i) to each of MICT’s Board members, including its Chief Executive Officer, 300,000 options to purchase MICT Common Stock (1,200,000 options in the aggregate) with an exercise price equal to the GFH Purchase Price Per Share, which shall be granted as success bonuses under MICT’s existing Stock Incentive Plans or under the GFH Equity Plan (including the GFH Israeli Sub-Plan) and which shall be converted into MICT Replacement Options (as described in Section 2.6(b) of the Acquisition Agreement) and which, for the avoidance of doubt, and notwithstanding the termination of the employment or directorship of the optionholder, shall expire on the 15 month anniversary of the Closing Date); and (ii) up to an additional 300,000 restricted shares of MICT Common Stock, to be issued to officers and service providers of MICT and to Mr. Jeffrey P. Bialos, a director of MICT, who shall be entitled to 80,000 restricted shares as consideration for certain special efforts and services in actively participating in negotiations for the Business Combination and the transactions contemplated thereby. In addition, DL Capital Ltd. (“**DL Capital**”), an entity under the control of David Lucatz, is entitled to receive (i) an annual bonus of 3% of the amount by which the annual earnings before interest, tax, depreciation and amortization, or EBITDA, for such year exceeds the average annual EBITDA for 2011 and 2010, or \$0, and (ii) a one-time bonus of 0.5% of the purchase price of any acquisition completed by MICT during the term of the agreement, or approximately \$92,079, as a result of the Business Combination. Furthermore, following the Business Combination, the rights and obligations under the DPW Consulting Agreement will be assigned to Mr. Lucatz. Pursuant to the DPW Consulting Agreement (as defined

herein), Coolisys Technologies Inc. will, for each of the next two years, pay Mr. Lucatz a consulting fee of \$150,000 as well as issue Mr. Lucatz 150,000 restricted shares of DPW Class A common stock, which restricted shares are valued at \$15,000 based on the closing stock price of DWP Class A common stock on February 1, 2019.

Under the Acquisition Agreement it is stipulated that two (2) individuals who serve as directors of MICT as of the date of the Acquisition Agreement (the “**Continuing Directors**”), shall be selected by ParagonEx (subject to the agreement of such individuals to serve, and provided further that the selection shall be made prior to the mailing or distribution of this proxy statement to the stockholders of MICT), and shall serve as members of GFH Board until the earlier of the completion of the Spin-Off or 180 days after the closing of the Business Combination Transaction.

In addition, Mr. David Lucatz, CEO and Chairman of the MICT Board, has certain holdings through his affiliates which constitute approximately 13% of MICT's outstanding common stock not including options and restricted stock set forth above, as well as right to be assigned, upon the closing of the Business Combination, certain rights in connection with the Consulting Agreement entered into by and between MICT, Enertec, Coolisys Technologies Inc., DPW Holdings, Inc. and Mr. Lucatz, pursuant to which MICT, via Mr. Lucatz, agreed to provide Enertec with certain consulting and transitional services over a three year period in exchange for an annual consulting fee of \$150,000 plus certain issuances of restricted stock. In connection with the Business Combination, all rights and obligations under such agreement shall be assigned to Mr. Lucatz, along with all equity issued pursuant thereto.

### Golden Parachute Compensation

This section sets forth the information required by Item 402(t) of Regulation S-K regarding the compensation that is based on or otherwise relates to the Business Combination that may become payable to the MICT named executive officers, in accordance with SEC rules and as determined as of the end of MICT's 2018 fiscal year. This compensation is referred to as "golden parachute" compensation by the applicable SEC disclosure rules, and in this section MICT uses this term to describe this Business Combination-related compensation payable to MICT's named executive officers, who are MICT's current Chief Executive Officer and Chief Financial Officer and its former Chief Financial Officer. The tables below summarize potential golden parachute compensation, if any, that each named executive officer could be entitled to receive from MICT if the Business Combination is completed. Please note that the amounts indicated below are estimates based on multiple assumptions that may or may not actually occur, including assumptions described herein. Accordingly, the actual amounts, if any, to be received may differ in material respects from the amounts set forth below.

#### All Golden Parachute Compensation<sup>(5)</sup>

	Cash	Equity	COBRA Benefits	Total
David Lucatz	\$392,079 <sup>(1)</sup>	\$30,000 <sup>(2)</sup>	\$ —	\$422,079
Tali Dinar <sup>(3)</sup>	\$—	\$—	\$ —	\$—
Oren Harari <sup>(4)</sup>	\$—	\$—	\$ —	\$—

(1) This amount represents the total estimated cash bonus payable to DL Capital, an entity controlled by Mr. Lucatz, pursuant to that certain Management and Consulting Services Agreement dated November 26, 2012 by and between MICT and DL Capital (the "**Consulting Agreement**"). Under the Consulting Agreement, Mr. Lucatz, through DL Capital, is entitled to receive a one-time bonus of 0.5% of the purchase price of the acquisition of MICT as a result of the Business Combination, or \$92,079. Such estimated amount is calculated as 0.5% of the MICT acquisition value, which in turn was estimated by (i) multiplying the GFH Purchase Price Per Share by 11,092,115, which represents the aggregate number of shares of GFH that current stockholders of MICT will receive upon the consummation of the Business Combination, (ii) adding \$1.50 million, the enterprise value of Micronet, and (iii) subtracting 7% of such value to represent the shares that are being held back for issuance to Sunrise Securities, Trump Securities or their Affiliates. The amount also represents \$300,000, which Mr. Lucatz is

entitled to receive from DPW Holdings, Inc. (“**DPW**”), over the next two years, pursuant to a consulting agreement (the “**DPW Consulting Agreement**”), among Micronet, Enertec Management Ltd., Enertec Systems 2001 Ltd., Coolisys Technologies Inc., DPW and Mr. Lucatz, as a result of the rights and obligations under the DPW Consulting Agreement being assigned to Mr. Lucatz.

Mr. Lucatz will be granted options to purchase upto 300,000 shares of GFH Common Stock at an exercise price of \$1.65 per share. However, these options have an exercise price above \$0.84 (the average closing market price per share of MICT’s common stock over the first five business days following the public announcement of the merger), and therefore, based on the difference between \$0.84 and the option exercise price, no vesting of in-the-money

- (2) option awards will be accelerated as a result of the merger. Furthermore, under the DPW Consulting Agreement, which was assigned to Mr. Lucatz, Mr. Lucatz is entitled to receive 150,000 restricted shares of DPW Class A common stock from DPW for each of the next two years, the estimated value of which, based on the closing price of the DPW Class A common stock on February 1, 2019, is an aggregate of \$30,000.

- (3) On August 13, 2018, Mrs. Tali Dinar, MICT’s Chief Financial Officer, and MICT, jointly agreed to terminate her employment. Mrs. Dinar continued to provide her services to MICT as required under Israeli law/her engagement agreement until January 13, 2019. Mrs. Dinar’s employment termination was not as a result of any disagreement or dispute with MICT but rather as a result of the current needs of MICT as a result from the sale of MICT’s subsidiary, Enertec Systems 2001, Ltd.

- (4) Oren Harari is MICT’s former Chief Financial Officer and is no longer an employee, director or consultant of MICT.

- (5) The named executive officers are not entitled to receive pension or non-qualified deferred compensation benefits or enhancements or any tax reimbursements in connection with the Business Combination.

Subject to, and upon Closing of, the Acquisition Agreement and the related Business Combination, MICT is permitted to issue to its CEO up to 300,000 options to purchase ordinary shares of GFH with an exercise price of \$1.65 per share (the “**GFH Purchase Price Per Share**”), which shall be granted as success bonuses under MICT’s existing Stock Incentive Plans or under the GFH Equity Plan (including the GFH Israeli Sub-Plan) and which shall be converted into MICT Replacement Options and which, for the avoidance of doubt, and notwithstanding the termination of the employment or directorship of the optionholder, shall expire on the 15-month anniversary of the Closing Date). In addition, DL Capital Ltd. (“**DL Capital**”), an entity under the control of David Lucatz, is entitled to receive (i) an annual bonus of 3% of the amount by which the annual earnings before interest, tax, depreciation and amortization, or EBITDA, for such year exceeds the average annual EBITDA for 2011 and 2010, or \$0, and (ii) a one-time bonus of 0.5% of the purchase price of any acquisition completed by MICT during the term of the agreement, or approximately \$92,079, as a result of the Business Combination. Furthermore, following the Business Combination, the rights and obligations under the DPW Consulting Agreement will be assigned to Mr. Lucatz. Pursuant to the DPW Consulting Agreement, Coolisys Technologies Inc. will, for each of the next two years, pay Mr. Lucatz a consulting fee of \$150,000 as well as issue Mr. Lucatz 150,000 restricted shares of DPW Class A common stock, which restricted shares are valued at \$15,000 based on the closing stock price of DWP Class A common stock on February 1, 2019.

#### Comparison of stockholders rights between Delaware and the British Virgin Islands

The corporate affairs of GFH will be governed by its memorandum and articles of association and the provisions of applicable British Virgin Islands law, including the Companies Act. The corporate affairs of MICT are governed by its certificate of incorporation, its bylaws and Delaware General Corporation Law. The Companies Act differs from the Delaware General Corporation Law and other laws applicable to United States corporations and their stockholders. Set forth below is a summary of some significant differences between the provisions of the Companies Act that are applicable to GFH and the laws applicable to MICT and its stockholders. A brief discussion of certain other provisions of the Companies Act and British Virgin Islands law also follows.

We cannot predict whether British Virgin Islands courts would reach the same conclusions based on a particular set of facts as the U.S. courts would be expected to reach. Thus, you may have more difficulty in protecting your interests in the face of actions by the management, directors or controlling stockholders than would stockholders of a corporation incorporated in a United States jurisdiction, such as Delaware, which has developed a substantial body of case law.

The following table provides a comparison between the statutory provisions of the Companies Act and the provisions of our memorandum and articles of association and the Delaware General Corporation Law relating to stockholders’ rights.

#### **British Virgin Islands**

#### **Delaware**

**Shareholder Meetings**

- Held at a time and place as determined by the directors.
- May be held at such time or place as designated in the charter or the bylaws, or if not so designated, as determined by the board of directors.
- May be held within or outside the British Virgin Islands.
- May be held within or without Delaware.
- Notice:
- Notice:

### **British Virgin Islands**

A copy of the notice of any meeting shall be given not fewer than ten (10) days before the date of the proposed meeting to those persons whose names appear in the register of members on the date the notice is given and are entitled to vote at the meeting.

### **Stockholders' Voting Rights**

- Any person authorized to vote may be represented at a meeting by a proxy who may speak and vote on behalf of the shareholder.
- Quorum is fixed by our memorandum and articles of association, to consist of the holder or holders present in person or by proxy entitled to exercise at least 50 percent of the voting rights of the shares of each class or series of shares entitled to vote as a class or series thereon.

Subject to any rights or restrictions attached to any shares, at any general meeting on a show of hands every shareholder who is present in person (or, in the case of a shareholder being a corporation, by its duly authorized representative) or by proxy shall have one vote and on a poll every shareholder present in person (or, in the case of a shareholder being a corporation, by its duly appointed representative) or by proxy shall have one vote for each share which such shareholder is the holder.

### **Delaware**

Whenever shareholders are required to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, if any, date and hour of the meeting, and the means of remote communication, if any.

- Any person authorized to vote may authorize another person or persons to act for him by proxy.
- For stock corporations, the charter or bylaws may specify the number to constitute a quorum but in no event shall a quorum consist of less than one-third of shares entitled to vote at a meeting. In the absence of such specifications, a majority of shares shall constitute a quorum

For non-stock companies, the charter or bylaws may specify the number of stockholders to constitute a quorum. In the absence of this, one-third of the stockholders shall constitute a quorum.

**British Virgin Islands**

A resolution put to the vote of the meeting shall be decided on a show of hands unless before, or on the declaration of the result of, the show of hands, the chairman demands a poll, or any other shareholder or shareholders collectively present in person or by proxy (or in the case of a corporation or other non-natural person, by its duly authorised representative or proxy) and holding at least ten per cent. in par value (if all the issued shares have a par value), or otherwise by number of the shares giving a right to attend and vote at the meeting demand a poll.

Changes in the rights attaching to the GFH Ordinary Shares require the approval by way of resolution of only a majority of those outstanding GFH Ordinary Shares attending at the meeting and voting in respect of such resolution.

The rights attaching to the preferred shares may be changed by way of a resolution of a majority of the votes attending and voting at the relevant meeting or class meeting.

However, in the case of both the GFH Ordinary Shares and the preferred shares, the above is subject to any greater majority is required under our memorandum and articles of association or the Companies Act, provided that that for these purposes the creation, designation or issue of preferred shares with rights and privileges ranking in priority to an existing class of shares shall be deemed not to be a variation of the rights of such existing class.

Cumulative voting in the election of directors is not provided for.

**Delaware**

Except as provided in the charter documents, changes in the rights of stockholders as set forth in the charter documents require approval of a majority of its stockholders.

The certificate of incorporation may provide for cumulative voting.



### **British Virgin Islands**

All other matters to be decided upon by the shareholders require a majority vote of shareholders who being so entitled attend and vote at the general meeting, unless the Companies Act requires a higher majority. Our memorandum and articles of association also may be amended by resolution of directors, including to create the rights, preferences, designations and limitations attaching to any blank check preferred shares.

### **Directors**

Board must consist of at least one director

Maximum and minimum number of directors can be changed by an amendment to the articles of association, with such amendment being passed by a resolution of shareholders or a resolution of directors

Directors are appointed for three year staggered terms by the shareholders (as described under "Directors" below). However, the directors may by resolution appoint a replacement director to fill a casual vacancy arising on the resignation, disqualification or death of a director. The replacement director will then hold office until the next annual general meeting at which the director he replaces would have been subject to retirement by rotation.

### **Delaware**

Board must consist of at least one member.

Number of board members shall be fixed by the bylaws, unless the charter fixes the number of directors, in which case a change in the number shall be made only by amendment of the charter.

**British Virgin Islands**

Directors do not have to be independent.

**Fiduciary Duties**

Directors and officers owe fiduciary duties at both common law and under statute which include, without limitation, the following:

Duty to act honestly and in good faith in what the directors believe to be in the best interests of the company;

Duty to exercise powers for a proper purpose and directors shall not act, or agree to act, in a matter that contravenes the Companies Act or the memorandum and articles of association;

Duty to exercise the care, diligence and skill that a reasonable director would exercise in the circumstances taking into account, without limitation:

- (a) the nature of the company;
- (b) the nature of the decision; and
- (c) the position of the director and the nature of the responsibilities undertaken by him.

So long as a director has disclosed any interests in a transaction entered into or to be entered into by the company to the board he/she may:

- (a) vote on a matter relating to the transaction;
- (b) attend a meeting of directors at which a matter relating to the transaction arises and be included among the directors present at the meeting for the purposes of a quorum; and
- (c) sign a document on behalf of the company, or do any other thing in his capacity as a director, that relates to the transaction.

**Delaware**

Directors do not have to be independent.

Directors and officers must act in good faith, with the care of a prudent person, and in the best interest of the corporation.

Directors and officers must refrain from self-dealing, usurping corporate opportunities and receiving improper personal benefits.

Decisions made by directors and officers on an informed basis, in good faith and in the honest belief that the action was taken in the best interest of the corporation will generally be protected by the “business judgment rule.”

Directors may vote on a matter in which they have an interest so long as the director has disclosed any interests in the transaction.

As noted above, the Companies Act differs from laws applicable to Delaware corporations and their stockholders. Set forth below is a summary of some of the significant provisions of the Companies Act applicable to us and the laws applicable to companies incorporated in Delaware and their stockholders.

### *Mergers and Similar Arrangements*

The Companies Act provides for mergers as that expression is understood under Delaware corporate law. Under the Companies Act, two or more companies may either merge into one of such existing companies (the “**surviving company**”) or consolidate with both existing companies ceasing to exist and forming a new company (the “**consolidated company**”). The procedure for a merger or consolidation between the company and another company (which need not be a BVI company, and which may be the company’s parent or subsidiary, but need not be) is set out in the Companies Act. The directors of the BVI company or BVI companies which are to merge or consolidate must approve a written plan of merger or consolidation which, with the exception of a merger between a parent company and its subsidiary, must also be approved by a resolution of the shareholders passed in accordance with the memorandum and articles of the relevant BVI company. In respect of any such resolution of shareholders, (a) the outstanding shares of every class of shares that are entitled to vote on the merger or consolidation as a class, if the memorandum or articles so provide, or, if the plan of merger or consolidation contains any provisions that, if contained in a proposed amendment to the memorandum or articles, would entitle the class to vote on the proposed amendment as a class; (b) if the resolution of shareholders is to be passed by way of a meeting of the shareholders, notice of the meeting, accompanied by a copy of the plan of merger or consolidation, shall be given to each shareholder, whether or not entitled to vote on the merger or consolidation; and (c) if the resolution of shareholders is to be passed by way of written consent, a copy of the plan of merger or consolidation shall be given to each member, whether or not entitled to consent to the plan of merger or consolidation. A foreign company which is able under the laws of its foreign jurisdiction to participate in the merger or consolidation is required by the Companies Act to comply with the laws of that foreign jurisdiction in relation to the merger or consolidation. Each company participating in the merger or consolidation must then execute articles of merger or consolidation, containing certain prescribed details. The plan and articles of merger or consolidation are then filed with the Registrar of Corporate Affairs in the British Virgin Islands. The Registrar then registers the articles of merger or consolidation and any amendment to the memorandum and articles of the surviving company in a merger or the memorandum and articles of association of the new consolidated company in a consolidation and issue a certificate of merger or consolidation (which is conclusive evidence of compliance with all requirements of the Companies Act in respect of the merger or consolidation). In the case of a merger or consolidation where the surviving company or constituent company is to be incorporated in the British Virgin Islands, the merger or consolidation is effective on the date that the articles of merger are registered with the Registrar or on such subsequent date, not exceeding thirty days, as is stated in the articles of merger or consolidation.

As soon as a merger or consolidation becomes effective: (a) the surviving company or consolidated company (so far as is consistent with its memorandum and articles of association, as amended or established by the articles of merger or consolidation) has all rights, privileges, immunities, powers, objects and purposes of each of the constituent companies; (b) in the case of a merger, the memorandum and articles of association of the surviving company are automatically amended to the extent, if any, that changes to its amended memorandum and articles of association are contained in the articles of merger, (c) in the case of a consolidation, the memorandum and articles of association filed with the articles of consolidation are the memorandum and articles of the consolidated company; (d) assets of every description, including choses-in-action and the business of each of the constituent companies, immediately vest in the surviving company or consolidated company; (e) the surviving company or consolidated company is liable for all claims, debts, liabilities and obligations of each of the constituent companies. Where a merger or consolidation occurs, (a) no conviction, judgment, ruling, order, claim, debt, liability or obligation due or to become due, and no cause existing, against a constituent company or against any member, director, officer or agent thereof, is released or impaired by the merger or consolidation; and (b) no proceedings, whether civil or criminal, pending at the time of a merger by or against a constituent company, or against any member, director, officer or agent thereof, are abated or discontinued by the merger or consolidation; but: (i) the proceedings may be enforced, prosecuted, settled or compromised by or against the surviving company or consolidated company or against the member, director, officer or agent thereof; as the case may be; or (ii) the surviving company or consolidated company may be substituted in the proceedings for a constituent company. Where the surviving company or the consolidated company is to be incorporated under the laws of a jurisdiction outside of the British Virgin Islands, it shall file: (a) an agreement that a service of process may be effected on it in the British Virgin Islands in respect of proceedings for the enforcement of any claim, debt, liability or obligation of a constituent company that is registered under the Companies Act or in respect of proceedings for the enforcement of the rights of a dissenting member of a constituent company that is a company registered under the Companies Act against the surviving company or the consolidated company, (b) an irrevocable appointment of its registered agent as its agent to accept service of process in proceedings referred to in (a), (c) an agreement that it will promptly pay to the dissenting members of a constituent company that is a company registered under the Companies Act the amount, if any, to which they are entitled under the Companies Act with respect to the rights of dissenting members; and (d) a certificate of merger or consolidation issued by the appropriate authority of the foreign jurisdiction where it is incorporated; or, if no certificate of merger or consolidation is issued by the appropriate authority of the foreign jurisdiction, then, such evidence of the merger or consolidation as the Registrar of the British Virgin Islands considers acceptable.

In the case of a merger or consolidation where the surviving company or the consolidated company is to be incorporated under the laws of a jurisdiction outside of the British Virgin Islands, the merger or consolidation is effective as provided by the laws of such jurisdiction. The Registrar shall strike off the register of companies each constituent company that is not the surviving company in the case of a merger and all constituent companies which participate in a consolidation.

If the directors determine it to be in the best interests of the company, it is also possible for a merger to be approved as a court approved plan of arrangement or scheme of arrangement in accordance with the Companies Act.

### *Directors*

Our directors are appointed by our shareholders and are subject to rotational retirement every three years. The initial terms of office of the Class I, Class II and Class III directors have been staggered over a period of three years to ensure that all directors of the company do not face reelection in the same year. However, the directors may by resolution appoint a replacement director to fill a casual vacancy arising on the resignation, disqualification or death of a director. The replacement director will then hold office until the next annual general meeting at which the director he replaces would have been subject to retirement by rotation. There is nothing under the laws of the British Virgin Islands that specifically prohibits or restricts the creation of cumulative voting rights for the election of our directors. Our memorandum and articles of association do not provide for cumulative voting for such elections.

There are no share ownership qualifications for directors.

Meetings of our board of directors may be convened at any time by any of our directors.

A meeting of our board of directors will be quorate if at least a majority of the directors are present or represented by an alternate director. At any meeting of our directors, each director, whether by his or her presence or by his or her alternate, is entitled to one vote. Questions arising at a meeting of our board of directors are required to be decided by simple majority votes of the directors present or represented at the meeting. Our board of directors also may pass resolutions without a meeting by unanimous written consent.

### *Alternate Directors*

Our memorandum and articles of association provide that each of our directors may appoint an alternate (who need not be another director of the company). The alternate of any director shall be entitled to attend board meetings in the absence of the director who appointed him or her and to vote or give written consent in place of that director until the alternate's appointment lapses or is terminated (an alternate's appointment, if it has not already done so, will automatically terminate on his appointor ceasing to be a director).

### *Agents*

Our board of directors has the power to appoint any person (whether or not a director or other officer of ours) to be an agent of the company. Our memorandum and articles of association provide that an agent of the company shall be able to exercise such powers and authorities of the directors (which may include the power to affix the company's seal) as the directors may allow when appointing the agent, except that, as stated in our memorandum and articles of association and the Companies Act, no agent shall have been given any power or authority to amend the memorandum or the articles to change the registered office or agent; to fix emoluments of directors; to designate committees of directors; to delegate powers to a committee of directors; to appoint or remove directors; to appoint or remove an agent; to approve a plan of merger, consolidation or arrangement; to make a declaration of solvency or to approve a liquidation plan; to make a determination in connection with a distribution that the company will, immediately after a proposed distribution, satisfy the relevant solvency test; or to authorize the company to continue as a company incorporated under the laws of a jurisdiction outside of the British Virgin Islands. When appointing an agent of ours, our directors may authorize the agent to appoint one or more substitutes or delegates to exercise some or all of the powers conferred on the agent. Our directors may remove an agent and may revoke or vary a power conferred on him.

### *Indemnification of Directors*

Our memorandum and articles of association provide that, subject to certain limitations, we shall indemnify our directors and officers against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred in connection with legal, administrative or investigative proceedings. Such indemnity only applies if the person acted honestly and in good faith with a view to our best interests and, in the case of criminal proceedings, the person had no reasonable cause to believe that his or her conduct was unlawful. The decision of the directors as to whether the person acted honestly and in good faith and with a view to our best interests and as to whether the person had no reasonable cause to believe that his conduct was unlawful is, in the absence of fraud, sufficient for the purposes of the memorandum and articles of association, unless a question of law is involved. The termination of any proceedings by any judgment, order, settlement, conviction or the entering of a nolle prosequi does not, by itself, create a presumption that the person did not act honestly and in good faith and with a view to our best interests or that the person had reasonable cause to believe that his or her conduct was unlawful.

### *Directors and Conflicts of Interest*

Directors must not place themselves in a position in which there is a conflict between their duty to the company and their personal interests. This means that, strictly speaking, a director should not participate in a decision in circumstances where he has a potential conflict. That is, he should declare his interest and abstain. The Companies Act provides that a director “shall, forthwith after becoming aware of the fact that he is interested in a transaction entered into or to be entered into by the company, disclose the interest to the board of the company”. The failure of a director to so disclose an interest does not affect the validity of a transaction entered into by the director or the company, provided that the director’s interest was disclosed to the board prior to the company’s entry into the transaction or was not required to be disclosed (for example where the transaction is between the company and the director himself or is otherwise in the ordinary course of business and on usual terms and conditions). Our memorandum and articles of association allow a director interested in a particular transaction to vote on it, attend meetings at which it is considered, and sign documents on behalf of the company which relate to the transaction.

Under the laws of the British Virgin Islands, a transaction entered into by the company in respect of which a director is interested will not be voidable by the company where the members have approved or ratified the transaction in knowledge of the material facts of the interest of the director in the transaction, or if the company received fair value for the transaction.

Broadly speaking, the duties that a director owes to a company may be divided into two categories. The first category encompasses fiduciary duties, that is, the duties of loyalty, honesty and good faith. The second category encompasses duties of skill and care. Each is considered in turn below:

A director's fiduciary duties can be summarized as follows:

- (a) Bona Fides: The directors must act bona fide in what they consider is in the best interests of the company.
- (b) Proper Purpose: The directors must exercise the powers that are vested in them for the purpose for which they were conferred and not for a collateral purpose.
- (c) Unfettered Discretion: Since the powers of the directors are to be exercised by them in trust for the company, they should not improperly fetter the exercise of future discretion.
- (d) Conflict of Duty and Interest: as per the above.

In addition to their fiduciary duties a director has the duties of care, diligence and skill which are owed to the company itself and not, for example, to individual members (subject to the limited exceptions as to enforcement on behalf of the company).



*Shareholders' Suits*

In certain circumstances, a shareholder has the right to seek various remedies against a company in the event the directors are in breach of their duties under the Companies Act. Pursuant to Section 184B of the Companies Act, if a company or director of a company engages in, or proposes to engage in or has engaged in, conduct that contravenes the provisions of the Companies Act or the memorandum or articles of association of the company, a British Virgin Islands court may, on application of a shareholder or director of the company, make an order directing the company or director to comply with, or restraining the company or director from engaging in conduct that contravenes the Companies Act or the memorandum or articles. Furthermore, pursuant to section 184I(1) of the Companies Act a shareholder of a company who considers that the affairs of the company have been, are being or likely to be, conducted in a manner that is, or any acts of the company have been, or are likely to be oppressive, unfairly discriminatory, or unfairly prejudicial to him in that capacity, may apply to a British Virgin Islands court for an order under Section 184I(1) of the Companies Act. If the court considers it just and equitable to do so, it can make an order which, inter alia, can require the company or any other person to pay compensation to the shareholders.

The Companies Act provides for a series of remedies available to shareholders. Where a company incorporated under the Companies Act conducts some activity that breaches the Act or the company's memorandum and articles of association, the court can issue a restraining or compliance order. Under the Companies Act, a shareholder of a company may bring an action against a company for breach of a duty owed by the company to him as a shareholder. A shareholder also may, with the permission of a British Virgin Islands court, bring an action or intervene in a matter in the name of the company, in certain circumstances. Such actions are known as derivative actions. As noted above, a British Virgin Islands court may only grant permission to bring a derivative action where the following circumstances apply:

- the company does not intend to bring, diligently continue or defend or discontinue proceedings; and

it is in the interests of the company that the conduct of the proceedings not be left to the directors or to the determination of the shareholders as a whole.

When considering whether to grant leave, a British Virgin Islands court is also required to have regard to the following matters:

- whether the shareholder is acting in good faith;

whether a derivative action is in the company's best interests, taking into account the directors' views on commercial matters;

whether the action is likely to proceed;

the costs of the proceedings; and

whether an alternative remedy is available.

*Member's Rights Generally*

Any member of a company may apply to court for the appointment of a liquidator for the company and the court may appoint a liquidator for the company if it is of the opinion that it is just and equitable to do so.

The Act provides that any member of a company is entitled to payment of the fair value of his shares upon dissenting from any of the following: (a) a merger (except in certain limited circumstances); (b) a consolidation; (c) any sale, transfer, lease, exchange or other disposition of more than 50 per cent in value of the assets or business of the company if not made in the usual or regular course of the business carried on by the company but not including (i) a disposition pursuant to an order of the court having jurisdiction in the matter, (ii) a disposition for money on terms requiring all or substantially all net proceeds to be distributed to the members in accordance with their respective interest within one year after the date of disposition, or (iii) a transfer pursuant to the power of the directors to transfer assets for the protection thereof; (d) a redemption of 10 per cent, or fewer of the issued shares of the company required by the holders of 90 per cent, or more of the shares of the company pursuant to the terms of the Act; and (e) an arrangement, if permitted by the court.

Generally any other claims against a company by its members must be based on the general laws of contract or tort applicable in the British Virgin Islands or their individual rights as members as established by the company's memorandum and articles of association.

#### *Compulsory Acquisition*

Under the Companies Act, subject to any limitations in a company's memorandum or articles, shareholders holding 90% of the votes of the outstanding shares entitled to vote, and shareholders holding 90% of the votes of the outstanding shares of each class of shares entitled to vote, may give a written instruction to the company directing the company to redeem the shares held by the remaining shareholders. Upon receipt of such written instruction, the company shall redeem the shares specified in the written instruction, irrespective of whether or not the shares are by their terms redeemable. The company shall give written notice to each shareholder whose shares are to be redeemed stating the redemption price and the manner in which the redemption is to be effected. A shareholder whose shares are to be so redeemed is entitled to dissent from such redemption, and to be paid the fair value of his shares, as described under "*Member's Rights Generally*" above.

#### *Share Repurchases and Redemptions*

As permitted by the Companies Act and our memorandum and articles of association, shares may be repurchased, redeemed or otherwise acquired by us. Typically, our directors will need to determine that immediately following the redemption or repurchase we will be able to satisfy our debts as they fall due and the value of our assets exceeds our liabilities. Our directors may only exercise this power on our behalf, subject to the Companies Act, our memorandum and articles of association and to any applicable requirements imposed from time to time by the SEC, the Nasdaq Capital Market or any other stock exchange on which our securities are listed.

#### *Dividends*

Subject to the Companies Act and our memorandum and articles of association, our directors may declare dividends at a time and amount they think fit if they are satisfied, on reasonable grounds, that, immediately after distribution of the dividend, the value of our assets will exceed our liabilities and we will be able to pay our debts as they fall due. No dividend shall carry interest against us.

#### *Rights of Non-resident or Foreign Shareholders and Disclosure of Substantial Shareholdings*

There are no limitations imposed by our memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

*Transfer of Shares*

Where shares are listed on a recognized exchange, such shares may be transferred without the need for a written instrument of transfer if the transfer is carried out in accordance with the laws, rules, procedures and other requirements applicable to shares listed on the recognized exchange and subject to the company's memorandum and articles of association.

*Inspection of Books and Records*

Under the Companies Act, shareholders of the general public, on payment of a nominal fee, can obtain copies of the public records of a company available at the office of the Registrar which will include the company's certificate of incorporation, its memorandum and articles of association (with any amendments) and records of license fees paid to date and will also disclose any articles of dissolution, articles of merger and a register of charges if the company has elected to file such a register.

A shareholder of a company is entitled, on giving written notice to the company, to inspect:

(a) the memorandum and articles;

(b) the register of members;

(c) the register of directors; and

(d) the minutes of meetings and resolutions of shareholders and of those classes of shareholders of which he is a shareholder; and to make copies of or take extracts from the documents and records referred to in (a) to (d) above.

Subject to the memorandum and articles of association, the directors may, if they are satisfied that it would be contrary to the company's interests to allow a shareholder to inspect any document, or part of a document, specified in (b), (c) or (d) above, refuse to permit the shareholder to inspect the document or limit the inspection of the document, including limiting the making of copies or the taking of extracts from the records.

Where a company fails or refuses to permit a shareholder to inspect a document or permits a shareholder to inspect a document subject to limitations, that shareholder may apply to a British Virgin Islands court for an order that he should be permitted to inspect the document or to inspect the document without limitation.

*Dissolution; Winding Up*

The liquidation of a BVI company may be a voluntary solvent liquidation or a liquidation under the Insolvency Act, 2003 of the British Virgin Islands (the “**Insolvency Act**”).

The Companies Act governs a solvent liquidation. A company may only be liquidated under the Companies Act as a solvent liquidation if it has no liabilities or it is able to pay its debts as they fall due and the value of its assets exceeds its liabilities. Pursuant to the amended and restated memorandum and articles of association of GFH and the Companies Act, a liquidator may be appointed by a resolution of directors or resolution of members but if the directors have commenced liquidation by a resolution of directors the members must approve the liquidation plan by a resolution of members save in limited circumstances. The liquidator is appointed for the purpose of collecting in and realizing the assets of a company and distributing proceeds to creditors

The Insolvency Act governs an insolvent liquidation. Pursuant to the Insolvency Act, a company is insolvent if: (a) it fails to comply with the requirements of a statutory demand that has not be set aside pursuant to the Insolvency Act; or (b) execution or other process issued on a judgment, decree or order of Court in favor of a creditor of the company is returned wholly or partly unsatisfied; or (c) either the value of the company’s liabilities exceeds its assets; or (d) the company is unable to pay its debts as they fall due. The liquidator must be either the Official Receiver in BVI or a BVI licensed insolvency practitioner. An individual resident outside the BVI may be appointed to act as liquidator jointly with a BVI licensed insolvency practitioner or the Official Receiver. The members of the company may appoint an insolvency practitioner as liquidator of the company or the Court may appoint an Official Receiver or an eligible insolvency practitioner. The application to the Court can be made by one or more of the following: (a) the company (b) a creditor (c) a member (d), the supervisor of a creditors’ arrangement in respect of the company, the Financial Services Commission and the Attorney General in the BVI.

The Court may appoint a liquidator if:

- (a) the company is insolvent;
- (b) the Court is of the opinion that it is just and equitable that a liquidator should be appointed; or
- (c) the Court is of the opinion that it is in the public interest for a liquidator to be appointed.

An application under (a) above by a member may only be made with leave of the Court, which shall not be granted unless the Court is satisfied that there is prima facie case that the company is insolvent. An application under (c) above may only be made by the Financial Services Commission or the Attorney General and they may only make an application under (c) above if the company concerned is, or at any time has been, a regulated person (i.e. a person that holds a prescribed financial services license) or the company is carrying on, or at any time has carried on, unlicensed financial services business.

#### *Voidable Transactions*

In the event of the insolvency of a company, there are four types of voidable transaction provided for in the Insolvency Act:

*Unfair Preferences:* Under section 245 of the Insolvency Act a transaction entered into by a company, if it is entered into within the hardening period at a time when the company is insolvent, or it causes the company to become insolvent (an “insolvency transaction”), and which has the effect of putting the creditor into a position which, (a) in the event of the company going into insolvent liquidation, will be better than the position it would have been in if the transaction had not been entered into, will be deemed an unfair preference. A transaction is not an unfair preference if the transaction took place in the ordinary course of business. It should be noted that this provision applies regardless of whether the payment or transfer is made for value or at an undervalue.

*Undervalue Transactions:* Under section 246 of the Insolvency Act the making of a gift or the entering into of a transaction on terms that the company is to receive no consideration, or where the value of the consideration for the transaction, in money or money’s worth, is significantly less than the value, in money or money’s worth, of the (b) consideration provided by the company will (if it is an insolvency transaction entered into within the hardening period) be deemed an undervalue transaction. A company does not enter into a transaction at an undervalue if it is entered into in good faith and for the purposes of its business and, at the time the transaction was entered into, there were reasonable grounds for believing the transaction would benefit the company.

*Voidable Floating Charges:* Under section 247 of the Insolvency Act a floating charge created by a company is voidable if it is an insolvency transaction created within the hardening period. A floating charge is not voidable to the extent that it secures: (i) money advanced or paid to the company, or at its direction, at the same time as, or after, the creation of the charge; (ii) the amount of any liability of the company discharged or reduced at the same time as, or after, the creation of the charge; (iii) the value of assets sold or supplied, or services supplied, to the company at the same time as, or after, the creation of the charge; and (iv) the interest, if any, payable on the amount referred to in (i) to (iii) pursuant to any agreement under which the money was advanced or paid, the liability was discharged or reduced, the assets were sold or supplied or the services were supplied.

*Extortionate Credit Transactions:* Under section 248 of the Insolvency Act an insolvency transaction entered into by a company for, or involving the provision of, credit to the company, may be regarded as an extortionate credit transaction if, having regard to the risk accepted by the person providing the credit, the terms of the transaction are or were such to require grossly exorbitant payments to be made in respect of the provision of the credit, or the transaction otherwise grossly contravenes ordinary principles of fair trading and such transaction takes place within the hardening period.



The “hardening period” (known in the Insolvency Act as the “vulnerability period”) in respect of each voidable transaction provision set out above is as follows:

for the purposes of sections 245, 246 and 247 of the Insolvency Act the period differs depending on whether the (a) person(s) that the transaction is entered into with, or the preference is given to, are “connected persons” of the company within the meaning of the Insolvency Act:

- (i) in the case of “connected persons” the “hardening period” is the period beginning two years prior to the “onset of insolvency” and ending on the appointment of a liquidator of the company; and
- (ii) in the case of any other person, the “hardening period” is the period beginning six months prior to the “onset of insolvency” and ending on the appointment of a liquidator of the company; and

for the purposes of section 248 of the Insolvency Act the “hardening period” is the period beginning five years prior (b) to the “onset of insolvency” and ending on the appointment of a liquidator of the company regardless of whether the person(s) that the transaction is entered into with is a connected person.

The onset of insolvency for these purposes is the date on which an application for the appointment of a liquidator was filed (if the liquidator was appointed by the Court) or the date of the appointment of the liquidator (where the liquidator was appointed by the members).

A conveyance made by a person with intent to defraud creditors is voidable at the instance of the person thereby prejudiced. There is no requirement that the relevant transaction was entered into at a time when one party was insolvent or became insolvent as a result of the transaction, and there is no requirement that the transferring party subsequently went into liquidation. However, no conveyance entered into for valuable consideration and in good faith to a person who did not have notice of the intention to defraud may be impugned.

### **Anti-Money Laundering Laws**

In order to comply with legislation or regulations aimed at the prevention of money laundering we are required to adopt and maintain anti-money laundering procedures, and may require subscribers to provide evidence to verify their identity. Where permitted, and subject to certain conditions, we also may delegate the maintenance of our anti-money laundering procedures (including the acquisition of due diligence information) to a suitable person.

We reserve the right to request such information as is necessary to verify the identity of a subscriber. In the event of delay or failure on the part of the subscriber in producing any information required for verification purposes, we may refuse to accept the application, in which case any funds received will be returned without interest to the account from which they were originally debited.

If any person resident in the British Virgin Islands knows or suspects that another person is engaged in money laundering or terrorist financing and the information for that knowledge or suspicion came to their attention in the course of their business the person will be required to report his belief or suspicion to the Financial Investigation Agency of the British Virgin Islands, pursuant to the Proceeds of Criminal Conduct Act 1997 (as amended). Such a report shall not be treated as a breach of confidence or of any restriction upon the disclosure of information imposed by any enactment or otherwise.

### **Brief statement of accounting treatment of the Business Combination**

The financial statements of GFH have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies. The areas that require a high level of judgment or areas of judgment and estimation that are significant to GFH are disclosed in the notes accompanying its annual financial statements.

Under IFRS, the Transactions contemplated by the Acquisition Agreement will be accounted for as a business combination using the acquisition method in accordance with IFRS 3, Business Combinations, which requires that one of the companies in the Transactions be designated as the acquirer for accounting purposes, based on the evidence available. While GFH is the legal acquirer, ParagonEx is the accounting acquirer. ParagonEx has been deemed the accounting acquirer because its shareholders will have the majority shareholding between them after the transactions, and ParagonEx was the largest trading entity between the three parties. In GFH's consolidated financial statements, the assets and liabilities of BI China will initially be recorded at fair value and the excess of the consideration paid to the BI China shareholders over the net fair value of its assets and liabilities will be recorded as goodwill. The historical results of operations of ParagonEx will be presented as the results of operations of GFH following the closing date of the Transactions.

### **Material United States Federal Income Tax Considerations**

The following section is a summary of the material United States federal income tax considerations to U.S. holders (as defined below) of MICT Common Stock that (i) participate in the Business Combination, including acquiring, owning and disposing of the GFH Ordinary Shares, and (ii) receive shares of Micronet in the Spinoff. This discussion addresses only those MICT Stockholders that hold their shares as capital assets within the meaning of Section 1221 of the Code and does not address all the United States federal income tax consequences that may be relevant to particular holders in light of their individual circumstances (such as a stockholder owning directly or indirectly 5% or more of MICT's common stock or of the GFH Ordinary Shares) or to holders that are subject to special rules, such as:

insurance companies;

real estate investment trusts or regulated investment companies;

persons who hold or receive MICT Common Stock pursuant to the exercise of any employee stock option or otherwise as compensation;

individual retirement and other tax-deferred accounts;

persons whose functional currency (as defined in Section 985 of the Code) is not the U.S. dollar;

persons subject to special tax accounting rules as a result of any item of gross income with respect to MICT's common stock being taken into account in an applicable financial statement;

financial institutions;

partnerships or other entities classified as partnerships for U.S. federal income tax purposes;

tax-exempt organizations;

dealers in securities or currencies;

traders in securities that elect to use a mark-to-market method of accounting;

persons holding MICT Common Stock as part of a “straddle,” “hedge,” “conversion transaction,” “synthetic security” or other integrated investment; and

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Non-U.S. holders (as defined below).

For purposes of this discussion, a “U.S. holder” is a beneficial owner of MICT Common Stock or GFH Ordinary Shares that is:

a citizen or resident of the United States;

a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any political subdivision thereof;

an estate whose income is subject to U.S. federal income taxation regardless of its source; or

any trust if (1) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) it has a valid election in place to be treated as a U.S. person.

The term “Non-U.S. holder” means a beneficial owner of MICT Common Stock or GFH Ordinary Shares other than a U.S. holder or an entity (or arrangement) treated as a partnership for U.S. federal income tax purposes.

If an entity (or arrangement) treated as a partnership for U.S. federal income tax purposes holds MICT Common Stock or GFH Ordinary Shares, the tax treatment of a partner in the partnership will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. Accordingly, partnerships holding MICT Common Stock or GFH Ordinary Shares and the partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them.

This discussion is based upon the Code, applicable U.S. treasury regulations thereunder, published rulings and court decisions, all as currently in effect as of the date hereof, and all of which are subject to change or differing interpretation, possibly with retroactive effect. In December 2017, the U.S. government enacted broad tax legislation that included significant changes to the taxation of business entities. Some aspects of this new law are not clear, and, as a result, we cannot assure you that such change in law does not impact the tax considerations that we describe in this summary. Tax considerations under state, local and non-U.S. laws, or federal laws other than those pertaining to the income tax, are not addressed.

Neither MICT nor GFH intends to request any ruling from the Internal Revenue Service (the “**IRS**”) or opinion of counsel as to the U.S. federal income tax consequences of the Business Combination and there can be no assurance that the IRS will agree with the discussion set out below.

THE U.S. FEDERAL INCOME TAX TREATMENT OF THE BUSINESS COMBINATION AND THE U.S. FEDERAL INCOME TAX TREATMENT OF HOLDERS OF MICT COMMON STOCK DEPENDS IN SOME INSTANCES ON DETERMINATIONS OF FACT AND INTERPRETATIONS OF COMPLEX PROVISIONS OF U.S. FEDERAL INCOME TAX LAW FOR WHICH NO CLEAR PRECEDENT OR AUTHORITY MAY BE AVAILABLE. IN ADDITION, THE U.S. FEDERAL INCOME TAX TREATMENT OF THE TRANSACTIONS AND THE U.S. FEDERAL INCOME TAX TREATMENT OF HOLDING GFH ORDINARY SHARES TO ANY PARTICULAR STOCKHOLDER WILL DEPEND ON THE STOCKHOLDER’S PARTICULAR TAX CIRCUMSTANCES. YOU ARE URGED TO CONSULT YOUR TAX ADVISOR REGARDING THE U.S. FEDERAL, STATE, LOCAL, AND NON-U.S. INCOME AND OTHER TAX CONSEQUENCES TO YOU, IN LIGHT OF YOUR PARTICULAR INVESTMENT OR TAX CIRCUMSTANCES, OF ACQUIRING, HOLDING, AND DISPOSING OF GFH ORDINARY SHARES.

## **U.S. Federal Income Tax Considerations of Participating in the Business Combination**

This section is addressed to U.S. holders of MICT Common Stock that participate in the Business Combination. It is intended that the Merger, together with the BI China Acquisition and the ParagonEx Acquisition, will collectively qualify as an exchange described in Section 351 of the Code. However, there can be no assurance that the IRS will not successfully challenge this position, and if so then the exchange of MICT Common Stock for GFH Ordinary Shares will be a taxable exchange, and the tax consequences described herein will be materially different from those described below. The remainder of this discussion assumes that the transactions described above qualify as an exchange described in Section 351 of the Code.

A U.S. holder who owns shares of MICT Common Stock and who exchanges such common stock for the GFH Ordinary Shares will generally not recognize gain or loss. The aggregate tax basis for U.S. federal income tax purposes of the shares of GFH received by such a U.S. holder in the Merger will be the same as the aggregate adjusted tax basis of the MICT Common Stock surrendered in exchange therefor. In calculating such adjusted tax basis of the MICT Common Stock, a U.S. holder must first reduce such holder's tax basis in his or her MICT Common Stock to the extent the Spinoff reduces such holder's tax basis as described below under "— U.S. Federal Income Tax Considerations of the Spinoff." The holding period of the shares of GFH received in the Merger by such U.S. holder will include the period during which the shares of MICT Common Stock exchanged therefor were held by such U.S. holder.

## **U.S. Federal Income Tax Considerations of the Spinoff**

This section is addressed to U.S. holders of MICT Common Stock that receive Micronet shares as a result of the Spinoff. The fair market value of the Micronet shares that you receive in the Spinoff (including the amount of any taxes withheld therefrom) will generally be includable in your gross income as dividend income on the date of receipt by you, but only to the extent that the distribution is paid out of MICT's current or accumulated earnings and profits (as determined under U.S. federal income tax principles). However, MICT will not be able to determine whether it has any current or accumulated earnings and profits until after the close of MICT's current taxable year and thus it is unclear how much (if any) of the Spinoff will be treated as dividend income to you. With respect to corporate U.S. holders, the dividends may be eligible for the dividends-received deduction allowed to corporations in respect of dividends received from other U.S. corporations.

With respect to non-corporate U.S. holders, including individual U.S. holders, dividends may be taxed at the lower capital gains rate applicable to qualified dividend income, provided that certain holding period requirements and other requirements are met. You are urged to consult your tax advisors regarding the availability of the lower rate for any dividend income attributable to the Spinoff.

To the extent that the amount of the distribution exceeds MICT's current and accumulated earnings and profits (as determined under U.S. federal income tax principles), it will be treated first as a tax-free return of your tax basis in your MICT Common Stock, and to the extent the amount of the distribution exceeds your tax basis, the excess will be taxed as capital gain.

**U.S. Federal Income Tax Considerations of Owning GFH Ordinary Shares**

This section is addressed to U.S. holders of MICT Common Stock that receive GFH Ordinary Shares in the Merger.



*Taxation of Dividends and Other Distributions on GFH Ordinary Shares*

Subject to the passive foreign investment company rules discussed below, the gross amount of distributions made by GFH to you with respect to the GFH Ordinary Shares (including the amount of any taxes withheld therefrom) will generally be includable in your gross income as dividend income on the date of receipt by you, but only to the extent that the distribution is paid out of GFH's current or accumulated earnings and profits (as determined under U.S. federal income tax principles). With respect to corporate U.S. holders, the dividends will generally not be eligible for the dividends-received deduction allowed to corporations in respect of dividends received from other U.S. corporations.

With respect to non-corporate U.S. holders, including individual U.S. holders, dividends will be taxed at the lower capital gains rate applicable to qualified dividend income, provided that (1) the GFH Ordinary Shares are readily tradable on an established securities market in the United States, or GFH is eligible for the benefits of an approved qualifying income tax treaty with the United States that includes an exchange of information program, (2) GFH is not a passive foreign investment company (as discussed below) for either the taxable year in which the dividend is paid or the preceding taxable year, and (3) certain holding period requirements are met. You are urged to consult your tax advisors regarding the availability of the lower rate for dividends paid with respect to the GFH Ordinary Shares.

To the extent that the amount of the distribution exceeds GFH's current and accumulated earnings and profits (as determined under U.S. federal income tax principles), it will be treated first as a tax-free return of your tax basis in your GFH Ordinary Shares, and to the extent the amount of the distribution exceeds your tax basis, the excess will be taxed as capital gain. We do not intend to calculate GFH's earnings and profits under U.S. federal income tax principles. Therefore, a U.S. holder should expect that a distribution will be treated as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above.

*Taxation of Dispositions of Ordinary Shares*

Subject to the passive foreign investment company rules discussed below, you will recognize taxable gain or loss on any sale, exchange or other taxable disposition of a GFH Ordinary Share equal to the difference between the amount realized (in U.S. dollars) for the GFH Ordinary Share and your tax basis (in U.S. dollars) in the GFH Ordinary Share. The gain or loss will be capital gain or loss. If you are a non-corporate U.S. holder, including an individual U.S. holder, who has held the GFH Ordinary Shares for more than one year, you may be eligible for reduced tax rates on any such capital gains. The deductibility of capital losses is subject to limitations.

*Passive Foreign Investment Company*

A non-U.S. corporation is considered a passive foreign investment company, or “PFIC” for any taxable year if either:

- at least 75% of its gross income for such taxable year is passive income; or
- at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income (the “**asset test**”).

Passive income generally includes dividends, interest, rents and royalties (other than rents or royalties derived from the active conduct of a trade or business) and gains from the disposition of passive assets. In determining the value and composition of its assets for purposes of the PFIC asset test, (1) the cash GFH owns at any time will generally be considered to be held for the production of passive income and (2) the value of GFH’s assets must be determined based on the market value of the GFH Ordinary Shares from time to time, which could cause the value of its non-passive assets to be less than 50% of the value of all of its assets (including cash) on any particular quarterly testing date for purposes of the asset test.

A determination as to whether GFH is a PFIC will be made with respect to any particular tax year following the end of such particular tax year. If GFH is a PFIC for any year during which you hold GFH Ordinary Shares, it will continue to be treated as a PFIC for all succeeding years during which you hold GFH Ordinary Shares. However, if GFH ceases to be a PFIC and you did not previously make a timely “mark-to-market” election as described below, you may avoid some of the adverse effects of the PFIC regime by making a “purging election” (as described below) with respect to the GFH Ordinary Shares.

Depending on the amount of cash GFH raises in connection with the transactions described in this proxy statement/prospectus, including without limitation the GFH Private Placement, together with any other assets held for the production of passive income, it is possible that, for its current taxable year or for any subsequent year, more than 50% of GFH’s assets may be assets which produce passive income. For purposes of the PFIC analysis, in general, a non-U.S. corporation is deemed to own its pro rata share of the gross income and assets of any entity in which it is considered to own at least 25% of the equity by value. Therefore, the income and assets of BI China and ParagonEx should be included in the determination of whether or not GFH is a PFIC in any taxable year.

If GFH is a PFIC for any taxable year(s) during which you hold the GFH Ordinary Shares, you will be subject to special tax rules with respect to any “excess distribution” that you receive and any gain you realize from a sale or other disposition (including a pledge) of the GFH Ordinary Shares, unless you make a “mark-to-market” election as discussed below. Distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the GFH Ordinary Shares will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the GFH Ordinary Shares;
- the amount allocated to your current taxable year, and any amount allocated to any of your taxable year(s) prior to the first taxable year in which GFH was a PFIC, will be treated as ordinary income, and
- the amount allocated to each of your other taxable year(s) will be subject to the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to years prior to the year of disposition or “excess distribution” cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the GFH Ordinary Shares cannot be treated as capital, even if you hold the GFH Ordinary Shares as capital assets.

A U.S. holder of “marketable stock” (as defined below) in a PFIC may make a mark-to-market election for such stock to elect out of the tax treatment discussed above. If you make a mark-to-market election for first taxable year which you hold (or are deemed to hold) GFH Ordinary Shares and for which GFH is determined to be a PFIC, you will include in your income each year an amount equal to the excess, if any, of the fair market value of the GFH Ordinary Shares as of the close of such taxable year over your adjusted basis in such GFH Ordinary Shares, which excess will be treated as ordinary income and not capital gain. You are allowed an ordinary loss for the excess, if any, of the adjusted basis of the GFH Ordinary Shares over their fair market value as of the close of the taxable year. However, such ordinary loss is allowable only to the extent of any net mark-to-market gains on the GFH Ordinary Shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as gain on the actual sale or other disposition of the GFH Ordinary Shares, are treated as ordinary income. Ordinary loss treatment also applies to any loss realized on the actual sale or disposition of the GFH Ordinary Shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such GFH Ordinary Shares. Your basis in the GFH Ordinary Shares will be adjusted to reflect any such income or loss amounts. If you make a valid mark-to-market election, the tax rules that apply to distributions by corporations which are not PFICs would apply to distributions by GFH, except that the lower applicable capital gains rate for qualified dividend income discussed above under “— Taxation of Dividends and Other Distributions on GFH Ordinary Shares” generally would not apply.

The mark-to-market election is available only for “marketable stock”, which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter (“**regularly traded**”) on a qualified exchange or other market (as defined in applicable U.S. Treasury regulations), including Nasdaq. If the GFH Ordinary Shares are regularly traded on Nasdaq and if you are a holder of GFH Ordinary Shares, the mark-to-market election may be available to you were GFH to be or become a PFIC.

Alternatively, a U.S. holder of stock in a PFIC may make a “qualified electing fund” election with respect to such PFIC to elect out of the tax treatment discussed above. A U.S. holder who makes a valid qualified electing fund election with respect to a PFIC will generally include in gross income for a taxable year such holder’s pro rata share of the corporation’s earnings and profits for the taxable year. However, the qualified electing fund election is available only if such PFIC provides such U.S. holder with certain information regarding its earnings and profits as required under applicable U.S. Treasury regulations. GFH does not currently intend to prepare or provide the information that would enable you to make a qualified electing fund election. If you hold GFH Ordinary Shares in any taxable year in which GFH is a PFIC, you will be required to file U.S. Internal Revenue Service Form 8621 in each such year and provide certain annual information regarding such GFH Ordinary Shares, including regarding distributions received on the GFH Ordinary Shares and any gain realized on the disposition of the GFH Ordinary Shares.

If you do not make a timely “mark-to-market” election (as described above), and if GFH were a PFIC at any time during the period you hold its GFH Ordinary Shares, then such GFH Ordinary Shares will continue to be treated as stock of a PFIC with respect to you even if GFH ceases to be a PFIC in a future year, unless you make a “purging election” for the year we cease to be a PFIC. A “purging election” creates a deemed sale of such GFH Ordinary Shares at their fair market value on the last day of the last year in which GFH is treated as a PFIC. The gain recognized by the purging election will be subject to the special tax and interest charge rules treating the gain as an excess distribution, as described above. As a result of the purging election, you will have a new basis (equal to the fair market value of the GFH Ordinary Shares on the last day of the last year in which GFH is treated as a PFIC) and holding period (which new holding period will begin the day after such last day) in your GFH Ordinary Shares for tax purposes.

You are urged to consult your tax advisors regarding the application of the PFIC rules to your investment in the GFH Ordinary Shares and the elections discussed above.

#### *Information Reporting and Backup Withholding*

Certain U.S. holders are required to report information to the IRS relating to an interest in “specified foreign financial assets,” including shares issued by a non-U.S. corporation, for any year in which the aggregate value of all specified foreign financial assets exceeds US\$50,000 (or a higher dollar amount prescribed by the IRS), subject to certain exceptions (including an exception for shares held in custodial accounts maintained with a United States financial institution). These rules also impose penalties if a U.S. holder is required to submit such information to the IRS and

fails to do so.

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Dividend payments with respect to GFH Ordinary Shares and proceeds from the sale, exchange or redemption of GFH Ordinary Shares may be subject to information reporting to the IRS and possible U.S. backup withholding at a current rate of 24%. Backup withholding will not apply, however, to a U.S. holder who furnishes a correct taxpayer identification number and makes any other required certification on IRS Form W-9 or who is otherwise exempt from backup withholding. U.S. holders who are required to establish their exempt status generally must provide such certification on IRS Form W-9. U.S. holders are urged to consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your U.S. federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the IRS and timely furnishing any required information. Transactions effected through certain brokers or other intermediaries may be subject to withholding taxes (including backup withholding), and such brokers or intermediaries may be required by law to withhold such taxes.

**This discussion is intended to provide only a summary of the material United States federal income tax considerations with respect to the Business Combination to holders of MICT Common Stock. It does not address tax considerations that may vary with, or are contingent on, your individual circumstances. In addition, the discussion does not address any non-income tax or any non-U.S., state or local tax considerations with respect to the Business Combination. Accordingly, you are strongly urged to consult with your tax advisor to determine the particular United States federal, state, local or non-U.S. income or other tax considerations to you with respect to the Business Combination.**

### **Vote Required for Approval**

The affirmative vote of the holders of a majority of the voting power of the shares of MICT Common Stock entitled to vote on the Business Combination Proposal is required to approve the Business Combination Proposal. Abstentions and broker-non votes will have the effect of a vote against this proposal.

### **Recommendation of the Board**

**MICT'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT OUR STOCKHOLDERS VOTE "FOR" THE APPROVAL OF THE BUSINESS COMBINATION PROPOSAL.**





## **PROPOSAL 2: THE GOLDEN PARACHUTE PROPOSAL**

### **Overview**

Section 14A of the Exchange Act and Rule 14a-21(c) under the Exchange Act requires that MICT seek a non-binding advisory vote from the holders of its common stock to approve the compensation that will be paid or may become payable to David Lucatz, the Chief Executive Officer of MICT in connection with the Business Combination. For further information, see the section titled “*Proposal 1: The Business Combination Proposal — Golden Parachute Compensation*” of this proxy statement/prospectus. As required by these provisions, MICT is asking its stockholders to vote on the adoption of the following resolution.

“RESOLVED, that the compensation that will be paid or may become payable to David Lucatz, the Chief Executive Officer of MICT in connection with or subsequent to the Business Combination, as disclosed in the section titled “*Proposal 1: The Business Combination Proposal — Golden Parachute Compensation*” of this proxy statement/prospectus and the agreements or understandings pursuant to which such compensation will be paid or may become payable, are hereby APPROVED.”

As this vote is advisory, it will not be binding upon the MICT Board and the MICT Board will not be required to take any action as a result of the outcome of this vote. Approval of this proposal is not a condition to completion of the Business Combination. The vote with respect to this proposal is an advisory vote and will not be binding on MICT, BNN of GFH. Therefore, regardless of whether the holders of common stock of MICT approve this proposal, if the Business Combination is approved by the holders of common stock of MICT and completed, the forgoing compensation will still be paid to the Chief Executive Officer of MICT to the extent payable in accordance with the terms of the Acquisition Agreement.

### **Vote Required for Approval**

The affirmative vote of a majority of the voting power of the votes cast at the Special Meeting is required for the Golden Parachute Proposal. Abstentions and broker-non votes will have no effect on the outcome of the vote on this proposal.

### **Recommendation of the Board**

**MICT'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT OUR STOCKHOLDERS VOTE "FOR" THE APPROVAL OF THE GOLDEN PARACHUTE PROPOSAL.**

### **PROPOSAL 3: THE ADJOURNMENT PROPOSAL**

The Adjournment Proposal, if adopted, will allow the MICT Board to adjourn the Special Meeting to a later date or dates. The Adjournment Proposal will only be presented to stockholders if MICT determines that there are not sufficient votes to approve one or more proposals presented at the Special Meeting or that one or more closing conditions under the Acquisition Agreement will not be satisfied. In no event will the MICT Board adjourn the Special Meeting or consummate the transaction beyond the date by which it may properly do so under its certificate of incorporation and Delaware law.

#### **Consequences if the Adjournment Proposal is Not Approved**

If the Adjournment Proposal is not approved by MICT's Stockholders, the MICT Board may not be able to adjourn the Special Meeting to a later date, if MICT determines that there are not sufficient votes to approve one or more proposals presented at the Special Meeting.

#### **Required Vote**

The affirmative vote of a majority of the voting power of the votes cast at the Special Meeting is required for the Adjournment Proposal. Adoption of the Adjournment Proposal is not conditioned upon the adoption of any of the other proposals.

#### **Recommendation of the Board**

**MICT'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT OUR STOCKHOLDERS VOTE "FOR" THE APPROVAL OF THE ADJOURNMENT PROPOSAL.**

## DESCRIPTION OF THE BUSINESS OF MICT

### Overview

MICT, Inc. (formerly named Micronet Enertec Technologies, Inc.), (“MICT”) is a U.S.-based Delaware corporation, formed on January 31, 2002. On March 14, 2013, it changed its name from Lapis Technologies, Inc. to Micronet Enertec Technologies, Inc. and on July 13, 2018, it changed its name from Micronet Enertec Technologies, Inc. to MICT, Inc.

MICT currently operates through its Israel-based company, Micronet Ltd. (“Micronet”), in which it has a controlling interest as of the date hereof. Micronet is a publicly traded company on the Tel Aviv Stock Exchange and operates in the growing commercial MRM, market.

***Pursuant to the Acquisition Agreement, subject to and upon closing of the Business Combination, it is contemplated that MICT shall spin-off MICT holdings in Micronet Ltd, to MICT’s Stockholders who retain shares of MICT after the Offer.***

Micronet, through both its Israeli and U.S. operational offices, designs, develops, manufactures and sells rugged mobile computing devices that provide fleet operators and field workforces with computing solutions in challenging work environments. Micronet’s vehicle portable tablets increase workforce productivity and enhance corporate efficiency by offering computing power and communication capabilities that provide fleet operators with visibility into vehicle location, fuel usage, speed and mileage, Micronet’s products have historically been used in a wide range of MRM industry sectors comprising three major vertical markets (i.e. (1) traditional long haul, (2) local fleets and (3) heavy equipment), including:

- haulage and distribution, which includes short- and long- haul trucking and distribution servicing of urban retail and wholesale needs, such as delivery of packages, parts and similar items;

• public transport, which refers mainly to buses, para-transit, taxis and limousine services;

• construction, which refers to vehicle fleets that are involved in the construction industry such as cement trucks and heavy equipment;

service industries, which include insurance companies, rental car companies and other companies operating large mobile service force of technicians, installers and similar personnel;

municipalities, which include waste management and field workers such as public works;

and public safety services, which includes fire departments, ambulances, police and forestry.

More specifically, Micronet's customers consist primarily of application service providers and solution providers specializing in the MRM market. These companies sell Micronet's products as part of their MRM systems and solutions. Currently, Micronet does not sell directly to end users. Micronet customers are generally MRM solution and service providers and application service providers in the transportation market, including long haul, local fleets' student transportation (yellow busses) and fleet and field management systems for construction and heavy equipment. The United States currently constitutes Micronet's largest market.

Micronet maintains an in-house research and development staff and operates an ISO 9001-2008 certified manufacturing facility. During the past years, with the exception of certain components purchased from subcontractors, Micronet has been manufacturing its products and solutions using its own facilities, capabilities and resources, which enable it to control and manage the manufacturing process. Micronet has begun utilizing overseas manufacturers for its new product offers in combination with its internal manufacturing resources. In addition, and dependent on volume and cost considerations, the company outsources from time to time certain Israeli manufacturing capabilities to qualified third parties.

Micronet believes that awareness and demand for MRM solutions is significantly increasing, as customers seek to optimize workforce productivity and customer satisfaction.

Micronet currently offers its customers optional third party software services based on Android platform devices, which enable customer management and control (configuration and updates) of the products, including updates for the operational system, distance diagnostics of the product and similar services. These services are based on Micronet's business cooperation with third party software vendors, which are integrated into the Micronet offered solutions and include guardian system design (GSD) which is a cloud based system. Such solutions offer customers and fleets the ability to manage, control and operate their equipment from a distance, perform malfunction diagnostics and improve their efficiency and provide a cost saving solution for the duration of the life of the installed products. Micronet is also developing its own software which will enable the customers to receive reports related to specific data directly from the vehicle computers.

On December 31, 2017, MICT, Enertec, previously a wholly owned subsidiary of MICT, and MICT Management Ltd. (then, Enertec Management Ltd.), entered into a Share Purchase Agreement with Coolisys Technologies Inc., or Coolisys, a subsidiary of DPW Holdings, Inc., or DPW, pursuant to which MICT sold the entire share capital of Enertec to Coolisys.

Under MICT control, Enertec operated in the Aerospace and Defense markets and designs, develops, manufactures and supplies various customized military computer-based systems, simulators, automatic test equipment and electronic instruments. Enertec's solutions and systems are designed according to major aerospace integrators' requirements and are integrated by them into critical systems such as command and control, missile fire control, maintenance of military aircraft and missiles for use by the Israeli Air Force and Navy and by foreign defense entities.

On May 22, 2018, MICT closed on the sale, or the Closing, of all of the outstanding equity of Enertec pursuant to the Share Purchase Agreement. As consideration for the sale of Enertec's entire share capital, Coolisys paid, at the closing of the transaction, a purchase price of \$4,772,521 following certain adjustments made in accordance with the provisions of the Share Purchase Agreement, as well as assumed up to \$4,288,439 of Enertec debt. In addition, an amount equal to 10% of such cash consideration remain under the Share Purchase Agreement in escrow for a period of up to 14 months after the Closing to satisfy certain potential indemnification claims such as claims related to breach of representations and warranties by MICT, as customary in such transactions. Enertec met the definition of a component as defined by Accounting Standards Codification, or ASC, Topic 205, since Enertec has been classified as held for sale, and MICT believes the sale represents a strategic shift in its business. Accordingly, its results of operations in the statement of operations and prior periods' results have been reclassified as a discontinued operation.

Therefore, MICT has recorded such escrowed amount on its balance sheet as restricted cash and a liability. MICT's capital gain from the sale of Enertec, based on the MICT's balance sheet at the closing date of the Enertec sale, was

approximately \$6,800.

### **Market Opportunity**

MICT believes that Micronet is well positioned to pursue a substantial market opportunity. The MRM market, in which MICT operates through Micronet, is growing and is expected to continue its growth in the coming years. As indicated in market research reports, in the United States, which historically has been Micronet's largest market, there are currently approximately 10 million units in service with MRM systems. In 2016, the global penetration rate of MRM systems was approximately 13%. In the United States, market penetration was projected to grow from 27% in 2016 to almost 32% by the end of 2017. The U.S. Department of Transportation's Federal Motor Carrier Safety Administration (the "FMCSA"), announced the adoption of the final rules and implementation schedule of its Electronic Logging Device mandate ("ELD mandate"). The ELD mandate enables professional truck drivers and commercial motor carriers to track HOS compliance easily and efficiently. By 2019, truck drivers and carriers subject to the ELD mandate rules are required to use certified, registered Electronic Logging Devices (ELDs) that comply with the requirements of the ELD mandate. The ELD mandate requires interstate commercial truck and bus companies to use ELDs in their vehicles to record their compliance with the safety rules that govern the number of hours a driver can work. With full implementation of the rules, we estimate the demand for our products will increase accordingly.

## **Products and Services**

Micronet currently offers various mobile and fix mounted computing tablets to the market, running on both Android and Microsoft operating systems. Micronet currently generates revenues primarily through the sale of its hardware products to service providers who sell those to end users.

Micronet continuously upgrades, enhances and improves its products and/or services. In 2016, Micronet launched the screenless SmartHub (formerly known as “TREQr5”), based on the Android operation system, which marks the entry into the car “black box” computer market and which Micronet believes may provide it with certain competitive advantages over the alternative offerings in the market in view of the fact that such products and services are based on the open platform that allows customers flexible integration with other software and services.

In 2018, Micronet launched its new device under the SmarTab brand, which is a rugged tablet suitable for use under extreme environment conditions. This launch marked Micronet’s entry into the rugged tablet market, which is designed to provide customers a solution fit for the functional purpose of a mobile rugged product designed specifically for the vehicle environment and for continuous work outside the vehicle. This product is designed to enable users to use various applications such as receipt of customers signatures on merchandise delivered, performance of activities outside of the vehicle by the technician using designated software, together with the use of the device for fleet management purposes.

## **Strategy**

Micronet’s strategy focuses on three major vertical markets: (1) traditional long haul, (2) local fleets and (3) heavy equipment. In each vertical market, we implement the delivery of a comprehensive product offering that satisfies the particular needs of that market, and target potentially larger scale transactions that we expect could result in higher revenue as well as increased gross margin and overall profitability. Micronet continuously analyzes the needs of the markets in which it operates in order to best serve its customers’ needs. Micronet’s strategy is driven by, and focused on, both continued internal growth of its business through gaining a larger market share and the development of new potential markets, new technologies and innovative systems and products as well as through acquisitions.

## **Sales and Marketing**



Micronet's customers consist primarily of TSPs specializing in the fleet and MRM markets. Currently, Micronet does not sell to end users. Its customers are generally leading service providers of commercial solutions that integrate a wide range of positioning technologies and computing fleet communications in the MRM market.

### **Research and Development**

Micronet believes that one of its core competitive strengths is the breadth of its expertise in mobile data technologies, particularly in MRM technologies for the management of vehicle fleets and mobile workforces. Micronet has developed this expertise over a period of 30 years. It has an experienced engineering and product development team. In order to keep up with the rapid technology evolution and the changing needs of the markets in which it operates, Micronet continues to focus on its innovation and the development of new products and technologies, by continuing to make the necessary investments in research and development.

Micronet upgrades and enhances its existing products on an on-going basis, including based on input from its clients and partners and from other sources. Enhancements include the addition of capabilities, improvement of product functionality and performance, and adding features to the existing hardware in order to offer customers a variety of solutions, while continuing to decrease costs to enhance its profit margins and create a competitive market pricing position.

### **Competition**

Micronet operates in a highly competitive industry. Further, during the last few years, competition in the field of mobile computers has significantly increased with the mass entrance and introduction to the market of smart phones, tablets, and laptops, as well as various GPS-based hand-held devices featuring additional functionalities.

Micronet's current business is focused on customers that are implementing "tailor made" solutions characterized by highly professional, mission critical and complex technological solutions. These solutions are based on Micronet's products and must sustain and maintain performance under extreme and challenging field conditions for extended periods of time.

Micronet's competitors are private companies or companies that do not disclose their sales or other financial information, making it difficult to estimate Micronet's market share and position in the market. Micronet believes that its most significant competitors include: CalAmp Corp., Morey Corporation (U.S.A.), Mobile Devices Corporation, MOTIA Co. Ltd, Advantech Co., Ltd. Garmin USA, Inc. and Samsung. In addition, some service providers consider the use of their in house development capabilities for the supply of their internal needs for mobile devices.

This intensely competitive industry is characterized by rapidly changing technologies, evolving industry standards, frequent new product introductions and changes in customer requirements. In order to maintain its competitive strength, Micronet must continue to develop and introduce on a timely and cost-effective basis, new products and product features which are in line with the technological developments and emerging industry standards and address the increasingly sophisticated needs of its customers.

### **Manufacturing**

Micronet manufactures and assembles its products and solutions using its own facilities in Israel and the United States using its capabilities and resources, which enable it to control and manage the manufacturing and assembly process

and ensure timely delivery. The Israeli facilities are primarily used for the manufacturing process while the United States facilities are primarily used for final assembly and shipment activities. The manufacturing process includes development of electronic cards, assembly of microchips on the electronic cards and the assembly thereof within the unit, final testing and quality tests. On a case by case basis, subcontractors specializing in certain development or manufacturing aspects may be retained to achieve improvement, efficiency or reduction of costs of development and/or manufacturing processes. In addition, and dependent on volume and cost considerations, the company is evaluating outsourcing its Israeli manufacturing activity to a third party manufacturer.

With some of Micronet's newer product offerings, the company is utilizing overseas manufacturing in conjunction with its internal assembly test lines in Salt Lake City for final provisioning and shipping.

Following certain enhancements in its manufacturing and production capabilities, Micronet has excess manufacturing capacity and has the ability to meet current or foreseeable manufacturing needs without making any significant investments.

If additional manufacturing resources are needed to meet increased demand for Micronet's products, manufacturing capacity can be enhanced by outsourcing manufacturing processes, recruiting and training additional employees, adding shifts to the labor cycle and purchasing additional manufacturing equipment and machinery or other required infrastructures.

### **Intellectual Property**

Proprietary rights are important to Micronet's business because its ability to remain competitive in the market is dependent to a significant degree on its proprietary solutions and products and the technology on which they are based. To protect its proprietary rights, Micronet primarily relies on a combination of copyright and trade secret laws, internal know-how, and agreements with third parties, such as license agreements. In addition, Micronet employs internal controls such as the use of confidentiality and non-disclosure agreements. Micronet believes its proprietary technology incorporates processes, know-how, methods, algorithms, hardware and software that are the result of more than 20 years of experience and in-house expertise and thus are not easily copied.

### **Government Regulation**

Micronet's business is subject to certain international standards such as U.S. Federal Communications Commission, or FCC, Part 15B, FCC ID, CE and Restriction of Hazardous Substances ("RoHS"), which define compatibility of interface and telecommunications standards to those implemented in Europe by the European Commission and in the United States by the FCC. Its solutions and products also comply with the E-Mark European standard, which is the standard that defines the compatibility of interface and telecommunications to all appliances installed in and around an automobile.

### **Description of Property**

Micronet currently maintains two facilities in adjacent buildings in Azur, Israel. Both of these facilities are leased, one under a long-term lease, or the Long Term Lease, under which Micronet has purchased "like ownership" rights from the Israeli Land Administration. The facility subject to the Long Term Lease is used as Micronet's headquarters and the

other facility is an industrial building which houses its factory. Micronet's executive offices occupy approximately 9,150 square feet and house the corporate functions, sales support, and marketing, finance, engineering and operating groups. The Long Term Lease expires in April 2028, subject to Micronet's option to extend the term by another 49 years. Micronet does not pay rent with respect to this facility because it has purchased the lease rights. The factory facility occupies approximately 9,400 square feet at approximately \$6,000 per month. The facility is used for the manufacturing and logistic support of the business, including warehouse. During 2017, Micronet paid \$89,000 in connection with the Long Term Lease. Micronet believes that its present facilities are suitable for its existing and projected operations for the near future.

MICT's U.S. subsidiary, Micronet Inc., maintains leased offices in Salt Lake City, Utah. Micronet Inc.'s lease was extended on month to month basis in May 2016 until either party provides three months' written notice to the other and the rent cost is approximately \$252,000 per year. The factory facility in Salt Lake City occupies approximately 14,809 square feet and is used for the assembly and logistic support of the business, including warehouse.

### **Legal Proceedings**

From time to time, MICT and/or Micronet may become subject to litigation incidental to its business.

In March 2017, MICT entered into an Investment Banking Agreement (the “**Sunrise Agreement**”) with Sunrise Securities LLC and Trump Securities LLC (collectively, “**Sunrise**”) through Sunrise’s principal, Amnon Mandelbaum, pursuant to which Sunrise agreed to assist MICT in identifying, analyzing, structuring, and negotiating suitable business opportunities, such as a sale of stock or assets, merger, tender offer, joint venture, financing arrangement, private placement, or any similar transaction or combination thereof. The parties initially disagreed as to the amount of the fee that would be payable upon the closing of the transactions contemplated by the Acquisition Agreement. There are also questions about the applicability of the Sunrise Agreement to the Business Combination, and it is thus not clear whether or not Sunrise shall be owed any transaction fee upon the closing of the Business Combination. The parties are having discussions with a view to settling these issues, but there can be no assurance that a settlement will be reached. In any event, even if it is determined that Sunrise is entitled to a transaction fee, MICT, BNN and ParagonEx believe that such fee shall not exceed seven percent (7%) of the aggregate consideration to be received by the holders of MICT Common Stock, and possibly the right to participate in seven percent (7%) of the shares of MICT Common Stock to be distributed in the Spin-Off. Such parties also believe that Sunrise’s initial position was that it was entitled to a fee equal to seven percent (7%) of the total value of the shares of GFH to be received by all of the parties of the Acquisition Agreement.

Although none of MICT, BNN nor ParagonEx believe that there is any merit to Sunrise’s claim that it is entitled to more than the amount set forth above, if a settlement is not reached, it could result in litigation or other legal proceedings, which may cause MICT and/or GFH (which, pursuant to the Acquisition Agreement, shall be responsible for the settlement and payment of any claims brought under the Sunrise Agreement) to incur substantial costs defending such dispute, and which could delay the closing of the Business Combination or result in the termination of the Acquisition Agreement.

#### **Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

## DESCRIPTION OF THE BUSINESS OF PARAGONEX

### **Business**

#### *Overview*

ParagonEx Ltd. (“**ParagonEx**”) is a developer and global provider of software solutions and related services for online trading in contracts-for-difference (“**CFDs**”). A CFD is a contract between a buyer and a seller, stipulating that the seller will pay to the buyer the difference between the current value of an asset and its value at contract time (or, if the difference is negative, that the buyer pay instead to the seller). In effect, CFDs are derivatives that allow traders to enter leveraged positions, both long and short, on practically all underlying financial instruments available in the global markets, such as shares, indices, commodities and currency pairs, without having to directly deal with the underlying assets themselves. CFDs most resemble futures and options, though with the advantage of (a) having no expiry date, so no time decay, (b) having small minimum contract sizes, allowing for a low entry threshold, (c) being traded on margin, thereby magnifying potential returns (as well as risks) through significant leveraging ratios, and (d) enabling the easy configuration of new instruments which are not restricted to exchange definitions or jurisdictional boundaries, thereby offering a very wide variety of underlying instruments for trading. Trading in CFDs comprises a large portion of the total worldwide financial trading activity.

ParagonEx has invested around \$50 million since inception in R&D to build a proprietary, technologically-advanced and easily-configurable platform and user-interface that enables trading in CFDs over more than 500 different underlying global financial instruments comprising stocks, indices, commodities, cryptocurrencies, exchange-trade funds and Forex pairs. ParagonEx refers to this platform and user-interface as ParagonEx PaaS offering. The PaaS offering allows trading in a seamless fashion and is specifically tailored for the layman trader and accessible through multiple channels, applications and operating systems. ParagonEx’s PaaS offering is designed to service businesses in the online trading industry, particularly operators of consumer-facing CFD and Forex trading offerings, which it refers to as B2B customers. Although ParagonEx’s PaaS offering is geared to the CFD market, its architecture is in fact product agnostic and we believe can be scaled into other verticals and sectors of digital products in a rather seamless manner.

The trading platform is supplemented by a full suite of front-end and back-office services and tools which equip ParagonEx’s B2B customers with capabilities across the entire trading value chain, providing them with a turn-key solution complete with liquidity and risk management, compliance and fraud prevention, marketing, End User acquisition, conversion and retention, technical support, payment processing, live-news feed and various other components. As such, ParagonEx is a B2B company, and its B2B customers, in turn, use its platform to provide an online trading channel to their retail clients, which ParagonEx refers to as “End Users.” ParagonEx receives trades transmitted by its B2B customers for execution on its platform and provides the liquidity necessary to execute the

trades.

Paragonex generates most of its revenues by sharing in the net revenue that its B2B customers generate from their End Users' use of the PaaS offering, which net revenue is derived from fees or commissions which the B2B customers charge their End Users and which are calculated either on the basis of the End Users' trading results or on the basis of their trading volume. On average, ParagonEx retains approximately 23% of the net trading fees charged to the End Users on all transactions executed on its platform, after deducting rebates owed to the B2B customer that generated the transactions. These 23% of the net trading fees charged by the B2B customers to their End Users for the PaaS offering account for about 40% of ParagonEx's total revenues, while the vast majority of the remaining 60% of ParagonEx's revenues are derived from support services provided to its B2B customers, that include a comprehensive suite of marketing, sales and other support services that are aimed to help its B2B customers attract new End Users, enhance End User experience and increase their life time value to the B2B customers. ParagonEx had revenues of \$62.1 million and \$31.9 million for the year ended December 31, 2017 and the six-month period ended June 30, 2018, respectively.



ParagonEx services B2B customers in four countries, and End Users in more than 144 countries access its trading platform. In terms of revenue generation, the Middle East and Europe (particularly Eastern Europe) are the main geographical locations of the End Users of ParagonEx's B2B customers, followed by Asia. ParagonEx does not currently conduct any business in the U.S. nor does it expect to enter the U.S. market.

ParagonEx conducts business from its offices in the Isle of Man and has subsidiaries located in the UK, Poland, Israel (Tel Aviv and Haifa), Belize, China and Ukraine.

ParagonEx's substantial investment in the development of its PaaS offering has led to the constant enhancement of the platform's efficiency, functionality, reliability and security. This enables ParagonEx to provide its B2B customers with improved End User acquisition capabilities as well as market and credit risk management associated with the trading activities of the End Users, while providing the End Users with advanced price discovery, trade execution and order management functions, among other things. Today, the End Users of ParagonEx's PaaS offering can trade through web-based and mobile trading platforms and have access to innovative trading tools to assist them with research, analysis and automated trading. ParagonEx further offers its B2B customers with compliance services relating to such customers' End Users, as required by the terms of the regulatory licenses under which such customers operate.

Through the PaaS offering, End Users trade CFDs and Forex pairs in which ParagonEx, through its beneficially-owned subsidiary PX Exchange, acts as the liquidity provider. These financial instruments are designed such that each party will pay to the other the difference between the value of an underlying asset upon settlement of the relevant contract or position at a specified time. In an attempt to limit its exposure as a counterparty to the CFDs and Forex pairs offered by its B2B customers to their End Users, ParagonEx, through PX Exchange, centrally manages and internally offsets End User trades with each other. PX Exchange may then hedge the net balance of the trades by entering into back-to-back opposite transactions as principal in the wholesale market, if and to the extent that PX Exchange finds such discretionary hedging to be prudent based on its risk assessment in each case. PX Exchange acts as a market maker in connection with the transactions and positions entered into by the End Users and holds an appropriate license issued by the Belize International Financial Services Commission. For more information on PX Exchange, see below under the section titled "*Description of the Business of ParagonEx — Corporate Information*".

As a global provider of online trading services, ParagonEx's results of operations are impacted by a number of external factors, including market volatility, competition, the regulatory environment in the various jurisdictions and markets in which its B2B customers operate and in which they offer their services, the financial condition of the B2B customers to whom it provides services, the financial condition of the End Users served by such B2B customers and the regulatory landscape applicable to them, and the availability of third party services necessary for the B2B customers to offer their services, such as payment processing. Furthermore, these factors are not the only factors that impact ParagonEx's results of operations, and additional factors may have a significant impact on its results of operations in future periods. Please refer to "*Risk Factors Related to ParagonEx*" for a discussion of other factors that may impact its business.

*Competitive strengths*

ParagonEx is the sole owner of its internally-developed proprietary PaaS, as defined below, offering for the online trading industry. This solution was designed by in-house development teams who have a deep knowledge of the industry, with the help of design partners. The result is a B2B solution which is designed to cater for the whole range of needs of B2C operators.

We believe that ParagonEx's solution is modular and flexible, which, coupled with ParagonEx's comprehensive ancillary services offering, puts it in a unique position to provide brokers and other industry players across the entire value chain with a comprehensive one-stop-shop solution.

ParagonEx's big data and business intelligence capabilities are designed to facilitate optimization of sales and marketing and increase of End User value.

ParagonEx's solution is product agnostic, which, coupled with ParagonEx's B2B business model, we believe puts ParagonEx in a unique position to grow inorganically into new digital product verticals, such as lottery, and create additional value by eliminating third party platform costs of acquired B2B partners.

ParagonEx's access to professional computer science professionals with military and academic background from Israel's top universities and military units enable it to maintain and increase its innovative edge.

#### *ParagonEx Platform*

ParagonEx developed its proprietary technology PaaS offering by investing over \$45 million in research and development since inception.

The main qualities and features of ParagonEx's PaaS offering, in addition to its product-agnostic robustness and its scalability, which enables it to cater to various digital assets, include:

State of the art big data capability and tools;

State of the art marketing tools;

Unified data warehouse;

Sophisticated risk management and KYC systems;

Ability to integrate with third party add-on software components; and

Simple customer configuration: an End User can start trading in matter of minutes.

ParagonEx's PaaS offering is fully integrated across all functionalities and based on a single data model driven by key performance indicators, specifically designed to optimize the marketing spend of its B2B customers, minimize their cost-per-acquisition of End Users and enhance their profitability. ParagonEx's advanced marketing and data warehouse tools allow its B2B customers to conduct in-depth and focused analysis of their End Users' individual trading behavior, as well as broader trends, in order to increase the effectiveness of their marketing campaigns and retention activities.

As mentioned above, a valuable quality of the PaaS offering is the fact that it is product agnostic. Although the PaaS offering has historically supported CFD trading, it can be scaled into any number of new verticals that involve digital products. This should enable ParagonEx, following the completion of its proposed Business Combination with BI China, to apply the PaaS offering to support online lottery ticket sales and online sports betting activities in China, among other things.

#### *Products and Services*

ParagonEx earns revenues from the following products and services it provides to its B2B customers:

Software licensing;

White label PaaS offering and supply of liquidity;

Services — customer support, development, marketing, communication, telemarketing and compliance; and

- Other (includes revenues from the sublease of an office space in Tel Aviv and administrative services).

Below are the amounts and percentages of total revenue contributed by the main classes of products and services:

	2017		2016	
	\$US	%	\$US	%
Software licensing	461,238	0.7	1,895,197	2.8
Trading income from receiving and transmitting trades	24,002,055	38.6	38,807,075	55.8
Marketing, sales and support services	37,435,086	60.3	27,952,390	40.2
Other	231,238	0.4	852,675	1.2
Total	62,129,617	100	69,507,337	100

#### *Software licensing*

ParagonEx licenses its software to its B2B customers, which are online brokers, and collects a monthly royalty that is based on net revenues or net deposits of the licensee plus a minimum fixed fee, or on the volume of use of the software. The software license also includes support services to the system.

#### *Trading income from receiving and transmitting trades*

ParagonEx provides a white label PaaS offering and supplies liquidity provider services to its B2B customers, whereby ParagonEx receives and executes trades of End Users on behalf of its B2B customers. ParagonEx provides its B2B customers access to the electronic trading platform and user interface. End Users of the B2B customer receive access to their accounts from the B2B customer. The B2B customer then transmits orders of its End Users to PX Exchange through ParagonEx's trading platform. Acting as a counter-party to such transactions (i.e., as liquidity provider), ParagonEx retains on average approximately 23% of the net trading fees charged to the End Users on all transactions executed on its platform, after deducting rebates owed to the B2B customer that generated the transactions. The rebate is based on the transmitted volume.

#### *Marketing, sales and support services*

ParagonEx is a 'one stop shop' for its B2B customers. It offers many supporting services to its B2B customers within the following areas:

Marketing

Compliance & Fraud Prevention

End User Acquisition & Conversion (Telemarketing)

End User Support

Business Optimization/Big Data Analytics

Product Customization & Configuration

Gateway to Payment Processing Service Providers

Information Technology & Hosting

## *Marketing*

Marketing services consist of operational marketing activities for the B2B customers, including assisting the B2B customer to enter into contractual arrangements with suppliers in accordance with their instructions and guidelines. Through its built-in marketing tools, the PaaS offering enables B2B customers to acquire new End Users as cost-efficiently as possible, primarily through online marketing efforts such as advertising on third-party websites, search engine marketing and email marketing. ParagonEx's experienced in-house marketing team further assists the B2B customers in creating highly-targeted online campaigns tailored to their potential End User base, as well as marketing programs and materials designed to support and educate new End Users as they enroll onto the platform. ParagonEx uses sophisticated tracking and measurement techniques to monitor the results of individual campaigns and continually works to optimize its overall marketing results. Since July 2016, the B2B customers pay the marketing expenses directly to the marketing suppliers.

The marketing services are provided primarily by ParagonEx's two Israeli subsidiaries, Toyga Media Ltd. and Toyga Online Ltd., collectively referred to as Toyga. Toyga's marketing efforts consist of two main channels, namely 'inbound marketing', intended for acquisition of new End Users, and 'internal marketing', intended for retention of existing End Users and increase of their overall life time value for the B2B customers. Each of such channels applies different technological and procedural rules and processes and includes separate actions and methods, as described below. All activities are tracked and monitored using a business intelligence system built and customized to serve the marketers' needs, as well as using Toyga's proprietary back-office tools. The combined power of these tools allows Toyga to track every dollar spent by the B2B customer on marketing and the return on its investment, as well as manage hundreds of campaigns on multiple platforms to optimize spend and revenue.

## *Inbound Marketing*

Toyga attracts new End Users for ParagonEx's B2B customers by using various methods, as follows:

### **Media Buying:**

An internal team manages media buying on various platforms such as Google Display Network, Yahoo and many others.

Media buying is handled through the media providers' management platforms enhanced by Toyga's proprietary upgrades to allow Toyga better optimization for the offers it presents.

- Campaigns are run on the platforms in several languages, based on the B2B customer's need.
- Toyga's infrastructure is fully scalable, and capable of managing budgets of significant sizes.

*Pay-Per-Click (PPC)*

Toyga offers pay-per-click marketing on four major platforms – Google, Facebook, Twitter and Instagram.

An in-house team manages marketing on those platforms, using the tools mentioned above as well as the tools provided by the platforms themselves.

Potential End Users are presented with various offers through text, image and video ads, progressing them through a marketing funnel to ensure high quality leads.

Ads presented are split between tactical offer-based ads and strategic brand-focused ads.



### *Affiliate Marketing*

Toyga employs a large network of marketing affiliates to promote its B2B customers' brands.

Marketing affiliates either register with Toyga's affiliate program or are reached by other means, and are then assigned an account manager whose role is to maintain the relationship and optimize the traffic driven by the affiliate to the relevant B2B customer website.

Traffic is received and distributed either through an application programming interface (API), which is developed and managed internally, or using Cellxpert, an affiliate management platform, which allows for monitoring and reporting on inbound traffic and performance.

### *Branding and Offline Marketing*

Toyga manages its B2B customer's branding on the various platforms in accordance with local regulatory restrictions in each jurisdiction in which it operates. This includes strategic and tactical ads on all platforms, as well as brand-specific ad-hoc campaigns.

Brand ambassadors are used as presenters, and it utilizes their social media presence to create either brand 'buzz' or to promote specific offers and activities.

Brand awareness and acquisition is also conducted through offline platforms, including events, trade shows, print and billboards, as well as TV ads where permitted by applicable regulation.

### *Social Media*

Toyga manages social media pages for its B2B customers on several platforms, using such pages to contact and communicate with existing and potential End Users.

*Remarketing and Retargeting*

Toyga's capabilities allow it to target ads toward a defined audience that had previously visited one of its B2B customers' websites managed by ParagonEx, or who had previously clicked any of its ads - as they browse elsewhere around the internet. This allows Toyga to generate cheaper and more well-developed and mature leads.

*Internal Marketing*

Once a potential End User has registered with one of the B2B customers to which Toyga is providing marketing services, the marketing team is responsible for all electronic communications with such End User, for as long as he or she does not opt-out from receiving such communications, which include:

*Emails*

End users receive emails of three types — (i) system emails generated in response to specific actions taken by the End User, such as deposit or withdraw of funds; (ii) informational emails which analyze current market events, highlight important dates, etc.; and (iii) promotional emails which explain and encourage potential End Users to try the various offers and trading platforms.

Emails are sent to segmented audiences based on a large number of parameters, and are created and analyzed using a cutting-edge tool called Solitics. Once segmented, the emails are distributed by SilverPop, which is part of the IBM group.

*Push Notifications*

As Toyga offers the End Users mobile apps for IOS and Android devices, it uses similar technology and segmentation as above to send 'push' notification to the End Users' mobile phones.

*Compliance & Fraud Prevention*

Compliance services consist of collecting, or assisting in the collection of, any End User documentation, including verified true copies and official translations of documents, required by the B2B customer to comply with applicable regulations. This includes Know-Your-Customer (“**KYC**”) and Anti-Money Laundering (“**AML**”) documentation as specified by the B2B customer from time to time.

*End User Acquisition & Conversion (Telemarketing)*

Telemarketing consists of:

· introduction of new clients (End Users) to B2B customers to convert such End Users into clients of its B2B customers; and

- providing training to such End Users of the B2B customers on how to use the ParagonEx trading module.

*End User support*

ParagonEx’s End User support consists of call center services offering various pre-sale, post-sale and technical support functions 24 hours a day, 7 days a week, in multiple languages through trained personnel by telephone, email, online chat, and other electronic means, to support the End Users of its B2B customers in the languages assigned.

*Business Optimization/Big Data Analytics*

ParagonEx focuses on key performance indicators (KPI). It collects, manages and analyzes data in real time across all trading verticals offered by it to improve performance. It also employs advanced client relationship management tools, such as customer “click-to-dial” integration and in-bound automated dialing features, which decrease overall no-answer ending calls.

*Product Customization & Configuration*

ParagonEx's platform is modular and enables customization and configuration to meet the needs of its B2B customers in accordance with their specific business and regulatory constraints.

*Gateway to Payment Processing Service Providers*

The ParagonEx's platform is integrated with payment processing service providers, enabling the End Users to choose their preferred method of payment. All deposits are automatically credited to the End Users accounts.

*Information Technology & Hosting*

ParagonEx hosts the PaaS offering and provides secured access through the cloud. Further IT services are provided to the B2B customers on demand.

*Major B2B Customers*

ParagonEx main B2B customers are UFX, Trade360, 1Market and RW Markets. With regards to UFX, ParagonEx is in the process of revising the commercial arrangement between the parties in order to secure the considerable benefits which it derives from its relationship with this partner and propel its long-term growth.

According to the proposed revision, the parties will enter into a new 10 year agreement, which ParagonEx will have an option to extend by two additional 5-year terms at a time. UFX will undertake to use ParagonEx's PaaS offering on an exclusive basis (without a reciprocal undertaking by ParagonEx) and to take all necessary measures to maintain its regulatory licenses throughout the initial term and any extensions of such term. UFX will further strive to increase ParagonEx's customer base by identifying and seeking to acquire additional regulatory-compliant brokers which will become B2B customers of ParagonEx, which acquisitions will be funded and be pre-approved by ParagonEx. UFX bear the responsibility for handling all aspects of such acquisitions, including conducting due diligence inquiries, leading negotiations and dealing with all regulatory and other conditions to closing.

In consideration for such undertakings by UFX, ParagonEx shall offset UFX's outstanding debt to ParagonEx, amounting to a total of about \$10 million in accounts payable for services rendered. However, should UFX fail to introduce to ParagonEx at least 3 viable B2B customers for acquisition until December 31, 2020, or should the total gross annual trading revenue generated by all such acquired B2B customers fall below \$10 million in the year 2021, UFX shall be required to repay ParagonEx the total debt that was offset above, or a portion of such amount corresponding to the degree by which UFX failed to achieve such targets.

#### *Identifying and Engaging Prospective B2B Customers*

ParagonEx seeks to engage three main types of B2B customers, namely - brokers, 'white label' partners and sub-brokers. Brokers are companies that possess all or most of the operational capabilities to manage an online brokerage offering. White labels are companies that require additional services from ParagonEx on top of a broker solution, such as technical support, marketing or payment solutions, but otherwise possess the necessary legal, compliance and regulatory infrastructure. Sub-brokers are companies that have at least sales and marketing capabilities but choose to operate under the brand and regulatory umbrella of another broker in order to benefit from such broker's support and sponsorship in areas like regulatory compliance, payment solutions, execution and risk management. ParagonEx will therefore introduce such sub-brokers to one of its existing broker customers and then share in the combined income generated by such sub-brokers together with the sponsoring broker.

ParagonEx constantly and actively seeks new partnerships with prospective B2B customers by participating in financial expos, gala events and gatherings, as well as running online campaigns. Over the past 11 years, ParagonEx has managed to establish a solid reputation and create a network of service providers such as law firms, payment providers, financial advisers and accountants that continuously generate additional leads for B2B customers, and enable it to gradually grow its business.

#### *Material Agreements*

White Label Master Agreement between UFX Global Limited and PX Exchange Limited, dated October 24, 2016 (“**UFX Agreement**”)

PX Exchange Limited (“**PX**”), a wholly-owned subsidiary of ParagonEx Limited, entered into a White Label Master Agreement on October 24, with UFX Global Limited (“**UFX**”), which operates under the “UFX” brand outside the European Union.

Pursuant to the UFX Agreement, UFX agrees to transmit orders of its end users to PX through the ParagonEx electronic trading platform, and PX agrees to act as the principal to such orders, engaging as the counterparty to UFX’s end users.

The commission earned by UFX under the UFX Agreement is based on the trading volume processed through the trading platform. The commission rate is calculated as follows:

Transmitted volume (US\$)	Commission (Pips) *
0-5,000,000,000	3
5,000,000,000-7,000,000,000	2
7,000,000,000 and above	1

\* A “pip” is equal to US\$0.0001.

Pursuant to an amendment to the UFX Agreement, as of January 1, 2018, the commission rates were amended such that volume generated from Gold (symbol: XAU) deals are as follows:

Transmitted volume (US\$)	Commission (Pips) *
0-500,000,000	6.84
500,000,000-700,000,000	5.84
700,000,000-1,000,000,000	4.84
1,000,000,000-1,400,000,000	3.84
1,400,000,000-1,600,000,000	2.84
1,600,000,000 and above	1.84

Commission rates from regular volume generated from all deals, including Gold (symbol: XAU), are as follows:

Transmitted volume (US\$)	Commission (Pips) *
0-5,000,000,000	3
5,000,000,000-10,000,000,000	2.5
10,000,000,000-15,000,000,000	2
15,000,000,000-20,000,000,000	1.75
20,000,000,000-25,000,000,000	1.5
25,000,000,000 and above	1

Under the UFX Agreement, PX undertakes to hold the end users' funds in certain banking institutions and to periodically report to UFX. UFX commits to ensure that such account holds at least 90% of end users' open positions, and may request that PX withdraw any funds which are not securing any open transactions and which are in surplus of the said balance requirement.

UFX is authorized to issue to end users bonus credits of up to 30% of their net equity balance, provided that no single end user may be issued with credits of more than 60% of net equity balance, unless otherwise agreed in writing.

UFX may sublicense the PX service to third parties by way of sub-white label agreements.

PX commits to maintain the platform and keep it updated, upgrade software and hardware and carry out best execution.

All intellectual property rights used by or on behalf of PX or otherwise related to the trading platform remain the sole property of PX.

The term of the UFX Agreement is five years from the commencement date, unless terminated in accordance with its terms. The UFX Agreement shall be automatically renewed for additional one year periods unless otherwise terminated. Either party may terminate the UFX Agreement without notice in the event that the other party becomes insolvent or commits a breach of a material provision of the UFX Agreement left uncured for fourteen days. In addition, either party may terminate the UFX Agreement for any reason with at least ninety days' notice.

PX's liability under the UFX Agreement is limited to direct damages up to the maximum amount of fees paid by PX to UFX in the six month period immediately preceding the event giving rise to the claim for damages.

White Label Master Agreement between Reliantco Investments Ltd. ("**Reliantco**") and PX Exchange Limited, executed as of November 1, 2013 ("**Reliantco Agreement**")

PX entered into a White Label Master Agreement dated November 1, 2013 with Reliantco which operates under the UFX brand within the European Union.

Pursuant to the Reliantco Agreement, Reliantco agrees to transmit orders of its end users to PX through the ParagonEx electronic trading platform, and PX agrees to act as the principal to such orders, engaging as the counterparty to Reliantco's end users.

The commission earned by Reliantco under the Reliantco Agreement is based on the trading volume processed through the trading platform. The commission rate is calculated as follows:



As per volume generated from Gold (symbol: XAU) and Silver (symbol: XAG) deals:

Transmitted volume (US\$)	Commission (Pips) *
0-5,000,000	20
5,000,001-7,000,000	15
7,000,001-10,000,000	10
10,000,001-20,000,000	10
20,000,001-25,000,000	3
25,000,001 - and above	1

\* Note: A “pip” is equal to US\$0.0001.

Commission rates from regular volume generated from all deals:

Transmitted volume (US\$)	Commission (Pips) *
2,000,000,000	2.5
2,000,000,001-4,000,000,000	2.0
4,000,000,001-6,000,000,000	1.5
6,000,000,001-10,000,000,000	0.5
10,000,000,001-15,000,000,000	0.10
15,000,000,001 - above	0.05

Pursuant to an amendment as of August 1, 2014, it was agreed that each 14<sup>th</sup> day of the month, PX will estimate based on trading volume at that time the rebate to be expected to be paid to Reliantco at the full month’s calculation period and shall issue a prepayment such that Reliantco shall receive a rebate cover of 80% of the expected full month fee.

Under the Reliantco Agreement, PX undertakes to hold the end users’ funds in certain banking institutions and to periodically report to Reliantco. Reliantco commits to ensure that such account holds at least 90% of end users’ open positions, and may request that PX withdraw any funds which are not securing any open transactions and which are in surplus of the said balance requirement. If during the calculation period, the end users’ cumulative balance decreases by 20%, an intermediate netting statement is issued.

Reliantco is authorized to issue to end users bonus credits of up to 30% of their net equity balance, provided that no single end user may be issued with credits of more than 60% of net equity balance, unless otherwise agreed in writing.

Reliantco may sublicense the PX service to third parties by way of sub-white label agreements.

PX commits to maintain the platform and keep it updated, upgrade software and hardware and carry out best execution.

All intellectual property rights used by or on behalf of PX or otherwise related to the trading platform remain the sole property of PX.

The term of the Reliantco Agreement is five years from the commencement date, unless terminated in accordance with its terms. The Reliantco Agreement shall be automatically renewed for additional one year periods unless otherwise terminated. Either party may terminate the Reliantco Agreement without notice in the event that the other party becomes insolvent or commits a breach of a material provision of the Reliantco Agreement left uncured for fourteen days. In addition, either party may terminate the Reliantco Agreement for any reason with at least ninety days' notice.

PX's liability under the Reliantco Agreement is limited to direct damages up to the maximum amount of fees paid by PX to Reliantco in the six month period immediately preceding the event giving rise to the claim for damages.

PX provided additional liquidity amounting to US\$2,238,745 to a segregated client account on 15 February 2018.

In connection with the Reliantco Agreement, the parties signed a Data Processing Addendum, pursuant to which each party agreed to comply with its respective data processing obligations, including under applicable data protection legislation.

Intermediary Services Agreement between Toyga and UFX, dated as of December 1, 2016

Toyga and UFX entered into an Intermediary Services Agreement on December 1, 2016, under which Toyga Online introduces new users to UFX. Toyga Online's responsibilities under the Agreement include introducing the end user to UFX, providing UFX with documentation required to open the end user's client account and ensuring strict compliance with UFX's customer identification and due diligence procedures.

UFX has the sole discretion as to whether to engage or refuse the end user.

Toyga Online is entitled to a commission for introductions under the agreement, ranging from 20-80% of UFX's income derived from trading volume.

UFX reserves the right to amend spreads, fees and commissions charged or earned on an introduced client's account, which may affect Toyga Online's commission.

The term of the agreement is 24 months from the commencement date, unless terminated in accordance with its terms. The agreement shall automatically renew for additional one year periods, unless otherwise terminated. Either party may terminate the agreement without notice in the event that the other party becomes insolvent or commits a breach of a material provision of the agreement left uncured for thirty days. In addition, either party may terminate the agreement for any reason with at least ninety days' notice.

Intermediary Services Agreement between Toyga and UFX, dated as of December 1, 2016 ("New User Agreement")

Toyga and UFX entered into an Intermediary Services Agreement on 1 December 2016, under which Toyga Media introduces new users to UFX.

Toyga's responsibilities under the New User Agreement include introducing the end user to UFX, providing UFX with documentation required to open the end user's client account and ensuring strict compliance with UFX's customer identification and due diligence procedures.

UFX has the sole discretion as to whether to engage or refuse the end user.

Toyga Media is entitled to a commission for introductions under the New User Agreement, ranging from 20-80% of UFX's income derived from trading volume.

UFX reserves the right to amend spreads, fees and commissions charged or earned on an introduced client's account, which may affect Toyga Media's commission.

The term of the New User Agreement is 24 months from the commencement date, unless terminated in accordance with its terms. The New User Agreement shall automatically renew for additional one year periods, unless otherwise terminated. Either party may terminate the New User Agreement without notice in the event that the other party becomes insolvent or commits a breach of a material provision of the agreement left uncured for thirty days. In addition, either party may terminate the agreement for any reason with at least ninety days' notice.

Intermediary Services Agreement between Toyga and Reliantco, dated as of November 15, 2011 (“Services Agreement”)

Toyga and Reliantco entered into an Intermediary Services Agreement on November 15, 2011, under which Toyga Media introduces new users to Reliantco.

Toyga's responsibilities under the Services Agreement include introducing the end user to Reliantco, providing Reliantco with documentation required to open the end user's client account and ensuring strict compliance with Reliantco's customer identification and due diligence procedures.

Reliantco has the sole discretion as to whether to engage or refuse the end user.

Pursuant to an amendment to the Services Agreement, as of 1 December 2013, Toyga is entitled to a commission for introductions under the agreement at the rate of 30% of Reliantco's income derived from trading volume of the end users referred to Reliantco by Toyga; prior to that, the rate ranged from 60-80% of the net earnings from fees, commissions and spreads. Upon the signing of the agreement Toyga received an advance payment of US\$240,000.

Reliantco reserves the right to amend spreads, fees and commissions charged or earned on an introduced client's account, which may affect Toyga Media's commission.

The term of the Services Agreement is 24 months from the commencement date, unless terminated in accordance with its terms. The Services Agreement shall automatically renew for additional one year periods, unless otherwise terminated. Either party may terminate the agreement without notice in the event that the other party becomes insolvent or commits a breach of a material provision of the agreement left uncured for fourteen days. In addition, either party may terminate the agreement for any reason with at least ninety days' notice.

Customer Support Services & Marketing Agreement between Toyga and Reliantco, dated as of March 1, 2014 (“**Support Agreement**”)

Toyga and Reliantco entered into a Customer Support Services & Marketing Agreement on March 1, 2014, under which Online provides Reliantco with customer support and marketing services.

Toyga's services include maintaining call center services, providing training for Reliantco's clients, collecting or assisting in the collection of any client documentation required by Reliantco, including KYC and AML documentation, operational marketing activities and diligent enforcement of applicable laws.

In consideration of the services, Reliantco shall pay to Toyga Online a monthly fee of EUR 10,000.

The term of the Support Agreement is 24 months from the commencement date, unless terminated in accordance with its terms. The Support Agreement shall automatically renew for additional one year periods, unless otherwise terminated. Reliantco may terminate the Support Agreement immediately in the event that (i) Toyga violates any condition of the Support Agreement, (ii) Toyga does not meet the requirements of the law or (iii) the Cyprus Securities and Exchange Commissioner or any other relevant legal authority issues new laws or regulations such that the representation of the clients by Toyga becomes illegal.

#### Lease Agreement – Toyga

Toyga is party to a lease agreement dated October 20, 2010 with Bet Ampa T.A. Ltd. (“**Ampa**”), as amended (“**Lease Agreement**”). Pursuant to the Lease Agreement, Toyga Media currently pays annual rent of US\$ 1,264,669.90 for office space of 4,544 square meters and 85 parking spaces. The term of the lease is until 31 December 2021, with

extension periods until 2024.

Pursuant to an Addendum dated June 26, 2016, Ampa granted Toyga Media an amount of ILS 2,908,000 for purpose of renovating part of the leased premises, which was paid to Toyga Media in 2016.

### *Competition*

The market for ParagonEx's services is rapidly evolving and highly competitive. Main competitors vary in terms of regulatory status, size and geographic scope of operations. Generally, ParagonEx's main competitors fall into two categories: software providers and platform-as-a-service (PaaS) providers. While software providers offer a technological solution, PaaS providers also offer ancillary services to assist the B2B client in running their business.

In the software provider segment, ParagonEx's main competitors are MetaQuotes, Panda, X-Open-Hub and Fortex. ParagonEx's key advantages over its competitors in this category are a twofold: (i) it offers a full, one-stop-shop PaaS solution including all required software components, as well as the additional services that supports the growth of its B2B customers, and (ii) ParagonEx only deals with a select few key partners, allowing it to provide a high level of customization and industry know-how required by its B2B customers to succeed in competing head-to-head with industry leaders.

In the PaaS segment, ParagonEx's main competitors are companies with leading brands with white labeling capabilities such as Fx-Pro, TickMill and TeleTrade. While these large brokers offer strong operational capabilities to their B2B customers, ParagonEx believes that it has superior technological capabilities that provide its customers with the flexibility needed to quickly adapt to the changing market conditions, as well as the ability to seamlessly grow sub-brokers into white labels and then to full-fledged brokers.

### *Intellectual Property*

ParagonEx relies on a combination of copyright, trade secret and unfair competition laws to protect its proprietary technology. It also enters into confidentiality and invention assignment agreements with its employees and consultants, and confidentiality agreements with other third parties.

### *Employees*

As of December 31, 2015, 2016 and 2017, ParagonEx employed 505, 541 and 586 full-time employees, respectively, of whom 384, 466 and 530 employees were employed in Israel, and 121, 75 and 56 outside of Israel, respectively. As of June 31, 2018, following substantial reduction in its workforce, ParagonEx employed 383 fulltime employees.

ParagonEx has not experienced work stoppage and believes its employee relations are good. ParagonEx is not aware of any relationship between its employees and labor unions.

### *Corporate Information*

ParagonEx was incorporated in the British Virgin Islands and commenced its operations on February 12, 2008. ParagonEx's principal executive offices are located at Willow House, Main Road, Onchan, Isle of Man.

Below is a description of ParagonEx simplified corporate structure including its main subsidiaries.

ParagonEx subsidiaries, all of which are 100% owned, are listed below:

Toyga Media Ltd, incorporated and located in Israel, commenced its operations in 2008. Toyga Media provides marketing, sales and support services to companies in the online Forex industry. These companies are paying Toyga Media directly.

Toyga Online Ltd, incorporated located in Israel, commenced its operations in 2009. Toyga Online provides marketing and sales services to companies in the online Forex industry. These companies are paying Toyga Online directly.

Hexagon Technologies Ltd, incorporated and located in Israel, commenced its operations in 2008. Hexagon Technologies provides research and development services to ParagonEx on a 'cost+' basis.

PX Exchange Ltd, incorporated and located in Belize, commenced its operations in 2013. PX Exchange receives and transmits trades from companies in the online forex industry for execution on ParagonEx's PaaS offering. PX Exchange is a licensed Investment Firm, authorized and regulated by the International Financial Services Commission in Belize. The shares of PX Exchange are held by a nominee shareholder and are awaiting regulatory approval. PX Exchange provides the services to its clients through a white label agreement that includes liquidity services and license to use ParagonEx's platform, in consideration for a license fee payable by PX Exchange to ParagonEx.

ParagonEx UK Ltd, incorporated and located in UK, commenced its operations in 2013. The subsidiary provides marketing services to ParagonEx on a 'cost+' basis.

Tianjin Fu Yi Marketing Management Consulting Co. Ltd, incorporated and located in China, commenced its operations in 2013. The subsidiary provides sales and support services to companies in the online forex industry and is paid by ParagonEx on a 'cost+' basis. The company is inactive.



NGJ Limited, incorporated and located in the Isle of Man, commenced its operations in 2014. NGJ provides marketing, sales and support services to companies in the online Forex industry and is paid by ParagonEx on a 'cost+' basis. The subsidiary is inactive.

Capi tech LLC, incorporated and located in the Ukraine, commenced its operations in 2017. The company provides marketing, sales and support services to companies in the online Forex industry and is paid by ParagonEx on a 'cost+ basis'. Capi has no activity.

In addition, ParagonEx is in the process of divesting its entire holdings in its inactive subsidiary Urom Support Srl (formerly LPH Marketing Srl), a Romanian company, which previously provided marketing, sales and support services to customers in the online Forex industry.

#### *Seasonality*

ParagonEx's business is not significantly affected by seasonality. Revenues tend to be slightly higher in the first and fourth quarters of the fiscal year. In the last two years, 55.5% of ParagonEx's annual revenue was generated during the first and fourth quarter.

#### *Legal Proceedings*

On May 8, 2017, Toyga Online Ltd. filed a motion against the First International Bank of Israel Ltd. in the district court of Tel Aviv, requesting declarative relief against the bank's decision to close the company's account. On March 7, 2018, the court ruled that the bank's decision to close the account had been reasonable and denied the company's motion. The company has appealed the judgment with the Israeli Supreme Court. Along with the appeal, the company also filed a motion for temporary relief requesting to prohibit the bank from closing the account and denying it service until the appellate proceedings are concluded. However, the motion was dismissed by the Supreme Court and the account was consequently closed by the bank. The hearing on the appeal itself has been set for July 11, 2019.

A motion for approval of a class action has recently been filed with the Israeli regional labor court in Tel Aviv against Toyga Media Ltd. by a former employee of the company who served as a customer retention representative. The motion asserts that since August 2011, Toyga has been making insufficient contributions to its employees' pension funds by starting such contributions only after a certain period of time rather than from the first day of employment, and that Toyga further failed to make such contributions at the higher rates stipulated by a certain governmental

extension order which allegedly applies to it. The motion further asserts that Toyga failed to consider sales commissions as part of the employees' wages for purposes of calculating the pension contributions, resulting in an additional deficiency in such contributions. The class action is for a total amount of NIS 46,802,700, or approximately \$13.0 million as of December 31, 2018. Toyga has been granted an extension to file its response to the motion, and a preliminary hearing in the case is set for April 11, 2019.

## **Regulation**

### *Overview*

ParagonEx is not directly subject to regulation (except as described below) but the industry of its B2B customers is highly regulated.

Government regulators and self-regulatory organizations oversee the conduct of online brokers in many ways, and several perform regular examinations to monitor compliance with applicable statutes, regulations and rules. These statutes, regulations and rules cover all aspects of ParagonEx's B2B customers' business, including:

- sales and marketing activities, including interaction with, and solicitation of, End Users;

restrictions on the types of persons that may be End Users of the services offered;

trading practices, including the types of products and services which may be offered, and the terms of such products and services;

the methods by which End Users can fund accounts;

treatment of End User assets, including custody, control, safekeeping and, in certain countries, segregation of its End User funds and securities;

maintaining specified minimum amounts of capital and limiting withdrawals of funds;

anti-money laundering practices;

recordkeeping and reporting;

supervision regarding the conduct of directors, officers and employees; and

collection, processing and transfer of personal data of End Users.

Though ParagonEx conducts its business in a manner which it believes to be compliant with applicable local law, regulators may attempt to assert authority over ParagonEx's activities that they deem to take place within the jurisdiction they regulate, including solely by virtue of the presence of End Users within the jurisdiction. In addition, new laws, rules or regulations may be enacted that change the regulatory landscape and result in new, or clarify preexisting, registration or licensing requirements. As a result, a regulator overseeing the activities of a ParagonEx's B2B customer may attempt to assert authority over ParagonEx.

#### *License as a Liquidity Provider*

In its capacity as the liquidity provider for GFH's PaaS offering, ParagonEx, through its beneficially-owned subsidiary PX Exchange, holds an Investment Firm license from the International Financial Services Commission in Belize, valid through December 31, 2018 and renewable annually. The license permits PX Exchange to conduct trading on its own account and in that capacity act as a market maker for trading in financial and commodity-based derivative instruments and other securities. The "Trading in Securities Licence" (License No. IFS/60/272/TS/18) covers the "trading

in financial and commodity-based derivative instruments and other securities.”

*Global Anti-Money Laundering*

ParagonEx’s anti-money laundering and End User identification programs are designed to comply with rules and regulations applicable to its B2B customers on a global basis. In addition, it has developed proprietary methods for risk-management and continues to add specialized processes, queries and automated reports designed to identify potential money laundering, fraud and other suspicious activities.

## DESCRIPTION OF THE BUSINESS OF BI CHINA

*All references to “BI China” or the “Group” mean Brookfield Interactive (Hong Kong) Limited, a company organized under the laws of Hong Kong, and its subsidiaries and contractually controlled entities. BI China was formed on June 25, 2018 in connection with the Business Combination in order to acquire assets related to the lottery, gaming and sports business in China. References to the business of BI China in this proxy statement/prospectus refer to the business of the assets acquired by BI China. All references to “Chinese renminbi”, “Yuan” or “RMB” are to the currency of the People’s Republic of China (“PRC” or “China”).*

### Overview

BI China is a Chinese group and a leader in China’s rapidly evolving \$65+ billion lottery market. Parts of the Group have been involved in and operating businesses in the Chinese lottery market for over 15 years and have developed deep relationships with some of China’s leading lottery centers, government agencies and portals.

The Group was positioned to achieve a leading role in China’s lottery market because of the versatile, robust and scalable B2B technology platforms and content it developed for the Chinese lottery, gaming and sports industries.

Since 2012, the Group has developed highly scalable B2B technology platforms for the lottery industry in China capable of processing millions of transactions a day. The Group’s B2B technology platforms were initially focused on the lottery market but have since expanded into new verticals (See section titled “*Description of the Business of BI China — BI China-B2B Platforms*”). Among such platforms, the Group has built and launched are a B2C tele-draw lottery platform for the Shanghai and Guangxi Welfare lottery centers that allow mobile users to play digital games online through their mobile devices, call-center operator and SMS. The Group has also launched a B2B platform in Beijing that interfaces and processes transactions between lottery centers and the main Chinese portals such as Taobao (approximately 500 million active users and is owned by Alibaba), Tencent (approximately 1 billion active users), JD.com (approximately 300 million active users) and Netease (approximately 23 million active users). The Group also currently has a strategic joint venture with the Heilongjiang Sports Bureau, which is responsible for all sports lottery activities in Heilongjiang province of China. The Group believes this to be the only joint venture of its kind in China.

In addition to the Group’s B2B technology platform and content creation, the Group was a pioneer in the development of an earlier generation of Chinese Self Service Terminals in 2011/2012 which it subsequently rolled out. Self-Service Terminals are a key component to the increase in Chinese lottery sales because they represent a solution to a problem that currently exists within the lottery industry in China: lottery players must claim their prizes in person at a lottery center. Currently the Chinese lottery is under played by the middle classes because they live and work in areas where

lottery centers previously did not exist. Looking to address the middle classes and remedy the collection of lottery winnings from a physical lottery center, the Group has begun to introduce Self-Service Terminals in conveniently located locations such as shopping malls, fast food restaurants and retail stores near to areas where the middle classes live, work and frequent. Additionally the new generation of Self-Service Terminals which are contemplated to be rolled out are expected to offer a much more seamless experience to lottery players than the prior generation, since all electronic methods of payments are accepted. A lottery player can place a bet on his/her mobile device and settle the payment by e-wallet, Ali-pay or We-chat. The player can then validate and cash any prize he/she receives through the terminal instead of through a lottery center. We believe this solution addresses a main barrier to increase lottery ticket sales in China: the need to validate and cash out prizes in person at lottery centers. The new generation of Self-Service Terminals can also be produced at a fraction of the cost of production of the earlier generation of terminals. With better functionality and lower cost of production, BI China believes the new generation of Self-Service Terminals will be one of the main drivers of growth for the lottery industry in the years to come.

The Group provides a one stop B2B technology solution for many of its lottery center clients, responsible for the operation of the lottery center websites, development and provision of cutting edge content, marketing and promotional activities as well as providing Self-Service Terminals. The Group's strategy is to become the premiere lottery solution provider in China, capable of offering a full range of products and solutions to its clients all aimed at increasing sales, driving user play, and enhancing the ability for lottery centers to target new revenue opportunities while operating in a highly evolving regulated legal environment.

The current pillars of the Group's strategy are to increase sales of lottery tickets and games by (i) the development of new lottery games and virtual games, particularly virtual sports high frequency lottery games and (ii) rolling out and promoting the use of self-service video lottery terminals or "Self-Service Terminals." High frequency games are played every few minutes and have a high percentage payout that is highly attractive to the lottery player. Self-Service Terminals are a key component to the increase in lottery sales because they will enable lottery players to claim their prizes at these terminals rather than in person at a lottery store/center.

The Group believes the new generation of Self-Service Terminals will become "AI lottery stores/centers" without operators and will eventually replace the old and high cost retail lottery stores/centers. Acting as a provider of the technology for this transformation, BI China believes it is well positioned to become a leader in this industry.

To achieve its strategy of developing new cutting edge content and games, the Group partnered with Kiron Interactive, a software company based in Johannesburg, South Africa, and the developer of "BetMan Online" to develop a new suite of virtual games. See section titled "*Description of the Business of BI China—Content Development—Kiron Interactive Partnership*" below. BI China intends to become a major player in the provision of new games for the lottery industry in China.

The Group will continue to leverage its deep relationships with several lottery centers to implement its new strategy. The Group has provincial licenses with the following key provincial lottery centers in China:

- Welfare lottery centers located in Beijing, Shanghai, Guangxi, Tianjin, Zhejiang, Shandong, Chongqing and Jiangxi.

- Sports lottery centers are located in Heilongjiang, Zhejiang, Shandong, Gansu and Beijing.

While the lottery market is an anchor activity of the Group, the Group has identified additional business opportunities within China and in South East Asia that can utilize our versatile, robust and scalable B2B technology platform, including the following:

- futures/commodities trading, financial “Play for Fun” games and new virtual multi-platform mobile lottery games;

utilize our trading platforms to enter other South East Asian markets via customers that will license the platform to address their own customer needs;

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development of new sports initiatives aimed at supporting all sales channels as well as contributing meaningfully to the Group's earnings; and

sports high frequency games.

BI China believes that regulatory changes expected to take place in the Chinese lottery, gaming and sports industry will create business opportunities to monetize in the future. The Group considers itself to be well positioned to take advantage of these opportunities by leveraging its robust B2B technology platforms in combination with its deep relationships within the Chinese market.

### **BI China — B2B Platforms**

The Group historically developed B2B platforms to serve the lottery industry in China. The Group's platforms principally consist of four B2B platforms that are smart, secure, robust and capable of processing millions of transactions a day. Because the Group's platforms are highly scalable, they allowed the Group to expand its technology to new verticals, as described below. A substantial amount of customer data is maintained by these platforms in a secure manner. The reliability of BI China's B2B platforms have earned the trust of the B2B customers that use it, from lottery centers to large portals such as Alibaba and Tencent. Below is a description of the platforms that support BI China's business:

#### *The B2B tele-draw lottery platform*

The Tele-draw lottery platform is a B2B platform that connects the provincial lottery centers and third parties that sell electronic lottery tickets to players, including portals Alibaba, Tencent and JD.com, through an application programming interface (“**API**”). This platform can also support a business-to-business-to-consumer (“**B2B2C**”) model by allowing lottery ticket buyers to purchase lottery tickets using their phone by voice, SMS or a mobile application. The platform supports sales through different channels, such as through the banking system, mobile systems or “bonus point systems” maintained by retailers, and equipment, such as voice, SMS or mobile application.

#### *The B2B General lottery ticketing platform*

The general lottery ticketing platform is a B2B platform that also connects the provincial lottery centers and third parties that sell electronic lottery tickets to players, including portals Alibaba, Tencent and JD.com, through an API.

This platform can also support a B2B2C model by allowing lottery ticket buyers to purchase lottery tickets using a website or a mobile application. The platform supports sales through different channels, such as through the banking system, mobile systems or “bonus point systems” maintained by retailers, and equipment, such as voice, SMS or mobile application.

*The B2B mobile top-up platform*

One segment that currently is less important to the Group but demonstrates the robustness, flexibility and scalability of the Group’s B2B technology platform is the platform’s use in mobile top-up platform. The Group utilized its B2B technology platform and created a mobile top-up platform. This platform is a B2B platform that connects a telecom operator, such as China Mobile, and third parties that provide online top-up service to mobile users through an API. This platform exemplifies the scalability of the B2B platforms developed by BI China since it was based on the B2B platform developed by BI China for the lottery industry. This platform can also support a B2B2C model that allows a mobile customer to top-up on a website or through a mobile application.

*The B2B electricity payment platform*

The Group's B2B technology platform has also been used for electricity payments. The Group utilized its B2B technology platform to facilitate and create a B2B electricity payment platform. This is a B2B platform that connects an electricity power factory (or its sales agent) and third parties that provide online top-up service to individuals through an API. Similarly to the B2B mobile top-up platform, this platform was also based on the B2B platform developed by BI China for the lottery industry. This platform can also support a B2B2C model that allows a customer to top-up an electricity account on a website or through a mobile application. This segment is currently less important to the Group but demonstrates the robustness, flexibility and scalability of the Group's B2B technology platform.

**Self-Service Terminals**

The self-service video lottery terminals, or "Self-Service Terminals," are video machines that sell lottery tickets and distribute prizes without requiring an operator to be on duty. The roll out of a new generation of Self-Service Terminals is one of the pillars of the Group's strategy to increase sales of lottery tickets and games in China. The Group believes that these terminals represent a solution to one of the main barriers to an increase in lottery ticket sales in China: the need to validate and cash out prizes in person at lottery centers as well as significant cost reductions per site.

The Group was a pioneer in the development and rolling out of an earlier generation of these Self-Service Terminals in 2011/2012 which were subsequently rolled out. The Group recognized a need to tap into the middle class segment of the Chinese society that had limited access to lottery centers in China, as they were not located in regions where such middle classes resides or work. By introducing Self-Service Terminals, the Group created a channel to sell lottery products to this segment which could now collect prizes through terminals conveniently located in shopping malls, fast food restaurants and retail stores. Taking this premise further, the Group is about to launch a new generation of Self-Service Terminals that have considerable advantages over past generation models. These advantages include (i) considerably less expensive costs of production (ii) newer technology to accept payment methods from the vast majority of all payments accepted in China via Alipay, Tenpay and China Union Pay, (iii) removal of opex headcount costs as a result of new interactive functionality, and (iv) a mobile app directing you to the nearest Self-Service Terminal.

A lottery player can place a bet on his/her mobile device and settle the payment by e-wallet, Ali-pay or We-chat. The prize money can also be topped-up in a mobile e-wallet. Upon winning a prize, the lottery player will be directed by his/her phone to navigate to the nearest terminal through an app on their mobile phone. The player can then validate and cash any prize he/she receives through the terminal instead of through a lottery center. This solution addresses a main barrier to an increase in lottery ticket sales in China: the need to validate and cash out prizes in person at lottery centers. The new generation of Self-Service Terminals can also be produced at a fraction of the cost of production of

the earlier generation of terminals. With better functionality and lower costs of production, BI China believes the new generation of Self-Service Terminals will be one of the main drivers of growth for the Chinese lottery industry in the years to come.

The introduction of the new generation of Self-Service Terminals has also created new opportunities for promotions aimed at increasing sales. BI China has developed campaigns in conjunction with the retailers and fast food restaurants where the terminals are located to incentivize sales by allowing customers to use loyalty points to purchase lottery tickets.

The Group believes the new generation of Self-Service Terminals will become “AI lottery stores/centers” without operators and will eventually replace the old and high cost retail lottery stores/centers. Acting as a provider of the technology for this transformation, BI China believes it is well positioned to become a leader in this industry.

Dual benefit:

removing significant cost/overhead and significantly enhancing margins per site;

placing in high footfall retail areas densely populated by wealthier middle classes:

greater disposable income; and

inexpensive way to locate in traditional high rental areas.

### **Content Development**

The creation of new content is a critical component of BI China's growth strategy. We believe the creation of unique sports content and games will drive this strategy into the near future.

#### *Kiron Interactive Partnership*

BI China has partnered with Kiron Interactive, a software company based in Johannesburg, South Africa. Kiron Interactive has developed and launched virtual games around the world, including "BetMan Online," a remote graphics software (RGS) Platform where players are able to place bets across multiple virtual sports events.

Through the partnership with Kiron Interactive, BI China has developed a new suite of virtual sports games for the Chinese market, including speed skating, football and basketball, among others. Chinese regulatory approval is pending for the launch of these games.

By successfully launching this new suite of virtual games, BI China intends to become one of the major providers of new games in China.

### **Group's History**

A chronology of the Group's business (which was established in 2007, as a provider of software solutions to the gaming industry) is as follows:

2007: The business is first established by Darren Mercer.

2008: DJI Holdings Incorporated is created.

2009: The Group acquired its foothold in China with the establishment of the WFOE legal structure and new relationship with NewNet in February 2009. The WFOE is called Beijing Brookfield Interactive Science & Technology Development Co., Ltd.

2010-12: A number of key operational milestones were achieved relating to the lottery operation including:

- exclusive rights to distribute instant ticket vending machines in Beijing;
- rights to promote and distribute scratch cards to 3<sup>rd</sup> party retailers;
- licenses to operate lottery outlets and branded retail outlets; and
- contract with the Chinese National Sports Lottery Centre for the provision of promotional services.

2013: The group acquired Shanghai Xinguan and Chongqing Chuangyang to build a nationwide online sales network.

2014:

Establishment of the Xihuacai entity (an investment between NewNet and Xinhuatong).

Additionally, as it relates to the Group, there was further focus on lottery operations across China.

Operational landmarks include:

- fulfillment of more than 400 million sports and lottery welfare tickets each month by the end of the year; and
- B2B deals signed with Tencent, JD.com, 360Buy, Taobao (owned by Alibaba) and other leading Chinese portals.

2015: In March 2015, the Chinese Government suspends lottery licenses. The Group begins to review its strategy and decides to focus on the mobile services and content market. In September 2015, the Group announces a deal with Heilongjiang Sports Bureau (HSB) to create a new entity, Longti. The Longti deal included a B2B online booking system for sports. Longti then launches a B2B booking system with JD.com and Alisports to sell skating and skiing tickets of the Yabuli ski resort online.

2016: The Group continues to implement its strategy of focusing on mobile services and content market.

2017: Launch of sporting promotional campaigns based on unique football club assets to drive cost effective and significant customer data acquisitions.

2018: In anticipation of the Business Combination, all the shares of the WFOE are transferred to BI China and following such transfer, BNN and all other shareholders of BI China shall exchange all of the shares of BI China for new shares of GFH.

As of the date of this proxy statement/prospectus, BI China is a wholly-owned subsidiary of BNN and its operating activities are undertaken by its direct and indirect subsidiaries and affiliates. Prior to completion of the Business Combination, it is proposed that BI China will undertake a series of internal steps to (a) issue shares to key members of its management team pursuant to existing commitments in recognition of their past services and to incentivize their future performance, (b) issue shares to new investors in BI China who have agreed to subscribe for equity in BI China to help fund future growth opportunities for the combined business following completion of the Business Combination as identified by BI China management and (c) issue shares to key joint venture partners in PRC which have been identified by BI China management as adding future value to the combined business. As a result of these steps, BNN will hold 51.7% of BI China's share capital as at completion, BI China management will hold 10.36%, external investors 34.44% and joint venture partners 3.5%. This reorganization will have no impact on the operational assets of BI China which will continue to be held by BI China.

## **The Group's Competitive Strengths**

*B2B proprietary platform enables scalability of technology and ability for high volume processing.* The Group has developed B2B technology platforms that deliver reliable and scalable solutions to process millions of transactions a day. The effectiveness and flexibility of the Group's technology platforms have enabled the Group to adapt and service customers in the Chinese lottery industry, the gaming industry and sports bookings, among others.

*Long term trusted and proven relationships.* The Group has built a strong reputation and developed long-term relationships, originally stemming from its lottery business, with both Chinese provincial lottery centers and other government regulated departments, and with businesses for whom it provides services. Our historical relationships have allowed the Group to develop its range of partnerships with other government departments and bureaus. These relationships have primed the Group to be in a position to monetize and further grow its infrastructure in China. The Group has continuously expanded the range of its business relationships in China and has consistently succeeded in monetizing opportunities arising from these relationships.

*Long term approach to doing business in China.* The Group has taken a long term approach to all of its operations in China and has recognized the direction in which a number of key verticals have been developing. The Group's strategy has always been to be at the forefront of technological development and trends while providing its B2B customers with a superior technology platform. This has enabled the Group to be well placed to benefit from its products and content superiority. The Group has successfully done this over the past 15 years based on its operations in China, and is committed to continue this approach as it moves into new segments of the Chinese lottery, gaming and sports markets. The Group believes this philosophy will continue to allow it to grasp future business opportunities.



## **Business Model**

As the B2B technology fulfillment platform for a number of provincial lottery centers, BI China acts the technology interface in between a lottery center and a purchaser of lottery tickets across a number of verticals. As such, BI China receives a commission on all transactions processed through its platform. At all times BI China works within the permitted guidelines stipulated by the Chinese Ministry of Finance and its lottery regulations. Below are listed a number of verticals BI China are operating in or about to operate in for which we receive transaction commission payments:

**B2B Technology Platform/Tele-draw License:** BI China works with a number of B2B corporate partners which are primarily among China's largest portals (Taobao, Tencent and JD.com), to allow their mobile users to purchase their tickets through voice messages and SMS messages via their mobile phones. BI China revenue is based on commissions that are shared on a negotiated basis with each of these corporate partners.

**Chinese Telecom Companies and Banks:** BI China works with many companies from these sectors in which these companies underlying customers are allowed to convert their respective bonus and reward points to purchase lottery tickets. BI China's tele-draw platform is used to provide electronic lottery tickets to this customer base again through orders place via voice messages and SMS messages through their mobile phones. BI China revenue is based on commissions that are shared on a negotiated basis with each of these corporate partners.

**Self-Service Terminals:** BI China is currently working with a number of provincial lottery centers to launch a new generation of lottery terminals. These Self-Service Terminals allow customers to place their order for lottery tickets on either a mobile device or directly at the terminal. BI China collects a direct commission for each ticket sold and processed. There is a revenue share or rent charged with the landlord where the Self-Service Terminal is placed.

**Content Development and Provision:** BI China anticipates supplying its content, once approved by the Chinese regulatory body, market leading virtual lottery games to provincial lottery centers. BI China will then receive a commission on each ticket sold and processed through the lottery center by the lottery centers distribution partners.

The graph above illustrates BI China's role and position in the industry value chain.

### *Group Structure and Recent Restructuring*

Brookfield Interactive (Hong Kong) Limited (referred to in this document as “**BI China**” or the “**Group**”) is a company organized under the laws of Hong Kong. BI China was formed in 2018 to acquire the assets described below. These assets were part of a larger group of companies that also owned other assets and companies that were not related to the lottery, gaming and sports business in China (the “**Non-core Assets**”). The Non-core Assets were not acquired by BI China. References to the business of BI China in this document refer to the business of the assets acquired by BI China.

The assets and partnerships acquired by BI China relate to the following entities and joint ventures:

Beijing NewNet Science & Technology Development Co. Ltd. (“**NewNet**”);

Beijing Xinhua Lottery Technology Co. Ltd. (“**Xinhua Cai**”);

Shanghai Xinguan Systems Engineering Co. Ltd. (“**Shanghai Xinguan**”);

Heilongjiang Longti Technology Co. Ltd. (“**Long Ti**” or “**Longti**”); and

Harbin Tengcai Science & Technology Co. Ltd (“**Tengcai**”).

Below is a description of these companies and joint ventures.

*NewNet*

NewNet is the operator, partner and agent of the Group's business in China. Since its inception in 2003, NewNet became a key operating and technical partner to 12 Chinese lottery centers including the Beijing Welfare Lottery Centre ("**BWLC**") and eight out of the ten largest Chinese portals. NewNet's key relationship with BWLC ultimately resulted in it becoming the official operator of the BWLC lottery website. In addition, NewNet has also:

developed a B2B technology platform to serve the lottery industry;

operated approximately 100 lottery retail stores and kiosks across the country including up to 50 lottery retail stores and kiosks in Beijing;

designed and built self-service video Self-Service Terminals, or "Self-Service Terminals";

designed and built physical card vending machines;

developed the Haoyuncaai lottery mobile app and website; and

designed and developed new lottery games, mobile games and virtual games.

NewNet was one of the companies leading the transformation of the Chinese lottery market to become more technology focused and appeal to a larger portion of the Chinese population. NewNet has consistently demonstrated its capabilities by introducing more up to date solutions for its distribution channels. NewNet quickly recognized that they needed to solve one of the major problems typically faced by the middle classes playing lotto, access to retail lotto stores/centers. By developing and installing Self-Service Terminals in shopping malls and other densely populated middle class areas, NewNet created a viable channel to sell lottery products to the growing middle class segment of the Chinese market.

NewNet was one of a few companies in China to be granted tele-draw licenses by Chinese provincial Welfare lottery centers under the authority of the Chinese Ministry of Civil Affairs. As a tele-draw operator, NewNet operated a technology platform serving the lottery industry. NewNet's platform would interface between lottery centers' systems and Newnet's large B2B clients which represented China's largest e-commerce portals. By processing these transactions, NewNet collected valuable customer data for the lottery centers (to the extent allowed by the applicable PRC data protections and laws and regulations).

NewNet recognized the importance of the Tele-draw license for long-established trusted partners with robust technology platforms. This license allowed access to some of the leading Chinese portals as well as facilitating partnerships with other Chinese lottery companies offering similar products and services. As a result of this, NewNet also acted as a consolidator by acquiring other companies to support the growing Chinese lottery industry.

### *Shanghai Xinguan*

Shanghai Xinguan was originally formed in 2007. The Group acquired an 80% interest in Shanghai Xinguan in 2013. Since its acquisition by the Group, Shanghai Xinguan has been used as a vehicle to operate the websites of the Shanghai Welfare Lottery Center and the Guangxi Welfare Lottery Center under official government licenses. Shanghai Xinguan now has two of the four tele-draw licenses of the Group. It is used on a reference point to grow relationships in other provinces and assists in the introduction of the self-service terminals utilizing NewNet's proprietary technology in other provinces.

Shanghai Xinguan created the first tele-draw license platform to interface with lottery centers in China for the Shanghai welfare lottery center. Since partnering with NewNet and utilizing NewNet's proprietary technology platform, we have developed one of the most robust and scalable B2B technology platforms in the Chinese lottery space. Its features include a full monitoring system and identification of the underlying lottery player together with instantaneous reconciliation of the lottery ticket sale by the aforementioned lottery center. This ensures that the integrity of the transaction meets the regulatory requirements and enables a completely secured transaction. We believe that the new technology monitoring programs that China is mandating to ensure regulatory compliance, will encompass similar features as the Group's already built and established B2B technology platform. This foundation of achieving regulatory requirements is completely transparent to the lottery center in a robust and secure manner that underpins transactions throughout the Group no matter the medium in which they are purchased. Shanghai Xinguan now concentrates on using the NewNet technology and software which has been developed to support the new generation of Self-Service Terminals, which the Group believes will be one of the main drivers of growth in the industry. Shanghai Xinguan was able to become a pioneer in the industry as a result of:

- its relationship with NewNet and ability to access its proprietary technology;

- building a leading B2B technology platform capable of processing a high volume of transactions online to service these lottery centers;

- developing relationships with China's key e-commerce portals; and

- designing software solutions to expand and exploit the use of Self-Service Terminals.

The NewNet platform used by Shanghai Xinguan can support the purchase of lottery tickets online and through mobile phones by connecting the player direct to the physical Self-Service Terminal. It also allows players to collect their winnings through Self-Service Terminals located across many Chinese provinces.

As mentioned above, the technology developed by NewNet and used by Shanghai Xinguan can be used for the new Self-Service terminals which connects the tele-draw system with the lottery centers for nation-wide sales. Testing for these new terminals begun in June 2018. Shanghai Xinguan is currently in discussions with nine lottery centers for roll-out within the Chinese business of these terminals pursuant to certain framework agreements in Beijing, Shanghai, Chongqing, Tianjin, Heilongjiang, Shandong, Zhejiang, Gansu and Jiangxi.

Further to the Group restructuring set out above in this document and in contemplation of the existing transaction the Group recently disposed of its 80% equity interest in Shanghai Xinguan. The Group however, maintains effective control over Shanghai Xinguan through its exclusive and perpetual technology license with Shanghai Xinguan. This structure is now consistent with the Group's approach of maintaining NewNet as the technology hub of its operation

and the vehicle through which the Group intends to roll out its online technology platforms for its customers and partners. The existing commercial agreements entered into by Shanghai Xinguan prior to this restructuring, including the agreements with Shanghai Mobile and Guangxi Lottery Centre, remain unaffected.

*Xinhua Cai*

Xinhua Cai, the most recent addition to the Group, is a joint venture in which the Group currently owns 49% of with Xinhuatong. This joint venture has strategic importance to the Group, as it allows the Group to build new relationships in Chinese provinces it has not operated in before.

Xinhua Cai owns 45% of a joint venture with Wasu Media Holding Co., a leading state-owned cable and internet TV company in China. Despite the heavy regulation China has on the media industry, Wasu Media is one of the few companies that has licenses to provide services via new media and three networks: cable, telecommunication and internet. Additionally, Wasu Media is also one of the seven license holders to provide internet TV services in China. This license provides significant potential access to China's untapped and growing internet TV market.

Through this joint venture, the Group will explore the creation of TV lottery channels and benefit from new game content creation.

Xinhua Cai's joint venture with Wasu Media has applied for licenses to:

- provide new virtual lottery games to provincial sports lottery centers; and
- multi-provincial TV lottery channel for various existing sports lottery games.

Wasu Media gives the Group access to:

- broadcasting and cable networks in over 20 provinces and over 100 cities;
- over 30 million cable TV subscribers;
- over 100 million internet TV end-user terminals;
- over 80 million internet TV subscribers;
- over 56 million users (16 million paying users) of mobile streaming TV; and
- over 900,000 cable internet customers in Zhejiang province.

Wasu Media is the largest integrated cable TV network in Zhejiang province and in China. Wasu Media is currently listed on the Shenzhen stock exchange and as of October 2, 2018 had a market capitalization of approximately \$2.0 billion. Wasu Media is the only broadcasting company to be part of the CSI 300 Index, a stock market index designated to replicate the performance of the top 300 stocks traded in the Shanghai and Shenzhen stock exchanges. Additionally, Hangzhou Yunxi Investment Partnership Enterprise, a private equity firm associated with Jack Ma, the founder of Alibaba Group Holding Limited (NYSE:BABA), is a major shareholder of Wasu Media.

### *Long Ti and Teng Cai*

Long Ti is a joint venture owned 40% by Teng Cai and 60% by the Heilongjiang Sports Bureau (the "**HSB**"). HSB operates and is responsible for all sports lottery activities in Heilongjiang province, China's sixth largest province with

a population of approximately 40 million. HSB also owns and operates an extensive portfolio of sporting venues and facilities across the province, including Yabuli, China's largest ski resort, which includes ice skating rinks. Many of the key training facilities for winter Olympic sports are based in this region.

The joint venture's main activities are:

managing HSB Sports Lottery Websites and creating promotional activity to boost offline lottery sales; provincial distribution of lottery scratch cards;

seeking approval for the introduction of a new virtual lottery game based on speed skating to support winter Olympic 2022 facilities; and

a number of additional areas utilizing our B2B technology platform such as operating an online travel booking platform with JD.com and Alitavel for the Yabuli ski resort and other winter travel packages.

- Long Ti will also introduce a range of new mobile games in promotional support for new ventures.



As noted above, this joint venture introduced online booking capabilities for many of the facilities controlled by HSB. The online and mobile B2B booking system is now fully operational and recently signed contracts with JD.com and Alittravel to support sales through their respective websites and mobile apps. Long Ti has also introduced new games for HSB, including a new Winter Olympics 2022 instant virtual lottery game. Long Ti expects to obtain approval for the Winter Olympics 2022 game by the Beijing, Hebei, Heilongjiang lottery centers within the next few months. The joint venture also currently distributes a high volume of lottery scratch cards for over 5,000 outlets. By operating the Heilongjiang official website, Long Ti uses promotional activities to collect data (to the extent permitted by PRC laws) to increase sales through its 5,000 outlets. Long Ti has also signed a three party agreement with HSB and one of the three largest Chinese tech companies for development of nation-wide mobile lottery games. Long Ti expects that these games will be launched in the second quarter of 2019.

Although the Group expects that these approvals and launch of new products will occur by such dates, no assurance can be given that they will in fact occur within the estimated deadlines or at all. See *“Risk Factors Related to BI China – BI China is engaging in new business ventures in China and it cannot guarantee the level of future earnings from these ventures.”*

Teng Cai was formed in 2015 and is a joint venture owned 80% by the Group. Teng Cai has developed all of the mobile games mentioned above as well as the online booking system used by the Yabuli ski resort. Teng Cai is also the exclusive technology provider to Long Ti.

### ***Sales and Marketing***

BI China has marketing and promotional contracts to promote the lottery centers it represents. It devises campaigns to help enhance awareness and popularity of lottery products to increase sales. These campaigns often include the organization of promotional events. BI China also uses the websites it operates as marketing tools to enhance sales.

Examples of marketing and promotional campaigns launched in the past include:

- providing soccer club resources, including T-shirts with players signatures and souvenirs for promotion of several sports lottery centers;

- inviting famous soccer TV hosts to join the nationwide promotion of the Jingcai sports betting game;

- launching more than 300 vending machines in Beijing to support the Beijing Welfare Scratch Cards sales;

· launching online validators with Tencent to support the Chongqing welfare promotion of physical cards in land stores; and

· launching promotions for the official websites the Group operates such as BWLC, Shanghai, Guangxi and Heilongjiang, including offering bonus points and gifts in regular times each year.

These campaigns are constantly being adapted to explore new opportunities, such as the rolling out of the new generation of Self-Service Terminals. BI China has developed campaigns in conjunction with the retailers and fast food restaurants where the terminals are located to incentivize sales. One of the campaigns developed with McDonald's allows customers to use loyalty points to purchase lottery tickets.

### ***Sports and Welfare Lottery Markets within China***

The Chinese lottery market exhibits significant barriers to entry, particularly obtaining approvals for licenses and establishing relationships with the relevant quasi-governmental authorities. The lottery licenses are granted to the lottery centers that then contract third parties, such as the Group, to manage and operate the business. The Group has developed strong relationships with the regulators and governing bodies within both the Sports and Welfare lotteries.

For both the Welfare and Sports lotteries, prospective participants require both contractual relationships with provincial lottery centers and long-standing, unblemished reputations. Companies also need tele-draw licenses to sell tickets on voice phone or through SMS.

The Tele-draw licenses for the Welfare Lottery are granted at the discretion of authorized Chinese Provincial Welfare lottery centers under the authority of the Chinese Ministry of Civil Affairs.

The Sports lottery equivalent of a Tele-draw license is a contract authorized by the provincial Sports lottery centers. A typical lottery ticket purchased by a customer provides funds towards the respective mandates of the Sports and Welfare lottery authorities. For each ticket sold the proceeds are split as follows:

50% – 69% is allocated to the prize pool;

18% – 35% is allocated to contribute towards good causes; and

13% – 15% is available for commissions for the promotion and distribution channel.

Historically the Group sold lottery products via a network of retail stores, kiosks, a portfolio of scratch card vending machines held in third party premises and Self-Service Terminals.

The Group distributes various lottery products, which can broadly be split between traditional lottery games and betting games within both the Welfare and Sports lotteries.

#### *Welfare Lottery*

Formed in 1987, the Welfare lottery's traditional lottery games comprise periodic draws and scratch cards. Periodic draws are weekly and twice weekly draws, where the outcome depends on combinations of numbers. A purchaser of a periodic draw game ticket will select a combination of numbers at the time of purchase, and the result and payout depend on how well the selected number combination matches the prize winning number combination, which is randomly drawn at a set time. Instant scratch cards are products for which the winning tickets and prize amounts are pre-determined.

Welfare Lottery betting games comprise instant draw games and Self-Service Terminals. Instant draw games are high frequency periodic draw games, occurring every few minutes. Self-Service Terminal games are bespoke entertainment games with no particular theme and are the fastest growing product within retail outlets in China.

### *Sports Lottery*

The Sports Lottery administration was formed in 1994, initially to develop traditional lottery games comprising periodic draws and instant scratch cards similar to Welfare. Sports lottery betting games comprise instant draw games and sports betting. Sports betting games are lottery products for which the outcome and payout depends on the result of sports matches, the majority of which relate to soccer or NBA basketball. Players typically rely on real-time information and updates making sports betting ideally suited for distribution via online and mobile channels.

### **Sports Content Division**

In 2015 President Xi launched the Football Reform Plan which stemmed from his dream of China winning the World Cup. This plan has clear objectives for the short term (by 2020), medium term (by 2025) and the long term (by 2050), and is at the center of China's commitment to the development of football (aka American Soccer) at all levels. Included in the plan are commitments to building soccer schools; football pitches and to develop football at all levels in China.

Recognizing the opportunities that accompany President Xi's vision the Group launched its football strategy in early 2014 introducing developments that support the goals and ambitions set out in the reform plan. The Group's strategy initially started by combining the Group's lottery expertise and local partnerships with sponsorships of professional European football clubs.

The football strategy has since grown substantially, with the Group cementing long standing partnerships with four leading European clubs; Manchester City, Arsenal, Borussia Dortmund and formerly FC Barcelona. These partnerships uniquely position the Group to utilize international football resources to develop football in China to support President Xi's reform plan. The football strategy is based on four core tenets building on the exclusive, unique and innovative assets of the Group. These tenets are:

*Developing initiatives that are complementary to the Group's business and enhance the development of core relationships.*

The Group's unique position in the China football market (as long standing partners of international clubs) opened opportunities to strengthen existing government and non-government relationships for the benefit of other areas of the business. These opportunities included exclusive football PR events and pioneering joint projects, such as:

- being appointed the exclusive global provider of Arsenal products through the Alibaba platform, Tmall;
- hosting three co-branded microsites (for Arsenal, Manchester City and FC Barcelona) linking to the Xinhua News app which has 200 million downloads and an estimated 12 million users;
- providing an exclusive in-market player meet and greet with TaoBao (Alibaba) during Arsenal's pre-season tour; and
- providing a live broadcast with players for Xinhua.

*Bringing exclusive content to establish the Group as pioneers of football development in China.*

The assets negotiated with our football partners are, in the main, both exclusive and highly attractive; giving us the opportunities and more importantly the rights to launch highly unique, original and bespoke programs. Programs including grassroots training, online training, live broadcast talent shows, footballing game shows, VIP European trips, sponsorship and advertising, are all in the Group's pipeline for the future. All of these initiatives will be utilized

to create a highly engaged footballing community. It is anticipated this will attract footballing fans at all levels from armchair fans to passionate supporters across a myriad of communities and for different objectives.

*Building a robust database (core target markets) in China.*

The Group utilized its exclusive training camps to attract, collect and collate a robust and extensive set of data by requiring the Group's target audience to register their details in order to have a chance of being trained by professional coaches at one of the Group's camps. Each camp achieved over 50,000 registrations and over 1.7 million page views thereby delivering exclusive and highly valuable data. This data included not only core information of users but also their social media habits, footballing ambitions, media usage, football allegiances and sport goods preferences.

*Commitment to supporting China's ambition to grow grassroots football.*

The Group's partnerships and content underscore the Group's commitment to supporting grassroots football in China by delivering social and public participation programs that build on its longstanding operations in the country. These initiatives are at the heart of the Group's mission for the betterment of Chinese citizens on a day-to-day level. Chinese investment in grassroots football has encouraged 30,000 teams to register in Amateur Leagues. As football is developing at an exponential rate in China, there is a growth in government spending on areas such as coaching, training, broadcasting, marketing and promotions. The Group looks to exploit these opportunities.

## Market Overview and Opportunity

### *The Chinese Lottery Market*

China is the second largest lottery market in the world. As part of the “Reform and Opening-up” policy in the 1980s, China attempted to issue lottery tickets as a means of funding social welfare. The current Chinese lottery market is broken down into 2 major verticals: the Welfare and Sports lotteries. In 1987, the Chinese central government formed the “Social Benefits Lottery Commission” and allowed the issuance of the Welfare Lottery. In 1994, the State Council of the PRC launched the Sports Lottery program.

According to the Ministry of Finance of the People’s Republic of China (“**PRC**”), total lottery sales in 1987 were 170 million RMB; after the addition of the Sports lottery, total sales reached 6.73 billion RMB in 1995; in 2007, 20 years after its inception, national lottery sales exceeded 100 billion RMB.

The Chinese lottery market has experienced strong growth in recent years as a result of positive macro trends in China, such as robust economic growth, increases in disposable income and a more positive shift in public perception towards the lottery business. According to Xinhua News, the Chinese government has also indicated that approximately 20% of China’s population is playing the lotto.

According to the Ministry of Finance of the PRC, the total lottery sales in China increased from 261.5 billion RMB in 2012 to 426.7 billion RMB in 2017. This represented a CAGR of 10.3% from 2012 to 2017. During this time period, the 2 major verticals of the Chinese lottery market, Welfare and Sports lotteries, have also increased substantially.

The year-over-year RMB growth in total lottery sales from H1 2017 vs. H1 2018 was 19.6% which represents an increase of 40 billion RMB as a result of total lottery increasing from 205 billion RMB to 245 billion RMB. The increase in H1 2017 vs H1 2018 is a further indication that the Chinese lottery market remains robust.

### *Welfare Lottery*

There are four types of Welfare lottery in China (“**literally**” translated into English as): Classic Lotto, Instant Win Game, Video Lottery and Keno. In concert with the growth patterns indicated directly above, the Welfare lottery

market has maintained strong overall growth since 2012. Additionally, new Welfare lottery segments have begun to be introduced to the Chinese market with the kick-off of the Keno Welfare lottery in 2014.

According to the Ministry of Finance of the PRC, total Welfare lottery sales in China grew from 151.0 billion RMB in 2012 to 216.98 billion RMB in 2017, representing a CAGR of 7.5% during this time period. This growth pattern was primarily driven from the Classic Lotto and Video lottery segments of the overall Welfare lottery market. The Classic Lotto segment's total sales grew from 108 billion RMB in 2012 to 158 billion RMB in 2017, representing a 7.8% CAGR during this time period. The Video Lottery market's total sales grew at a CAGR of 15.6% from 2012 to 2017 with sales growing from 22.4 billion RMB in 2012 to 46.2 billion RMB in 2017.

According to the Ministry of Finance of the PRC, the total sales for the Welfare lottery for the first 6-months of 2018 were 110.6 billion RMB vs. 106.1 billion RMB in 2017, resulting in a 4.2% increase from the same period in 2017. Among all categories, the largest segment, Classic Lottery, has shown the highest growth rate, with a 6.5% increase over the same period from last year.



*Sports Lottery*

There are four types of Sports lotteries in China (“**literally**” translated into English as): Classic Lotto, Sports Betting, Instant Win Games and Video Lottery. Similar to the Welfare lottery market, as indicated above, the Sports lottery market has also shown robust growth from 2012 to 2017. Additionally, in 2015 Video Lottery was included as a new segment within the Sport lottery market.

According to the Ministry of Finance of the PRC, total Sports lottery sales in China grew from 110.5 billion RMB in 2012 to 209.7 billion RMB in 2017, representing a CAGR of 13.7% during this time period. The Sports lottery market’s growth has been driven by robust growth from its two largest segments, Classic Lotto and Sports Betting. The Classic Lotto segment’s total sales grew from 65.6 billion RMB in 2012 to 104.9 billion RMB in 2017, representing a 9.8% CAGR during this time period. The Sports Betting market’s total sales grew at a CAGR of 28.2% from 2012 to 2017 with sales growing from 26.8 billion RMB in 2012 to 92.9 billion RMB in 2017.

According to the Ministry of Finance of the PRC, the total sales for the Sports lottery market increased 36.1% from H1 2018 to the same period in 2017. The Sports lottery market sales in H1 2018 were 134.6 billion RMB vs. 98.9 billion RMB in 2017 for the same period. The Ministry of Finance of the PRC attributed the high growth rate on a year-over-year basis to the 2018 FIFA World Cup in Russia. Historically, there has been similar Sports Lottery sales spikes that have been observed during times when there is a major sporting event with a strong connection to Chinese audiences.

*Provincial Lottery Sales*

The graphs below show the lottery sales for all Chinese provinces, the aggregate of which make up the total size of the Chinese lottery market in 2017 and the six month period ended June 30, 2018.

**Provincial Lottery Sales in 2017**

Province	Sales (billion RMB)	YoY growth rate (%)
National Total	426.67	8.1
Beijing	10.76	0.1
Tianjin	7.18	5.2

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Hebei	15.69	-7.6
Shanxi	7.89	17.9
Inner Mongolia	11.01	6.8
Liaoning	15.59	-5.4
Jilin	7.00	-5.4
Heilongjiang	10.41	-0.2
Shanghai	8.07	6.9
Jiangsu	35.51	8.4
Zhejiang	29.35	6.5
Anhui	13.44	11.8
Fujian	15.71	20.2
Jiangxi	8.95	46.6
Shandong	33.35	4.5
Henan	20.26	8.8
Hubei	19.58	16.3
Hunan	17.10	17.5
Guangdong	42.28	6.7
Guangxi	8.71	15.0
Hainan	2.74	-12.0
Chongqing	10.30	28.7
Sichuan	13.64	2.9
Guizhou	6.30	6.4
Yunnan	15.18	2.6
Tibet	3.57	55.9
Shaanxi	15.74	11.1
Gansu	8.02	12.5
Qinghai	2.50	14.7
Ningxia	2.94	7.8
Xinjiang	7.91	12.9

**Provincial Lottery Sales in the six months ended June 30, 2018**

Province	Sales (billion RMB)	YoY growth rate (%)
National Total	245.20	19.6
Beijing	5.58	5.1
Tianjin	4.45	31.4
Hebei	9.89	21.1
Shanxi	4.14	26.5
Inner Mongolia	6.52	17.8
Liaoning	8.82	14.9
Jilin	4.47	28.2
Heilongjiang	5.34	-1.4
Shanghai	4.53	16.3
Jiangsu	20.94	28.2
Zhejiang	17.36	20.8
Anhui	7.59	25.5
Fujian	8.58	13.1
Jiangxi	6.86	58.9
Shandong	18.58	11.5
Henan	11.30	18.0
Hubei	11.22	13.6
Hunan	10.38	49.0
Guangdong	22.99	15.8
Guangxi	5.11	29.6
Hainan	1.43	6.5
Chongqing	6.31	18.1
Sichuan	7.84	15.5
Guizhou	3.73	25.6
Yunnan	8.54	15.3
Tibet	1.50	-11.6
Shaanxi	9.60	30.0
Gansu	4.16	8.2
Qinghai	1.29	14.5
Ningxia	1.66	16.7
Xinjiang	4.47	12.1

**Employees**

As of June 30, 2018, BI China had 149 full-time employees. The predecessor to BI China had 380 and 371 full-time employees as of December 31, 2017 and 2016, respectively. As described above, the Group went through a restructuring to spin-off assets that were not related to the lottery, gaming and sports business in China.



The following table sets forth the number of BI China's employees by main category of activity as of June 30, 2018:

	June 30 2018
Retail/Wholesale	2
Shops Vending Machine Management	10
Logistics	4
Operations	22
Engineering	2
Business Development	8
Online/Mobile	
Internet & Call Centre	10
Online Business	12
Design	4
General & Administration	
Technology	48
Financial	9
General & Administration	6
Advertising	
Human Resources	6
Project Management	6
Total	149

The Group considers its relationship with its employees to be good. None of its employees are unionized.

### **Property and Equipment**

The Group rents office space and also rents premises on which it installs Self-Service Terminals. In 2017, the Group paid £770,000 in property lease rental payments in China. The Group owns computer equipment, office furniture and some leasehold equipment. No one item is deemed to be significant.

### **Intellectual Property**

The Group owns the following proprietary platforms and domain names in China:

B2B mobile top-up platform

B2B electricity payment platform

B2B tele-draw lottery platform

B2B General lottery ticketing platform 2858.com/cn

HAOYUNCAI.com/cn

XINHUALOTTERY.com

HAOWAI.cn

BI China protects its proprietary platforms as trade secrets. The validity, enforceability and scope of protection available under intellectual property laws with respect to the internet and gaming industries in China are uncertain and evolving. Implementation and enforcement of PRC intellectual property-related laws have historically been deficient and ineffective. Accordingly, protection of intellectual property rights in China may not be as effective as in the United States or other western countries. See *“Risk Factors Related to BI China — Risks Related to BI China’s Business and Industry — BI China may be unable to adequately protect its intellectual property rights.”*

## **Competition**

Our main competitors in the Chinese internet lottery market are: taobao.com; 500.com; and diyicai.com.

Our main competitors in the mobile client lottery market are: diyicai.com; taobao.com; and sina.com.

Our main competitors in the betting lottery market are 500.com; diyicai.com, and sina.com.

The Chinese lottery market has significant barriers to entry due to the need to develop relationships with the relevant government authorities and obtain relevant contracts and licenses. The Group has developed strong relationships with the governing bodies of both the Sports and Welfare lotteries, dating back to 2003 in connection with the Beijing Welfare Lottery, 2007 with the Shanghai Welfare Lottery in 2007 and subsequent relationships thereafter. During this time, the Group companies have become important technology, product and content providers for those centers and have continued to expand the network.

## **Principal Market**

The unissued and to be issued ordinary share capital of BNN Technology plc (**BNN**) were admitted to trading on AIM, a market of that name operated by London Stock Exchange plc on July 24, 2014.

On February 9, 2018 BNN announced that its board of directors had taken a strategic decision to not appoint a replacement nominated advisor after the resignation of its then current nominated adviser Strand Hanson Limited. As a result, BNN shares were delisted from AIM, a market operated by London Stock Exchange plc. This decision allowed BNN to pursue other commercial alternatives to a listing in London including inter alia a listing on Nasdaq with strategic partners and to this end BNN appointed Maxim Group LLC to assist with this process. At that time BNN was already in discussions with MICT and ParagonEx who indicated a preference to seek a listing on Nasdaq believing that a listing on AIM would not best serve the interests of the shareholders of any merged entity. In its announcement of 9 February 2018 the Board confirmed it believed that pursuing these opportunities was in the best interests of shareholders and stakeholders alike.

## **Legal Proceedings**

From time to time, the Group is involved in various routine legal proceedings incidental to the ordinary course of its business. The Group does not believe that the outcomes of these legal proceedings have had in the recent past, or will have (with respect to any pending proceedings), a material adverse effect on its business, financial position or profitability.

## **Corporate Information**

Brookfield Interactive (Hong Kong) Limited was incorporated as a private company under the laws of Hong Kong in 2018 as part of a corporate restructuring of the Group.

The Group's central head office function in China is at NewNet in Beijing, located at 4/F, Tower A, Fuzhuo Block, 28 Xuanwumen Wai Avenue, Xicheng Qu, Beijing China.

## **Regulation**

### ***Regulation of Telecommunication Services***

The telecommunication industry, including the Internet sector, is highly regulated in China. Regulations issued or implemented by the State Council of China, the Ministry of Industry and Information Technology (the "MIIT"), and other relevant government authorities cover many aspects of the operation of telecommunication and the Internet information services, including access to the telecommunication industry, the scope of permissible business activities, and licenses and permits required for various business activities and foreign investment.



The principal regulations governing telecommunication and Internet information services include:

- the Telecommunication Regulations promulgated by the State Council on September 25, 2000;
- the Administrative Measures for Telecommunications Business Operating License promulgated by the MIIT on March 5, 2009; and
- the Catalogue of Classes of Telecommunications Businesses promulgated by the MIIT, on December 28, 2015.

Under these regulations, telecommunication services in China are categorized as either basic telecommunication services or value-added telecommunication services, both of which require relevant operating licenses.

*Regulations on Value-Added Telecommunication and Internet Information Services*

On September 25, 2000, the State Council promulgated the Telecommunication Regulations. The Telecom Regulations categorize all telecommunication businesses in the PRC as either basic or value-added. Value-added telecommunication services are defined as telecommunication and information services provided through public network infrastructure. The Catalogue of Classes of Telecommunications Businesses, effective from March 1, 2016, categorizes various types of telecommunication and telecommunication-related activities into basic or value-added telecommunication services, according to which Internet content provision services, or ICP services, are classified as value-added telecommunication businesses, or VAS businesses. Under the Telecom Regulations, commercial operators of value-added telecommunication services must first obtain an operating license for value-added telecommunication services, or the VAS license, from the MIIT or its provincial level counterparts before commencing any operations.

The State Council issued the Administrative Measures on Internet Information Services, or the Internet Measures, on September 25, 2000, and subsequently amended the Internet Measures on January 8, 2011. According to the Internet Measures, a commercial ICP service operator must obtain a VAS license from the relevant government authorities before providing any commercial ICP service within the PRC. When the ICP service involves regulated industries, such as news, publication, education, medicine, health, pharmaceuticals and medical equipment, prior approval from the respective regulating authorities must be obtained prior to applying for the VAS license from MIIT or its local branch at the provincial level. Moreover, an ICP service operator must display its VAS license number in a conspicuous location on its website and must monitor its website to remove categories of harmful content that are broadly defined.

On December 26, 2001, the MIIT promulgated the Administrative Measures for Telecommunication Business Operating License, or the Telecom License Measures. On March 5, 2009, the MIIT issued amended Telecom License Measures, which took effect on April 10, 2009. The Telecom License Measures set forth more specific provisions regarding the types of licenses required to operate value-added telecommunication services, the qualifications and procedures for obtaining such licenses and the administration and supervision of such licenses. For example, the appendix to the VAS license is to detail the permitted activities to be conducted by the VAS operator and the VAS operator must conduct its business in accordance with the specifications recorded on its VAS license. The VAS license is subject to annual review and results of the annual review is to be recorded as an appendix to the VAS license, published to the public and notified to the Administration for Industry and Commerce. Currently, NewNet holds a value-added telecommunication business operating license issued by MIIT. This license is effective until July 4, 2019, and is for providing Internet information services.

*Regulations on Internet Content Services*

Under various laws and regulations governing ICP services, ICP services operators are required to monitor and censor the content on their websites. They may not produce, duplicate, post or disseminate, and must remove from their websites, any content that falls within the prohibited categories, including any content that: (i) opposes the fundamental principles determined in the PRC constitution; (ii) compromises state security, divulges state secrets, subverts state power or damages national unity; (iii) harms the dignity or interests of the State, incites ethnic hatred or racial discrimination or damages inter-ethnic unity; (iv) sabotages China's religious policy or propagates heretical teachings or feudal superstitions; (v) disseminates rumors, disturbs social order or disrupts social stability; (vi) propagates obscenity, pornography, gambling, violence, murder or fear or incites the commission of crimes; (vii) insults or slanders a third party or infringes upon the lawful rights and interests of a third party; or (viii) or includes other content prohibited by laws or administrative regulations.

The PRC government may shut down the websites of VAS license holders that violate any of the content restrictions and requirements, revoke their VAS licenses or impose other penalties pursuant to the applicable laws and regulations.

*Regulations on Foreign Investment Value-Added Telecommunications Services*

According to the Catalogue for the Guidance of Foreign Investment Industries (the "**Guidance Catalogue**") jointly promulgated by the National Development & Reform Commission and the Ministry of Commerce on March 10, 2015 and effective from April 10, 2015, foreign investors are not allowed to operate in the Chinese lottery industry. As the development of the Chinese lottery industry is still in its early stage, there are no further regulations relating to foreign investment in the lottery industry.

Under the Guidance Catalogue, foreign ownership in value-added telecommunication services shall not exceed 50% (except for e-commerce business services). Aside from the Guidance Catalogue, the Regulations for Administration of Foreign-Invested Telecommunication Enterprises, or the FITE Regulations, promulgated by the State Council on December 11, 2001 and amended on September 10, 2008, set forth detailed requirements with respect to, among other things, capitalization, investor qualifications and application procedures in connection with the establishment of a foreign-invested telecommunication enterprise. Under the FITE Regulations, a foreign entity is prohibited from owning more than 50% of the total equity interest in any value-added telecommunication service providers in China and the major foreign investor in any value-added telecommunication service business in China is to have a good track record in the industry.

On July 13, 2006, the MIIT issued the Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunication Business. Under this circular, a domestic PRC company that holds a VAS license is prohibited from leasing, transferring or selling the VAS license to foreign investors in any form, and from providing any assistance, including resources, sites or facilities, to foreign investors that conduct value-added telecommunication business illegally in China. Further, the domain names and registered trademarks used by an operating company providing value-added telecommunication service is to be legally owned by a domestic PRC company and/or its shareholders. In addition, the company's operation premises and equipment would have to comply with its approved VAS license, and the company should establish and improve its internal Internet and information security policies and standards and emergency management procedures.

The Group conducts its businesses in China primarily through contractual arrangements. Its PRC subsidiary, Beijing Brookfield, has contractual arrangements with each of its contractually controlled entities and their respective shareholders. There is no explicit provision under the Guidance Catalogue, the FITE Regulations or the Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunication Business, which classifies the contractual arrangements between our PRC subsidiary and each of our contractually controlled entities, including, among others, the Equity Interests Pledge Agreements, either by each agreement itself or taken as a whole, as a transaction that is subject to the approval of relevant government authorities. NewNet currently holds a national, VAS business operating license.

## Regulation of the PRC Lottery Industry

The Chinese lottery industry is divided between the Welfare lottery and the Sports lottery. Between them, they are the only official legalized games of chance for sale in China and issuance of which remains the right of the State Council.

The Welfare lottery is governed by the Ministry of Civil Affairs at the national level, with overall responsibility residing with the MOF. The Welfare lottery supports the sick and the poor as well as provides relief following natural disasters. Permitted games are broadly split between traditional lottery games comprising periodic draws and instant scratch cards and betting games comprising instant draw games and Lottery Terminals. During 2017, total Welfare Lottery sales reached RMB217 billion and had continued to experience rapid growth trends towards online sales (prior to its suspension) and towards Lottery Terminal halls and instant games.

The Sports lottery is governed by the General Administration of Sports of China at the national level, with overall responsibility residing with the MOF. The Sports lottery is used to support sports and recreation initiatives for all sectors of the population throughout China. Permitted games are broadly split between traditional lottery games comprising periodic draws and instant scratch cards and betting games comprising sports betting and instant draw games. During 2017, total Sports lottery sales reached RMB210 billion and had continued to experience rapid growth trends towards online sales (prior to the suspension) and towards sports betting and instant games.

Mostly in the online space, an unknown proportion of distributors have been operating illegally and, in response, the MOF has made significant efforts in recent years to close down illegal operators on the internet, culminating in the suspension of online lottery sales in early 2015.

In 2009, the first meaningful regulatory framework for the Chinese lottery industry was introduced to promote the responsible development of lottery sales, namely Regulation on Administration of Lottery, promulgated by the State Council on May 4, 2009 and effective as of July 1, 2009 (the “**Regulation on Lottery Administration**”). Furthermore, the Interim Measures for the Administration of Online Sales of Lottery, effective as of September 26, 2010 required new and existing websites offering lottery products for sale to meet at least the following criteria:

· must have a minimum capitalization of RMB50 million;

· must have a signed agreement with a Provincial Lottery Centre or the China Welfare Lottery Issuance and Administrative Centre/China Sports Lottery Administration Centre;

- must have a valid Telecommunications License or an Internet Content Provider License, or ICP License; and
  
- Senior management members must not have criminal records within the last 5 years.

On December 28, 2012, the MOF issued the Measures for the Administration of Lottery Issuance and Distribution (the “**Measures**”) which came into effect on January 1, 2013. The Measures have been based on the Regulation on Lottery Administration and the Detailed Rules for Implementation of Regulation on Lottery Administration which came into effect in July 2009 and March 2012 respectively. One of the major highlights of the Measures is that the internet has been included as one of the official lottery distribution channels by the lottery authorities. Other official distribution channels of lottery products defined by the Measures include physical retail shops, telephone networks and automated sales machines.

On January 15, 2015, the MOF and the General Administration of Sports of the People's Republic of China jointly promulgated the Self-Inspection Notice, which requires provincial and municipal government branches, including financial, civil affairs and sports bureaus, to conduct inspection and take remedial measures for unauthorized online lottery sales within their respective jurisdictions. The scope of inspection includes, among other things, commercial contract arrangements, online lottery products, lottery sales data exchange, online lottery sales channels, and sales commission fees in connection with unauthorized engagements of online sales agents by lottery administration centers. The Notice further requires a formal report on the result of the self-inspection and self-remedy be submitted by each provincial or municipal government to the MOF, the Ministry of Civil Affairs and the General Administration of Sports of the People's Republic of China by March 1, 2015.

On April 3, 2015, the Public Announcement was jointly released by eight competent government authorities, namely, the MOF, the Ministry of Public Security, the State Administration for Industry & Commerce, the Ministry of Industry and Information Technology, the Ministry of Civil Affairs, the People's Bank of China, the General Administration of Sports of China and the China Banking Regulatory Commission. The Public Announcement mandates, among other things, that (i) all lottery institutions, internet companies, and other institutions or individuals which provide unauthorized online lottery sales services, either directly or through agents, shall immediately cease such services. The local governmental authorities of finance, civil affairs and sports shall investigate and sanction unauthorized online lottery sales in their respective jurisdictions according to relevant laws and regulations; (ii) the local government authorities of public security and industry & commerce shall investigate any issuance or sales of illegal lottery within their respective jurisdictions, with necessary assistance from local government authorities of finance, communication, banking regulatory commission, civil affairs, sports and local branches of the People's Bank of China, and report any criminal activities to the judicial authority for prosecution; and (iii) the lottery issuance authorities that plan to sell lottery products online shall obtain the approval from the Ministry of Civil Affairs or the General Administration of Sports of China by submitting an application to the MOF for written approval. Any entity shall not provide online lottery sales services without the approval by the MOF.

On April 28, 2016, MOF, jointly with the Ministry of Public Security, the State Administration for Industry & Commerce, the Ministry of Civil Affairs and the General Administration of Sports of China, promulgated Notice relating to Inspection of Unauthorized Online Lottery Sales, iterates that (i) online lottery sales shall managed and monitored on timely basis through the online lottery sales system to be established by Lottery Issuance Agency. Lottery Issuance Agency shall as soon as practicable to set up such system for its approval. Online lottery sales are not allowed without approval; (ii) without approval, Lottery Sales Agency shall be refrained from online lottery sales in cooperation with individuals or entities. (iii) public security and industry & commerce shall inspect illegal lottery sales under their respective jurisdiction, The Ministry of Civil Affairs and the General Administration of Sports of China shall record such entities or individuals and announce such illegal act through public websites. Entities or individuals so recorded shall be limited or prohibited from cooperation with lottery agencies in relation to lottery sales.

In response to the Self-Inspection Notice, we have temporarily suspended all of our online lottery sales operations in China since March 1, 2015. Prior to the suspension, all Sports lottery products sold online had to be fulfilled through an authorized ticket printing facility since electronic fulfilment is not yet accepted by Sports lottery authorities. We believe our strategy to leverage our strong land-based footprint to focus on and grow delivery of lottery and online

gaming products via online and mobile channels well positions us to capitalize on the current and future lottery market trends in China. Overall, we believe we are well-positioned with authorities within both the Welfare lottery and Sports lottery to benefit from expected high rates of growth in the Chinese lottery market once the suspension is lifted.



### *Lottery Regulatory Authorities*

Under the current regulations and provisions, the State Council is vested with the power to authorize the issuance of welfare lottery and sports lottery, and is also the highest authority for granting the right to issue lotteries. The MOF is responsible for administering, regulating and supervising the national lottery industry. The Ministry of Civil Affairs and the General Administration of Sport of China are responsible for administering and regulating welfare lottery and sports lottery, respectively, and have established China Welfare Lottery Issuance and Administration Centre and China Sports Lottery Administration Centre, respectively, pursuant to regulations for the issuance and sales of welfare lottery and sports lottery. The civil affairs departments and sports administration departments of provincial governments are responsible for the administration of welfare lotteries and sports lotteries within their respective administrative regions.

### *Regulations on Lottery Administration*

On May 4, 2009, the State Council promulgated the Lottery Regulation, which sets forth general provisions for the issuance, sales and administration of lottery products. According to the Lottery Regulation, the welfare and sports lotteries sold in China must be issued by the lottery issuance authorities, established by the civil affairs' department and sports administration department of the PRC State Council, or the Lottery Issuance Agencies, and must be sold through Lottery Issuance Agencies or lottery sales offices established by the civil affairs' departments and sports administration departments of the people's government at the provincial level ("**Lottery Sales Agencies**"). Lottery Issuance Agencies and Lottery Sales Agencies may, by entering into agency agreements, appoint other entities or individuals as their agents in distributing lotteries. The Lottery Regulation also listed circumstances where the Lottery Issuance Agencies and Lottery Sales Agencies may terminate such agency agreements, including situations where the agent subcontracts the sales of the lottery products to any other persons or entities or sells lottery products to underage buyers.

The Lottery Regulation prohibits the Lottery Issuance Agencies, the Lottery Sales Agencies and their sales agents from (i) advertising false or misleading information, (ii) competing unfairly by discrediting others in the same industry, (iii) selling lottery or paying lottery prizes to underage purchasers and (iv) selling lottery on credit. If the Lottery Issuance Agencies or the Lottery Sales Agencies fail to comply with these requirements, the MOF or its relevant branches will have the power to (i) require the Lottery Issuance Agencies or the Lottery Sales Agencies to correct or cease their operations; (ii) confiscate the illegal income received by the Lottery Issuance Agencies or the Lottery Sales Agencies and impose fines; and/or (iii) impose administrative sanctions against persons that are responsible. If any lottery sales agent sells lotteries to the underage buyers, its relevant income may be confiscated and it may be subject to administrative fines up to RMB 10,000, and the Lottery Issuance Agencies or the Lottery Sales Agencies may have the right to terminate the agency agreement with the lottery sales agent. In addition, the Lottery Measures prohibits the opening of online lottery accounts for or the granting of lottery prizes to underage buyers.

Prior to the promulgation of the Lottery Regulation, the issuance and sales of the lottery products were governed by the Interim Provisions for the Administration of the Lottery Issuance and Sales, or the Interim Provisions, promulgated by the MOF on March 1, 2002. The Interim Provisions were replaced by the Administrative Measures for Lottery Issuance and Sales promulgated by the MOF on December 28, 2012. The Administrative Measures for Lottery Issuance and Sales provided that any Lottery Issuance Agency, which wishes to apply to create, change or abolish a specific type of welfare or sports lottery, is required to apply to the Ministry of Civil Affairs or the General Administration of Sport of China for creating, changing or abolishing a specific type of welfare or sports lottery. If the application has been approved by the Ministry of Civil Affairs or the General Administration of Sport of China, such application will be further submitted to the MOF for the MOF's examination and approval before the implementation. After the creation or change of specific type of welfare or sports lottery has been approved by the MOF, the Lottery Issuance Agency receiving MOF approval or its related Lottery Sales Agencies shall submit sales implementation plans to the MOF or its provincial counterparts for approval prior to the sales of the specific type of lottery. The sales implementation plan shall include, among other things, the proposed sales commencement date, promotion plans and risk control measures. In order to sell the specific type of welfare or sports lottery so created or changed, the Lottery Issuance Agencies or the Lottery Sales Agencies may engage specific sales agents by entering into lottery sales agency agreements with such sales agents.

## *Regulations on the Advertising Industry in China*

### *Business License for Advertising Companies*

On October 27, 1994, the Tenth Session of the Standing Committee of the Eighth National People's Congress adopted the Advertising Law which became effective on February 1, 1995 and amended on September 1, 2015. According to the currently effective Advertising Law and its implementing rules, companies engaging in advertising activities must obtain from the SAIC or its local branches a business license which specifically includes within its scope the operation of an advertising business. Companies conducting advertising activities without such a license may be subject to penalties, including fines, confiscation of advertising income and orders to cease advertising operations. The business license of an advertising company is valid for the duration of its existence, unless the license is suspended or revoked due to a violation of any relevant law or regulation.

### *Advertising Content*

PRC advertising laws, rules and regulations set forth certain content requirements for advertisements in China including, among other things, prohibitions on false or misleading content, superlative wording, socially destabilizing content or content involving obscenities, superstition, violence, discrimination or infringement of the public interest. Advertisements for anesthetic, psychotropic, toxic or radioactive drugs are prohibited. There are also specific restrictions and requirements regarding advertisements that relate to matters such as patented products or processes, pharmaceutical products, medical procedures, alcohol, tobacco, and cosmetics. In addition, all advertisements relating to pharmaceuticals, medical instruments, agrochemicals and veterinary pharmaceuticals, together with any other advertisements which are subject to censorship by administrative authorities according to relevant laws or regulations, must be submitted to relevant authorities for content approval prior to dissemination.

Advertisers, advertising operators, including advertising agencies, and advertising distributors are required by PRC advertising laws and regulations to ensure that the content of the advertisements they prepare or distribute is true and in full compliance with applicable laws. In providing advertising services, advertising operators and advertising distributors must review the supporting documents provided by advertisers for advertisements and verify that the content of the advertisements complies with applicable PRC laws, rules and regulations. Prior to distributing advertisements that are subject to government censorship and approval, advertising distributors are obligated to verify that such censorship has been performed and approval has been obtained. Violation of these regulations may result in penalties, including fines, confiscation of advertising income, orders to cease dissemination of the advertisements and orders to publish an advertisement correcting the misleading information. In circumstances involving serious violations, the SAIC or its local branches may revoke violators' licenses or permits for their advertising business operations. Furthermore, advertisers, advertising operators or advertising distributors may be subject to civil liability if they infringe on the legal rights and interests of third parties in the course of their advertising business.



## *Regulations on Intellectual Property*

### *Trademark*

The PRC Trademark Law, adopted on August 23, 1982 and amended in 1993, 2001 and 2013, protects the proprietary rights of registered trademarks. The Trademark Office handles trademark registrations and grants proprietary rights for an initial term of 10 years to registered trademarks. Upon the expiration of the initial term, a second term of 10 years may be granted upon renewal. Trademark licensing agreements must be filed with the Trademark Office or its regional offices. In addition, if a registered trademark is recognized as a well-known trademark in a specific case, proprietary rights of the trademark holder may be extended beyond the registered scope of products and services to which the trademark relates.

### *Software Products*

On October 27, 2000, the MIIT issued the Administrative Measures on Software Products, or the Software Measures, to strengthen the regulation of software products and to encourage the development of the PRC software industry. On March 5, 2009, the MIIT issued amended Software Measures, which became effective on April 10, 2009. The Software Measures provide a registration and filing system with respect to software products made in or imported into China. These software products may be registered with competent local authorities in charge of software industry administration. Registered software products may enjoy preferential treatment status granted by relevant software industry regulations. Software products can be registered for five years and the registration is renewable upon expiration.

In order to further implement the Computer Software Protection Regulations, promulgated by the State Council on December 20, 2001 and amended on January 30, 2013, the National Copyright Administration of the PRC issued Computer Software Copyright Registration Procedures on February 20, 2002, which apply to the registration of the software copyright, licensing agreements and transfer agreements.

### *Domain Names*

The Implementing Rules for Domain Name Registration, issued and amended by China Internet Network Information Centre, or CNNIC, in September 2002 and May 2012, respectively, sets forth detailed rules for the registration of domain names. On November 5, 2004, the MIIT promulgated the Measures for Administration of Domain Names for

the Chinese Internet, or the Domain Name Measures. The Domain Name Measures regulate the registration of domain names, such as the first-tier domain name “.cn.” The Measures on Domain Name Dispute Resolution and its implementing rules, issued and amended by CNNIC in February 2006, May 2012 and November, 2014, respectively, allows the CNNIC to authorize a domain name dispute resolution institution to resolve disputes.

### *Regulations on Foreign Exchange*

#### *Registration of Overseas Investment by PRC Residents*

In October 2005, the State Administration of Foreign Exchange (“SAFE”) issued the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles, or SAFE Circular 75. SAFE issued SAFE Circular on Relevant Issues Relating to Domestic Resident’s Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, that became effective in July 2014, replacing the previous SAFE Circular 75. SAFE Circular 37 regulates foreign exchange matters in relation to the use of special purpose vehicles, or SPVs, by PRC residents or entities to seek offshore investment and financing or conduct round trip investment in China. Under SAFE Circular 37, a SPV refers to an offshore entity established or controlled, directly or indirectly, by PRC residents or entities for the purpose of seeking offshore financing or making offshore investment, using legitimate onshore or offshore assets or interests, while “round trip investment” refers to direct investment in China by PRC residents or entities through SPVs, namely, establishing foreign-invested enterprises to obtain the ownership, control rights and management rights. SAFE Circular 37 provides that, before making contribution into an SPV, PRC residents or entities are required to complete foreign exchange registration with SAFE or its local branch. SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment in February 2015, which took effect on June 1, 2015. This notice has amended SAFE Circular 37 requiring PRC residents or entities to register with qualified banks rather than SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing.

PRC residents or entities who had contributed legitimate onshore or offshore interests or assets to SPVs but had not obtained registration as required before the implementation of the SAFE Circular 37 must register their ownership interests or control in the SPVs with qualified banks. An amendment to the registration is required if there is a material change with respect to the SPV registered, such as any change of basic information (including change of the PRC residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, and mergers or divisions. Failure to comply with the registration procedures set forth in SAFE Circular 37 and the subsequent notice, or making misrepresentation on or failure to disclose controllers of the foreign-invested enterprise that is established through round-trip investment, may result in restrictions being imposed on the foreign exchange activities of the relevant foreign-invested enterprise, including payment of dividends and other distributions, such as proceeds from any reduction in capital, share transfer or liquidation, to its offshore parent or affiliate, and the capital inflow from the offshore parent, and may also subject relevant PRC residents or entities to penalties under PRC foreign exchange administration regulations.

The Group conducts businesses in China primarily through its contractually controlled entities. The Group enters into contractual arrangements with its PRC contractually controlled entities and their respective shareholders, some of whom are PRC residents and also beneficial owners of the Group. Certain of our beneficial owners who are subject to SAFE Circular 75 registrations are in the process of updating their registrations with the Beijing Branch of SAFE. However, we cannot assure you that our beneficial owners can successfully amend their foreign exchange registrations with SAFE in full compliance with Circular 75 for development of our company. See “*Risk Factors Related to BI China — Risks Related to BI China’s Corporate Structure — Risks Related to Doing Business in China — A failure by shareholders or beneficial owners who are PRC citizens or residents in China to comply with certain PRC foreign exchange regulations could restrict BI China’s ability to distribute profits, restrict overseas and cross-border investment activities or subject it to liability under PRC laws, which could adversely affect its business and financial condition.*”

#### *Regulations on Employee Stock Option Granted by Offshore Listed Companies*

In December 2006, the People’s Bank of China promulgated the Administrative Measures on Individual Foreign Exchange, or the Individual Foreign Exchange Regulations, setting forth the requirements for foreign exchange transactions by individuals (both PRC and non-PRC citizens) under the current account and the capital account. In January 2007, SAFE issued the implementation rules for the Individual Foreign Exchange Regulations, which, among other things, specified the approval and registration requirement for certain capital account transactions, such as a PRC citizen’s participation in employee share ownership and share option plans of overseas listed companies.

The Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Share Incentive Plans of Overseas Publicly-Listed Companies, or the Share Option Rules, promulgated by SAFE on February 15, 2012, replacing the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Share Ownership Plans, or Share Option Plans of Overseas Publicly-Listed Companies, issued by SAFE on March 28, 2007, require (i) PRC residents who are granted shares or share options by

companies listed on overseas share exchanges based on share incentive plans to register with SAFE or its local branches, and (ii) PRC residents participating in the share incentive plans of an overseas publicly-listed companies to retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly-listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the share incentive plans on behalf of these participants.



Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of share options, purchase and sale of corresponding shares or interests, and fund transfer. In addition, the PRC agents are required to amend the SAFE registration with respect to the share incentive plan if there is any material change to the share incentive plan, the PRC agents, or the overseas entrusted institution. The PRC agents shall, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares granted under the share incentive plans and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents. In addition, the PRC agents is to file the form for record-filing of information of the domestic individuals participating in the share incentive plans of overseas listed companies with SAFE or its local branches every quarter. The Group and its PRC citizen employees who may be granted share options in the future are subject to these rules after the Business Combination. As of the date of this registration statement, none of the Group's PRC citizen employees have been granted share options.

### ***M&A Regulations and Overseas Listings***

On August 8, 2006, six PRC regulatory authorities, including the CSRC, promulgated the 2006 M&A Rules, which were later amended on June 22, 2009. Pursuant to the 2006 M&A Rules, an offshore special purpose vehicle, or SPV, refers to an overseas company controlled directly or indirectly by PRC domestic companies or individuals for purposes of overseas listing of equity interests in domestic companies (defined as enterprises in the PRC other than foreign-invested enterprises). If an SPV purchases, for the purpose of overseas listing, equity interests of any PRC company that are held by PRC companies or individuals controlling such SPV, then the overseas listing by the SPV must obtain the approval of the CSRC. The application of the 2006 M&A Rules remains unclear and there is currently no consensus among PRC law firms regarding the scope of CSRC's jurisdiction. As of the date of this annual report, the CSRC has not issued any rules or written interpretation clarifying whether offerings like ours are subject to this new procedure.

Our PRC counsel, Global Law Office, has advised us that the 2006 M&A Rules do not require us to obtain prior CSRC approval for the Business Combination, given that:

the CSRC approval requirement applies to SPVs that acquired equity interests of any PRC company that are held by PRC companies or individuals controlling such SPV and seek overseas listing; and

the Group's PRC operating subsidiary was incorporated as a wholly foreign-owned enterprise by means of direct investment rather than by merger or acquisition by our company of the equity interest or assets of any "domestic company" as defined under the 2006 M&A Rules, and no provision in the 2006 M&A Rules classifies the contractual arrangements between our company, our PRC operating entities and any of the affiliated consolidated entities, including, among others, the Equity Interests Pledge Agreements and the Exclusive Business Cooperation

Agreements, either by each agreement itself or taken as a whole, as a type of acquisition transaction falling under the 2006 M&A Rules.

*Regulations on Foreign Currency Exchange*

Pursuant to applicable PRC regulations on foreign currency exchange, the Renminbi is freely convertible only to the extent that it relates to current account items, such as trade related receipts and payments, interest and dividends. Capital account items, such as direct equity investments, loans and repatriation of investment, require the prior approval from the SAFE or its local branch for conversion of Renminbi into a foreign currency, such as U.S. dollars. Payments for transactions that take place within the PRC must be made in Renminbi. Domestic companies or individuals can repatriate foreign currency payments received from abroad into the PRC, or deposit these payments abroad, subject to compliance with the requirements promulgated by the SAFE. Foreign currencies received for current account items can be either retained or sold to financial institutions that have foreign exchange settlement or sales business without prior approval from the SAFE, subject to certain regulations. Foreign exchange income under capital account can be retained or sold to financial institutions that have foreign exchange settlement and sales business, with prior approval from the SAFE, unless otherwise provided. On February 28, 2015, the SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment, or SAFE Notice 13. After SAFE Notice 13 became effective on June 1, 2015, instead of applying for approvals regarding foreign exchange registrations of foreign direct investment and overseas direct investment from SAFE, entities and individuals will be required to apply for such foreign exchange registrations from qualified banks. The qualified banks, under the supervision of the SAFE, will directly examine the applications and conduct the registration.

In addition, another notice issued by the SAFE, the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or SAF Circular 142, regulates the conversion by foreign-invested enterprises of foreign currency into Renminbi by restricting how the converted Renminbi may be used. On March 30, 2015, SAFE promulgated SAFE Circular 19, which came into force replacing SAFE Circular 142 on June 1, 2015. SAFE Circular 19 removed certain restrictions previously provided under Circular No. 142 for conversion by a foreign-invested enterprise of foreign currency registered capital into RMB and use of such RMB capital. However, SAFE Circular 19 continues to prohibit foreign-invested enterprises from, among other things, using RMB fund converted from its foreign exchange capitals for expenditure beyond its business scope, providing entrusted loans or repaying loans between non-financial enterprises.

### ***Regulations on Dividend Distribution***

Under applicable PRC laws and regulations, foreign-invested enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, foreign-invested enterprises in China are required to allocate at least 10% of their respective accumulated profits each year, if any, to fund statutory reserve funds, unless these reserves have reached 50% of the registered capital of the respective enterprises. These reserves are not distributable as cash dividends.

### ***Regulations Regarding the Enterprise Income Tax, Individual Income Tax and Withholding Tax***

The EIT Law, effective on January 1, 2008, imposes a uniform enterprise income tax at the rate of 25% on all domestic enterprises, including foreign-invested enterprises unless they qualify for certain exceptions, and terminates most of the tax exemptions, reductions and preferential treatments available under previous tax laws and regulations. Under the EIT Law and a notice issued by the PRC State Council on transition preferential policies, commencing January 1, 2008, (i) those enterprises that were established before March 16, 2007 and were formerly entitled to preferential policies of lower taxation will undergo a gradual transition to statutory tax rates within five years; and (ii) those enterprises that were established before March 16, 2007 and were formerly entitled to preferential income tax reduction policies, such as “two-years exempt and three-years halved” and “five-years exempt and five-years halved”, shall continue to enjoy such preferential policies as stipulated in the former taxation laws, administrative regulations and relevant documents until the end of the terms of these policies, provided however that for those enterprises not profitable enough to enjoy the aforementioned tax preferences, the preference time limits shall commence from 2008.

Pursuant to the EIT Law and its Implementation Rules, an enterprise established outside of China with “de facto management bodies” within China is considered a “resident enterprise” for PRC EIT purposes. The term “de facto management body” is defined as the establishment that carries out substantial and overall management and control over the manufacturing and business operation, production, personnel, accounting and properties of an enterprise. Pursuant to Circular 82, a foreign enterprise controlled by a PRC company or a PRC company group will be classified as a “resident enterprise” with its “de facto management bodies” located within China if the following requirements are satisfied: (i) the place where the senior management and core management departments that are in charge of its daily operations perform their duties is mainly located in the PRC; (ii) its financial and human resources decisions are made by or are subject to approval by persons or bodies in the PRC; (iii) its major assets, accounting books, company seals, and minutes and files of its board and shareholders’ meetings are located or kept in the PRC; and (iv) more than half of the enterprise’s directors or senior management with voting rights frequently reside in the PRC. Although the circular only applies to offshore enterprises controlled by PRC enterprises and not those controlled by PRC individuals or foreigners, it is believed that the determining criteria set forth in the circular may reflect the State Administration of Taxation’s general position on how the “de facto management body” test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises, individuals or foreigners. However, given that the EIT Law is relatively new and contains ambiguous definitions, requirements and procedures, it remains uncertain how tax authorities will determine tax residency status based on the facts of each case.

Furthermore, the EIT Law and its Implementation Rules provide that the “non-resident enterprises” are subject to the EIT rate of 10% on their income derived from China, if such “non-resident enterprises” (i) do not have establishments or premises of business in China or (ii) have establishments or premises of business in China, but the relevant income does not have actual connection with their establishments or premises of business in China. Such income tax may be exempted or reduced by the PRC State Council or pursuant to a tax treaty with China that provides for a different withholding agreement between China and the jurisdictions in which the non-resident enterprise reside. In accordance with Announcement of the State Administration of Taxation on the Entry into Force and Implementation of the Agreement between the Government of the People’s Republic of China and the Government of the United Kingdom of Great Britain and Northern Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital Gains and the Protocol thereto entered into in June 2011, the jurisdiction where we incorporated, has such tax treaty with China.

Under the Foreign Invested Enterprise and Foreign Enterprise Income Tax Law, effective prior to January 1, 2008, dividends paid to foreign investors by foreign-invested enterprises were exempt from PRC withholding tax. Pursuant to the EIT Law, which became effective on January 1, 2008, dividends generated after January 1, 2008 and payable by a foreign invested enterprise in China to its foreign investors will be subject to a 10% withholding tax, unless any such foreign investor’s jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement and the foreign investor is approved by competent tax authorities as the beneficial owners of such dividends under applicable tax regulations.

Furthermore, the State Administration of Taxation issued the Notice on How to Understand and Determine the Beneficial Owners in Tax Agreement in October 2009, or Circular 601, which provides guidance for determining

whether a resident of a contracting state is the “beneficial owner” of an item of income under China’s tax treaties and tax arrangements. According to Circular 601, a beneficial owner must generally be engaged in substantive business activities. An agent or conduit company will not be regarded as a beneficial owner and, therefore, will not qualify for treaty benefits.

Moreover, non-resident individual investors may be required to pay PRC individual income tax at a rate of 20% on interest or dividends payable to the investors or any capital gains realized from the transfer of ADSs or ordinary shares if such gains are deemed income derived from sources within the PRC. Under the PRC Individual Income Tax Law, or IIT Law, a “non-resident individual” refers to an individual who has no domicile in China and does not stay in the territory of China or who has no domicile in China and has stayed in the territory of China for less than one year. Pursuant to the IIT Law and its implementation rules, for purposes of the PRC capital gains tax, taxable income is the balance of the total income obtained from the transfer of ADSs or ordinary shares minus all the costs and expenses that are permitted under PRC tax laws to be deducted from the income.

Therefore, if we are considered a PRC “resident enterprise” and the relevant competent PRC tax authorities consider dividends we pay with respect to our ADSs or ordinary shares and the gains realized from the transfer of our ADSs or Ordinary Shares to be income derived from sources within the PRC, such gains earned by non-resident individuals may also be subject to PRC withholding tax at a rate of 20%. Furthermore, according to the IIT Law and its implementation rules, a “resident individual” refers to an individual who, by reason of his or her permanent residence, family or economic interests, habitually resides in the territory of China or who has no domicile but has stayed in the territory of China for one year or longer. A PRC resident individual shall file tax returns with the competent tax authority for the income he or she receives from outside the territory of China.

Such income includes, among others, gains realized from transfer of securities, which shall be subject to a tax rate of 20%.

Except for the Group’s PRC subsidiaries, contractually controlled entities and joint ventures incorporated in China, we believe that none of our entities incorporated outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities, and uncertainties remain with respect to the interpretation of the term “de facto management bodies.”

If the PRC tax authorities determine that we are a “resident enterprise” for PRC EIT purposes, a number of unfavorable PRC tax consequences could follow: (i) we may be subject to EIT at a rate of 25% on our worldwide taxable income as well as PRC enterprise income tax reporting obligations; (ii) a 10% withholding tax may be imposed on dividends we pay to our shareholders who are non-resident enterprises and gains derived by them from transferring our shares or ADSs, if such income is considered as PRC-sourced income by relevant PRC authorities; and (iii) a potential 20% withholding tax may be imposed on dividends we pay to our shareholders who are non-resident individuals and gains derived by them from transferring our shares or ADSs, if such income is considered as PRC-sourced income by relevant PRC authorities.

Under Circular 698, where a non-resident enterprise conducts an “indirect transfer” by transferring the equity interests of a PRC “resident enterprise” indirectly by disposing of the equity interests of an overseas holding company, the non-resident enterprise, being the transferor, may be subject to PRC enterprise income tax, if the indirect transfer is considered to be an abusive use of company structure without reasonable commercial purposes. As a result, gains derived from such indirect transfer may be subject to PRC tax at a rate of up to 10%. Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction. In February 2015, the State Administration of Taxation issued Circular 7 to replace the rules relating to indirect transfers in Circular 698. Circular 7 has introduced a new tax regime that is significantly different from that under Circular 698. Circular 7 extends its tax jurisdiction to not only indirect transfers set forth under Circular 698 but also transactions involving transfer of other taxable assets, through the offshore transfer of a foreign intermediate holding company.

In addition, Circular 7 provides clearer criteria than Circular 698 on how to assess reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. Circular 7 also brings challenges to both the foreign transferor and transferee (or other person who is obligated to pay for the transfer) of the taxable assets. Where a non-resident enterprise conducts an “indirect transfer” by transferring the taxable assets indirectly by disposing of the equity interests of an overseas holding company, the non-resident enterprise being the transferor, or the transferee, or the PRC entity which directly owned the taxable assets may report to the relevant tax authority such indirect transfer. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax.

As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. There is uncertainty as to the application of Circular 7. For example, the PRC tax authorities may consider that our current offering involves an indirect change of shareholding in our PRC subsidiaries and joint ventures and therefore it may be regarded as an indirect transfer under Circular 7. Although we believe that no Circular 7 reporting is required on the basis that the current offering has commercial purposes and is not conducted for tax avoidance, the PRC tax authorities may pursue us to report under Circular 7 and request that we and our PRC subsidiaries and joint ventures assist in the filing. As a result, we and our subsidiaries, contractually controlled entities and joint ventures may be required to expend significant resources to provide assistance and comply with Circular 7 or establish that we or our non-resident enterprises should not be subject to tax under Circular 7, for the current offering or other transactions.

### ***PRC Business Tax and Value-added Tax***

According to the Interim Regulations of the People's Republic of China on Business Tax that was amended by the State Council on November 10, 2008 and came into force on January 1, 2009, entities and individuals that engage in provision of services, transfer of intangible assets or sale of real estate within the PRC are subject to business tax. According to the Rules for Implementation of the Interim Regulations of the People's Republic of China on Business Tax that was amended by the Ministry of Finance on October 28, 2011 and came into force as of November 1, 2011, the range of the business tax threshold shall be: (1) a sales turnover of RMB5,000 to RMB20,000 per month if the business tax is paid by periods; and (2) a sales turnover of RMB300 to RMB500 each business project (per day) if the business tax is paid by business projects.

According to the Interim Regulations of the People's Republic of China on Value Added Tax that was amended by the State Council on November 10, 2008 and came into force on January 1, 2009 and the Rules for Implementation of the Interim Regulations of the People's Republic of China on Value Added Tax that was amended by the Ministry of Finance on October 28, 2011 and came into force on November 1, 2011, entities and individuals that engage in the sale of commodities, provision of processing, repair and replacement services and import of goods within the PRC are subject to VAT at the rate of 17%, or 13% for taxpayers selling or importing certain kinds of specific commodities.

Pursuant to applicable PRC tax regulations, any entity or individual conducting business in the service industry is generally required to pay a business tax at the rate of 5% on the revenues generated from providing such services. According to the Circular on Printing and Distributing the Pilot Proposals for the Collection of Value-Added Tax in Lieu of Business Tax promulgated by SAT and the Ministry of Finance on November 16, 2011, and Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-Added Tax promulgated by MOF and SAT on March 23, 2016, a value-added tax will generally be imposed to replace the business tax in the transport and shipping industry and some of the modern service industries on a nationwide basis. A value-added tax, or VAT, rate of 6% applies to revenue derived from the provision of some modern services. Unlike business tax, a taxpayer is allowed to offset the qualified input VAT paid



on taxable purchases against the output VAT chargeable on the modern services provided. Accordingly, although the 6% VAT rate is higher than the previously applicable 5% business tax rate, no materially different tax cost to us has resulted or do we expect to result from the replacement of the business tax with a VAT on our services.

## DESCRIPTION OF THE BUSINESS OF GFH

Global Fintech Holdings Ltd. (“**GFH**” or the “**Registrant**”), a company formed on October 2, 2018 under the laws of the British Virgin Islands, will be the parent company of the MICT, ParagonEx and BI China businesses.

### *Overview*

The combination of MICT, ParagonEx and BI China is expected to create a company with a strong B2B technology platform and operational know how that will enable GFH to present a leading global multifaceted platform for trading in digital assets. ParagonEx’s and BI China’s assets and technology are complimentary and expected to enable GFH to monetize BI China’s opportunities within China as well as expedite the growth plan of ParagonEx. GFH believes it will be able to readily integrate ParagonEx’s and BI China’s technology platforms. The combination of these entities expected to allow GFH to capitalize on ParagonEx’s technology and BI China’s market relationships and technology via a public market platform with access to the capital markets to become a leading technology provider for the online lottery, sports content and other gaming verticals with a unique position in the Chinese market. The strengths and competencies of GFH are expected to include:

- a premier digital assets trading platform, also known as a Platform-as-a-Service (“**PaaS**”) offering, that is product-agnostic and can be scaled into many different verticals;

- access to the Chinese market through BI China to monetize the lotto, sports, gaming and other markets using GFH’s technology solutions;

- access to capital through its Nasdaq listing; and

- the potential to capitalize on its access to the financial markets to acquire smaller players at attractive and accretive acquisition multiples to address industry consolidation of smaller companies driven by regulatory changes.

By leveraging these characteristics, GFH is expected to be able to monetize its technology and market relationships by combining ParagonEx’s PaaS offering with the comprehensive knowledge and connections in the Chinese market that have been developed by BI China. BI China’s credibility, developed over 15 years of operation with major provinces and government agencies, are expected to assist GFH in addressing the Chinese markets for its PaaS offering. GFH sees future growth being delivered by the combination and penetration of existing products and platforms into new and emerging markets while capitalizing on acquisition opportunities in a consolidating market.

Please refer to “*Risk Factors related to the Business Combination and the Combined Business*” for a discussion of other factors that may impact its business. Please refer to “*Description of the Business of GFH*” for a complete description of the business of GFH.

*Complementary Businesses*

GFH will bring together two businesses that are expected to be complimentary to one another.

The ParagonEx business will contribute:

- its product agnostic platform;
- its strong execution capabilities;

robust cash generation (measured \$40 million of distributions to shareholders since inception; and although there are no guarantees that GFH will make any similar distributions).

BI China will contribute:

long-standing presence and experience in the Chinese markets;

strong relationships in a large number of Chinese provinces. These relationships are with state controlled entities as well as with China's largest leading portals and technology companies such as Alibaba, Tencent etc.

its capability of processing millions of transactions in a secure and robust manner. This platform is an established, secure B2B technology platform that is readily scalable into other verticals; and

pipeline of new products including, leading edge lottery content and the roll-out of Self Service Terminals; and public markets experience.

The table below illustrates how the ParagonEx and BI China businesses are expected to complement each other through GFH, to create a new business with potential to grow beyond the businesses of its constituent parts:

	<b>ParagonEx</b>	<b>BI China</b>
Product-agnostic PaaS for trading in digital assets	√	
Strong execution capabilities	√	
China presence and relationships		√
High volume financial processing capabilities		√
Access to and partnerships with China's largest portals		√
New products pipeline		√
Robust cash generating business	√	
Capital markets experience		√

### ***Market Opportunity***

Like many other industries, the online trading industry is going through significant changes in key regulated markets. More stringent regulation which has recently been introduced in Europe is and will continue to lead to margin pressure for those companies that are heavily dependent upon third party software providers. We believe it is inevitable that these changes will lead to consolidation within the industry and provide significant opportunities for GFH to monetize. These opportunities will enable GFH to scale rapidly as a result of industry consolidation and enhanced operational margins.

The combined effect of higher compliance costs, and more stringent regulations coupled with increased costs of marketing are expected to create potential acquisition opportunities, as market participants seek scale to meet the challenges they are facing. To succeed in this new regulatory environment, online trading and gaming companies will need to deploy robust, flexible and scalable platforms that are easily configurable to conform to new regulatory requirements as they become effective, and are also readily interoperable with the platforms of other companies. GFH believes its PaaS product-agnostic digital assets trading offering will be highly scalable, robust, and simple to use whilst offering a more complex, sophisticated and functional solution. GFH believes that this may potentially enable a more seamless ability to adapt to new regulatory requirements that may be introduced whilst taking advantage of opportunities to acquire smaller industry players at attractive multiples. Additionally, as a result of ParagonEx's scale and PaaS offering, GFH's management believes there will be significant operational cost savings in connection with potential acquisitions as a result of the elimination of third party platform and operational costs.

### ***Strengths of the Combined GFH Entity***

***Highly scalable and robust PaaS offering.*** GFH's product agnostic PaaS offering is ready to be configured to support different verticals and larger markets. The robustness and modularity of the PaaS offering do not detract from its holistic design, which is rich with features and functionalities that provide for a best in breed customer experience along with a full suite of supporting services required by online brokers, enabling them to rely on the PaaS offering as a 'one stop shop' for the operation of their entire online trading offering. This will allow GFH to be in a position to take advantage of both organic growth in new and emerging markets, as well as inorganic growth through acquisition(s).

***Experience and understanding of the Chinese Market.*** As a result of its exposure and operations in the Chinese markets for over 15 years, BI China has developed deep relationships with some of China's leading lottery centers, government agencies and portals. These relationships have allowed BI China to enter into different markets in China, from its traditional lottery business to new ventures with Wasu Media (SZE: 000156) ("**Wasu Media**"), "play for fun" games, virtual games and sports leading content, to name a few. The complimentary business of ParagonEx and BI China will potentially enable GFH to monetize BI China's experience as well as expedite ParagonEx's penetration of the Chinese market.

***Ability to become a consolidator in the industry and achieve significant cost reductions from acquisition targets.*** GFH believes it is well placed to take advantage of the consolidation trend which the industry is currently going through, when shift is being driven primarily by regulatory changes. Because of its industry leading "big data" analytics capabilities, marketing prowess, customer retention through its highly scalable technology solutions, it is able to increase the number of customers served and the number of transactions processed within its cost structure. As a result, GFH also expects to be able to achieve cost savings and economies of scale following the integration of any new business it may potentially acquire.

### ***Growth Strategy***

***Ability to scale organically as a result of the merger.*** GFH's PaaS offering and technology solutions are ready to be enhanced to support a substantially higher number of customers, verticals and transactions. Organic growth will be primarily driven by entering into new and emerging markets as well as continuing to grow its CFD broker relationships.

***Inorganic Growth through Acquisitions.*** GFH intends to take advantage of the regulatory driven consolidation trend which the industry is currently experiencing in order to seek opportunities to acquire other players, which acquisitions may be completed through a mix of stock and cash. Regulatory change is likely to drive consolidation in the online

and gaming industries as other players seek scale to address the challenges of increased regulation and compliance costs. Typically, GFH targets will be non-US companies predominantly in Europe and, to a lesser extent, Asia. GFH will typically target acquisitions at significantly discounted multiples to the industry leaders which would benefit from the integration and implementation of GFH's platform resulting in significantly enhanced margins. Margin expansion will be achieved through the elimination of third party platform expenses and reduction of costs resulting from the integration into GFH's PaaS offering. As a result, GFH believes it will be able to increase the target's EBITDA margins significantly. Furthermore, becoming a consolidator will be a natural next step for GFH, given ParagonEx's business model of supporting its B2B customers along the entire value chain, from KYC procedures and compliance solutions to marketing, end user acquisition and retention, payment processing, technical support and beyond.

***Monetize the Chinese Market.*** GFH expects to be well-positioned to leverage BI China's business experience to monetize the Chinese market for lottery, other complimentary verticals, products and services. China is the largest commodities trading market in the world. Through building strategic relationships, GFH will explore opportunities to become a key technology provider in China and South East Asia for commodities such as regional currencies, metals (except gold), food stuffs, timber and other potential to-be-determined commodities.

***Launch new lucrative products.*** ParagonEx and BI China are currently developing new “play for fun” products to create new revenue streams for GFH. Successful “play for fun” online games are user friendly and replicate games of chance in which customers use tokens rather than real money to play. These games appeal to a different, yet larger, segment of the market that might be less inclined to play for money. By developing initiatives, GFH hopes to gain greater acceptance and penetration in its target market enabling cross selling of other product offerings.

***Establish base of operations in Hong Kong.*** GFH has already begun to establish its base of operations in Hong Kong. This will enable a rapid rollout of its operations to service the South East Asia market. GFH intends to obtain all licenses necessary to conduct the business and support the operation of the group from Hong Kong. Via its Hong Kong base of operations GFH will service all CFD, futures and commodities trading activities.

### ***The Combined Business***

#### ***GFH's PaaS Offering***

ParagonEx developed its proprietary technology PaaS offering by investing over \$45 million in in-house research and development since inception. ParagonEx's product-agnostic digital assets trading platform has the ability to integrate third party software components such as: Oracle, Meta Quotes (MT4), Tableau, Silver Pop, Optimove, PushWoosh, ElasticSearch, Couchbase, Nagios, Google Apps, Microsoft, Mixed Panel, ZenDesk, ZenDesk Chat, JRA, Confluence, Reuters, DC, Exante (Quote Providers), BS, Hussan (Dialer) and Avaya (Telephone).

The main qualities and features of GFH's PaaS offering, in addition to its product-agnostic robustness and its scalability, has many qualities that are intended to enable it to cater to various digital assets, including:

State of the art big data capability and tools;

State of the art marketing tools;

Unified data warehouse;

Sophisticated risk management and Know Your Client (“KYC”) systems;



Ability to integrate with third party add-on software components;

Product agnostic platform; and

Simple customer configuration: a user can sign up and establish an account in matter of minutes.

A valuable quality of GFH's PaaS offering is the fact that it is product agnostic. Although the PaaS offering has historically supported CFD trading, it can be scaled into a number of new verticals, such as "play for fun" games and virtual games. This should enable GFH, following the completion of the proposed Business Combination between ParagonEx and BI China, to apply the PaaS offering to support BI China's activities in China, among other things.

*Existing Products*

ParagonEx currently offers online trading in CFDs in connection with a variety of underlying assets, including the following:

equities;

indices;

commodities;

options;

exchange-trade funds; and

Forex.

GFH will continue to offer this suite of products going forward but will further enhance its product offerings as it expands its business into new verticals.

#### *Products under development – Play for Fun*

ParagonEx and BI China are currently developing new “play for fun” products to create new revenue streams for GFH. “Play for fun” online games are user friendly and replicate games of chance in which customers use tokens rather than real money to play. These games appeal to a different, yet larger, segment of the market that might be less inclined to play for money. These games are still lucrative as players need to purchase the tokens, albeit at a limited price, while the tokens are usable only for purchase of virtual goods or services and are not redeemable for cash. GFH will look to work with large portals and websites to collaborate and monetize their extensive rewards programs through targeting their significant large active customer user bases.

#### **Description of Property**

GFH maintains an office in Cheshire, United Kingdom.

#### **Exchange Controls**

There is no exchange control legislation under British Virgin Islands law and accordingly there are no exchange control regulations imposed under British Virgin Islands law.

#### **Legal Proceedings**

None.

## **Corporate Information**

GFH was incorporated as a British Virgin Islands company on October 2, 2018.

GFH's principal executive office is located at First Floor, Mallory House, Goostrey Way, Knutsford, Cheshire WA16 7GY, United Kingdom; telephone: +44 (0) 1565 872990. Its registered office is located at Kingston Chambers, P.O. Box 173, Road Town, Tortola, British Virgin Islands.

## **2019 Equity Incentive Plan of GFH**

The principal features of the 2019 Equity Incentive Plan are summarized below, but the summary is qualified in its entirety by reference to the complete text of the 2019 Equity Incentive Plan document, which is attached as *Annex C* to this proxy statement.

The 2019 Equity Incentive Plan (the “2019 Incentive Plan”) which will become effective upon the business day immediately prior to the Closing and will be used by GFH on a going-forward basis following the Closing. The 2019 Equity Incentive Plan will be governed by the law of Israel and will be available for GFH’s employees, officers, directors and service providers located in Israel and has the following principal features:

The 2019 Equity Incentive Plan will promote the purposes of the adoption of the plan which are to:

- Attract and retain the best available personnel for positions of substantial responsibility;
- Provide additional incentive to employees, directors and consultants; and
- Promote the success of GFH’s business.

**Grant of Awards; Shares Available for Awards:** Subject to the provisions of Section 12 of the Plan, the maximum aggregate number of Shares that may be issued under the Plan is \_\_\_\_\_ Shares. If an award expires, is forfeited or becomes unexercisable for any reason without having been exercised in full, or is surrendered pursuant to an exchange program, the unissued shares that were subject to the award will, continue to be available under the 2019 Plan for issuance pursuant to future awards. Shares issued under the 2019 Plan and later forfeited to GFH due to the failure to vest or repurchased by GFH at the original purchase price paid to GFH for the shares (including, without limitation, upon forfeiture to or repurchase by GFH in connection with a participant ceasing to be a service provider) will again be available for future grant under the 2019 Plan. To the extent an award under the 2019 Plan is paid out in cash rather than shares, such cash payment will not result in reducing the number of Shares available for issuance under the 2019 Plan.

**Plan administration.** The board of directors or the compensation committee of the board of directors, if delegated the authority by the board of directors, will administer the 2019 Plan. Subject to the provisions of the 2019 Plan, the administrator has the power to determine the terms of awards, including the recipients, the exercise price, if any, the number of shares subject to each award, the fair market value of a share, the vesting schedule applicable to the awards, together with any vesting acceleration, and the form of consideration, if any, payable upon exercise of the award and the terms of the award agreement for use under the 2019 Plan. The administrator also has the authority, subject to the terms of the 2019 Plan, to amend existing awards, to prescribe rules and to construe and interpret the 2019 Plan and awards granted thereunder and to institute an exchange program by which outstanding awards may be surrendered in exchange for awards of the same type which may have a lower exercise price or different terms, awards of a different type and/or cash subject to shareholder approval.

**Eligibility.** Employees, members of the board of directors and consultants of GFH and Subsidiaries are eligible to participate in the 2019 Plan.

**Types of awards.** The 2019 Plan provides for the grant of options, including incentive shares options within the meaning of Section 422 of the Code and nonstatutory options, restricted shares, restricted share units and shares to employees, directors, and consultants of GFH and its subsidiaries.

**Options.** An option is a right to purchase one share of GFH at a set exercise price and subject to vesting conditions as determined by the administrator. Options granted under the 2019 Plan may either be incentive and/or non-statutory shares options, provided that incentive shares options may only be granted to employees. Options granted to employees outside the US may be subject to other tax provisions. The administrator will determine the methods of payment of the exercise price of an option, which may include cash, check, promissory note or broker managed cashless exercise program.

**Restricted shares.** Restricted shares awards are grants of shares that are subject to various restrictions, including restrictions on transferability and forfeiture provisions. Shares of restricted shares will vest and the restrictions on such shares will lapse, in accordance with terms and conditions established by the administrator. Recipients of restricted shares awards generally will have voting and dividend rights with respect to such shares upon grant without regard to vesting, unless the administrator provides otherwise. Shares of restricted shares that do not vest for any reason will be subject to the right of repurchase or forfeited by the recipient and will revert to us. The specific terms will be set forth in an award agreement.

**Restricted shares units.** Each restricted shares unit represents the right to receive one share of GFH or an amount in cash equal to the value of one share of GFH as of the date of vesting of the award. The restricted share unit may include the right to dividend equivalent, as determined in the discretion of the administrator. The administrator determines, in its sole discretion, whether an award will be settled in shares, cash or a combination of both. The specific terms will be set forth in an award agreement.

**Non-transferability of awards.** Unless the administrator provides otherwise, the 2019 Plan generally does not allow for the transfer of awards and only the recipient of an option or shares appreciation right may exercise such an award during his or her lifetime.

**Certain adjustments.** In the event of a Share split, reverse Share split, Share dividend, combination, consolidation, recapitalization (including a recapitalization through a large nonrecurring cash dividend) or reclassification of the Shares, subdivision of the Shares, a rights offering, a reorganization, merger, spin-off, split-up, repurchase, or exchange of Share or other securities of GFH or other significant corporate transaction, or other change affecting the Share occurs, the Administrator, in order to prevent dilution, diminution or enlargement of the benefits or potential benefits intended to be made available under the Plan, will, in such manner as it may deem equitable, adjust the number, kind and class of securities that may be delivered under the 2019 Plan and/or the number, class, kind and price of securities covered by each outstanding award. Notwithstanding the forgoing, all adjustments shall be made in a manner that does not result in taxation under Code Section 409A.

**Liquidation or dissolution.** In the event of the proposed winding up, liquidation or dissolution, the administrator will notify participants as soon as practicable and all awards will terminate immediately prior to the consummation of such proposed transaction.

**Change in control transaction.** The 2019 Plan includes a wide definition of Change in Control which includes the following (i) merger or consolidation of GFH with or into another entity or any other corporate reorganization, if GFH's Shareholders immediately prior to such merger, consolidation or reorganization cease to directly or indirectly own immediately after such merger, consolidation or reorganization at least a majority of the combined voting power of the continuing or surviving entity's securities outstanding immediately after such merger, consolidation or reorganization; (ii) The consummation of the sale, transfer or other disposition of all or substantially all of GFH's assets (other than (x) to a corporation or other entity of which at least a majority of its combined voting power is owned directly or indirectly by GFH, (y) to a corporation or other entity owned directly or indirectly by the shareholders of GFH in substantially the same proportions as their ownership of the Share of GFH or (z) to a continuing or surviving entity in connection with a merger, consolidation or reorganization which does not result in a Change in Control according to the definition above; (iii) A change in the effective control of GFH which occurs on the date that a majority of members of the Board is replaced during any twelve (12) month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election; or (iv) The consummation of any transaction as a result of which any Person becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of GFH representing at least

fifty percent (50%) of the total voting power represented by GFH's then outstanding voting securities. For purposes of this Section 2(g), the term "Person" shall have the same meaning as when used in Sections 13(d) and 14(d) of the Exchange Act but shall exclude: (a) a trustee or other fiduciary holding securities under an employee benefit plan of GFH or an affiliate of GFH; (b) a corporation or other entity owned directly or indirectly by the Shareholders of GFH in substantially the same proportions as their ownership of the Share of GFH; (c) GFH; and (d) a corporation or other entity of which at least a majority of its combined voting power is owned directly or indirectly by GFH. Nevertheless, a transaction shall not constitute a Change in Control if its sole purpose is to change the state of GFH's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held GFH's securities immediately before such transactions. In addition, if any Person (as defined above) is considered to be in effective control of GFH, the acquisition of additional control of GFH by the same Person will not be considered to cause a Change in Control. If required for compliance with Section 409A of the Code, in no event will a Change in Control be deemed to have occurred if such transaction is not also a "change in the ownership or effective control" of GFH or "a change in the ownership of a substantial portion of the assets of" GFH as determined under Treasury Regulation Section 1.409A-3(i)(5) (without regard to any alternative definition thereunder).

Upon such event of a Change in Control, the outstanding award will be treated as the administrator determines. Such determination may provide that such awards will be (i) continued if GFH is the surviving corporation, (ii) assumed by the surviving corporation or its parent, (iii) substituted by the surviving corporation or its parent for a new award, (iv) canceled in exchange for a payment equal to the excess of the fair market value of the shares subject to such award over the exercise price or purchase price paid for such shares, or if such award is “underwater” canceled for no consideration, if any, or (v) acceleration of vesting, and in the case of options, canceled for no consideration if not exercised.

***Clawback/recovery.*** Awards granted under the 2019 Plan will be subject to recoupment in accordance with any clawback policy GFH may be required to adopt pursuant to applicable law and listing requirements. In addition, the administrator may impose such other clawback, recovery or recoupment provisions in any shares award agreement as it determines necessary or appropriate.

***Amendment or termination.*** The board of directors has the authority to amend, suspend or terminate the 2019 Plan provided such action does not impair the existing rights of any participant. The 2019 Plan will automatically terminate in 2028, unless we terminate it sooner. We will obtain shareholder approval of any amendment to the 2019 Plan as required by applicable law or listing requirements.

***Governing Law.*** The 2019 Plan is governed by the law of the State of Delaware.

***Sub-Plan for Israeli Participants.*** The 2019 Plan includes a sub-plan which applies to grants issued to employees and officers of GFH’s Israeli subsidiaries for the purpose of applying preferential tax treatment to such awards. GFH intends to file the 2019 Plan and Israeli sub-plan for approval with the Israel Tax Authority pursuant to the trustee capital gains route of section 102 of the Israeli Income Tax Ordinance.

***Interests of Certain Persons in the 2019 Equity Incentive Plan***

The post-Business Combination executive officers and non-employee directors of GFH may be considered to have an interest in the approval of the 2019 Equity Incentive Plan as they may receive future awards under such plan.



DIRECTORS, EXECUTIVE OFFICERS, EXECUTIVE COMPENSATION AND CORPORATE GOVERNANCE OF MICT

Management and Board of Directors of MICT

MICT's current directors and executive officers are as follows:

<b>Name</b>	<b>Age</b>	<b>Position</b>
David Lucatz	62	Chairman of the Board, Chief Executive Officer and President
Tali Dinar(4)	48	Chief Financial Officer
Chezy (Yehezkel) Ofir(1)(2)(3)	67	Director
Jeffrey P. Bialos(1)(2)(3)	63	Director
Miki Balin(1)(2)(3)	48	Director
Moran Amran(5)	38	Controller

(1) A member of the Audit Committee.

(2) A member of the Compensation Committee.

(3) A member of the Corporate Governance/Nominating Committee.

(4) On August 13, 2018, Mrs. Tali Dinar, MICT's Chief Financial Officer, and MICT, jointly agreed to terminate her employment. Mrs. Dinar continued to provide her services to MICT as required under Israeli law/her engagement agreement until January 13, 2019. Mrs. Dinar's employment termination was not as a result of any disagreement or dispute with MICT but rather as a result of the current needs of MICT as a result from the sale of MICT's subsidiary, Enertec Systems 2001, Ltd.

(5) Mrs. Moran Amran has served as MICT's controller since 2011, and began serving as the principal financial officer following the vacancy of the office of Mrs. Tali Dinar.

The following is a brief account of the business experience of each of MICT's directors and executive officers during the past five years or more.

*David Lucatz.* Mr. Lucatz was elected to MICT's Board and appointed as its President and Chief Executive Officer in May 2010 and as a director of Micronet Ltd., MICT's 49.89% owned subsidiary, in September 2012. Since May 2010 and until May 22 2018, Mr. Lucatz has served as the President of Enertec Systems 2001 Ltd., then MICT's wholly-owned subsidiary. Since 2006, he has been the Chairman of the Board, President and Chief Executive Officer of DL Capital Ltd., a boutique investment holding company based in Israel specializing in investment banking, deal structuring, business development and public/private fund raising with a strong focus in the defense and homeland security markets. From 2001 until 2006, he was part of the controlling shareholder group and served as a Deputy President and Chief Financial Officer of I.T.L. Optronics Ltd. ("**Optronics**"), a publicly-traded company listed on the Tel Aviv Stock Exchange engaged in the development, production and marketing of advanced electronic systems and solutions for the defense and security industries. From 1998 to 2001, he was the Chief Executive Officer of Talipalast, a leading manufacturer of plastic products. Previously, Mr. Lucatz was an executive vice president of Securitas, a public finance investments group. Mr. Lucatz holds a B.Sc. in Agriculture Economics and Management from the Hebrew University of Jerusalem and a M.Sc. in Industrial and Systems Engineering from Ohio State University.

*Tali Dinar.* Mrs. Dinar served as MICT's Chief Financial Officer, currently serves as a board member of Micronet and as MICT Telematics Ltd.'s (formerly Enertec Electronic) Chief Financial Officer. Mrs. Dinar has served as Chief Financial Officer of MICT Telematics Ltd. since 2012, as a Director at Micronet since January 2016 and as a director of Enertec since May 2015. Previously, Mrs. Dinar served as MICT's Chief Financial Officer from May 2010 until May 2015, Chief Financial Officer of Enertec between 2010 and 2014 and the Chief Financial Officer of Micronet from May 2015 until January 2016. From 2002 until 2007, she was the chief controller of Optronics. Ms. Dinar holds a B.A. in Accounting and Business Management from The College of Management Academic Studies and earned her CPA certificate in 1999. On August 13, 2018, Mrs. Dinar and MICT jointly agreed to terminate her employment. Mrs. Dinar continued to provide her services to MICT as required under Israeli law/her engagement agreement until January 13, 2019. Mrs. Dinar's employment termination was not as a result of any disagreement or dispute with MICT but rather as a result of the current needs of MICT as a result from the sale of MICT's subsidiary, Enertec Systems 2001, Ltd

*Chezy (Yehezkel) Ofir.* Professor Ofir has served on the Board of MICT since April 2013. He was appointed as a director of Micronet in September 2012. Professor Ofir has over 20 years of experience in business consulting and corporate management. During this period, Professor Ofir has served as a member of the boards of directors of a large number of companies in various sectors. Professor Ofir has been a director and Chairman of the Financial Reporting Committee of Makhteshim Agam, a leading manufacturer and distributor of crop protection products, has served as a director and member of all board committees of Optronics, and as a member of the board of directors, Chairman of the Audit Committee and member of all board committees of Shufersal, the largest food and non-food retail chain in Israel. He served as a member of the Executive Export Trade and Marketing Committee of the Industry and Trade Ministry where he evaluated company programs and formulated and recommended funding to the committee. Professor Ofir has been a faculty member at the Hebrew University for more than 20 years. Professor Ofir founded an Executive MBA program for CEOs, which is the first and only program of its kind in Israel. Additionally, Professor Ofir has been the Chairman of the Marketing Department at the Hebrew University Business School for fifteen years. Professor Ofir has been invited as a lecturer or research partner to many top universities, including Stanford University, University of California Berkeley, New York University and Georgetown University. Professor Ofir's publications have been covered in media and leading international business magazines and papers, including The Financial Times, MIT Sloan Management Review and Stanford Business. Professor Ofir holds a B.Sc. and M.Sc. in Engineering and doctorate and master's degrees in Business Administration from Columbia University.

*Jeffrey P. Bialos* Mr. Bialos has served on the Board of MICT since April 2013. Mr. Bialos has over 30 years of experience in a broad range of domestic and international legal, governmental and public policy positions. He served as Deputy Under Secretary of Defense for Industrial Affairs from January 1999 through December 2001 and in senior positions at the State and Commerce Department during the Clinton Administration and served on the Defense Science Board task forces from June 1996 through June 1997. He also was appointed to the Secure Virginia Panel, Virginia's homeland security board, by two Virginia Governors. Mr. Bialos spent considerable time in private legal practice in Washington, D.C. with two large national law firms (currently, Sutherland, Asbill & Brennan LLP where he has been a partner since 2002 and, previously, Weil, Gotshal & Manges from January 1990 through June 1996). He has represented a wide range of domestic and foreign firms (including large multinational corporations and leading defense and aerospace firms), foreign governments, development institutions such as the European Bank for Reconstruction and Development and the International Finance Corporation, private equity funds, public-private partnerships and other entities, in a diverse range of corporate and commercial, adjudicatory, regulatory, policy and interdisciplinary matters. He has considerable experience in Europe, the Middle East and Asia. Mr. Bialos holds a J.D. from the University of Chicago Law School, an M.P.P. from the Kennedy School of Government at Harvard University and an A.B. from Cornell University. He is a member of the New York Council on Foreign Relations.

*Miki Balin.* Mr. Balin has served on the Board of MICT since April 2013. Mr. Balin currently serves on the board of Phantom me and Yolik.net Ltd. and acts as their Chief Executive Officer. Since 2013 and until 2017 Mr. Balin has been the Chief Executive Officer and founder of Targetingedge Ltd., a subsidiary of TLVmedia Ltd. Prior to Targetingedge he founded WinBuyer in 2006 and Conversion Methods in 2004, which developed products for e-retailers. Mr. Balin has devoted much of his career to managing marketing-related ventures. Prior to establishing Conversion Methods and WinBuyer, he founded Balin, Adatto & Cohen, a leading healthcare consulting and advertising firm in Israel. He also managed a family-owned food distribution company, and served as general manager of the Rina Shinfeld Ballet Theatre, where he still serves as a director. In 2011, WinBuyer was awarded the "Best Product at eCommerce Expo" for its product Winbuyer 2.0.

There are no arrangements or understandings with major stockholders, customers, suppliers or others pursuant to which any of MICT's directors or members of senior management were selected as such. In addition, there are no family relationships among MICT's executive officers and directors.

## Corporate Governance

### Number and Terms of Office of Officers and Directors

The MICT Board is currently comprised of four directors. Mr. Lucatz, the Chairman, President and Chief Executive Officer, and is not independent as that term is defined under the Nasdaq Listing Rules. Professor Ofir and Messrs. Bialos, and Balin have been directors since MICT's initial public offering. Each of Professor Ofir and Messrs. Bialos,

and Balin qualify as “independent” under the Nasdaq Listing Rules, and SEC rules with respect to members of boards of directors. MICT’s Audit Committee, Compensation Committee and Corporate Governance/Nominating Committee, and otherwise meet the Nasdaq corporate governance requirements.

The MICT Board has three standing committees: the Compensation Committee, the Audit Committee and the Corporate Governance/Nominating Committee.

## **Committees of the MICT Board**

### **Audit Committee**

The members of MICT's Audit Committee are Professor Ofir, Mr. Bialos and Mr. Balin. Professor Ofir is the Chairman of the Audit Committee, and MICT's board of directors has determined that Professor Ofir is an "Audit Committee financial expert" and that all members of the Audit Committee are "independent" as defined by the rules of the SEC and the Nasdaq rules and regulations. The Audit Committee operates under a written charter that is posted on its website. The primary responsibilities of the MICT Audit Committee include:

Appointing, compensating and retaining a registered independent public accounting firm;

Overseeing the work performed by any outside accounting firm;

Assisting the board of directors in fulfilling its responsibilities by reviewing: (1) the financial reports provided to the SEC, MICT Stockholders or the general public and (2) the internal financial and accounting controls; and

Recommending, establishing and monitoring procedures designed to improve the quality and reliability of the disclosure of MICT's financial condition and results of operations.

### **Compensation Committee**

The members of the Compensation Committee of MICT are Professor Ofir, Mr. Bialos and Mr. Balin. Professor Ofir is the Chairman of the Compensation Committee and the board of directors has determined that all of the members of the Compensation Committee are "independent" as defined by the rules of the SEC and Nasdaq rules and regulations. The Compensation Committee operates under a written charter that is posted on MICT's website. The primary responsibilities of the Compensation Committee include:

Reviewing and recommending to the MICT Board of the annual base compensation, the annual incentive bonus, equity compensation, employment agreements and any other benefits of executive officers;

Administering equity based compensation plans and exercising all rights, authority and functions of the board of directors under all of the MICT's equity compensation plans, including without limitation, the authority to interpret the terms thereof, to grant options thereunder and to make stock awards thereunder; and

Annually reviewing and making recommendations to the board of directors with respect to the compensation policy for such other officers as directed by the MICT Board.

The Compensation Committee meets, as often as it deems necessary, without the presence of any executive officer whose compensation it is then approving. Neither the Compensation Committee nor MICT engaged or received advice from any compensation consultant during 2018.

### **Corporate Governance/Nominating Committee**

The members of MICT's Corporate Governance/Nominating Committee are Professor Ofir, Mr. Bialos and Mr. Balin. Professor Ofir is the Chairman of the Corporate Governance/Nominating Committee. The MICT Board has determined that all of the members of the Corporate Governance/Nominating Committee of MICT are "independent" as defined by Nasdaq rules and regulations. The Corporate Governance/Nominating Committee operates under a written charter that is posted on MICT's website. The primary responsibilities of MICT's Corporate Governance and Nominating Committee include:

assisting the board of directors in, among other things, effecting board organization, membership and function including identifying qualified board nominees;

effecting the organization, membership and function of board of directors committees including composition and recommendation of qualified candidates;

establishment of and subsequent periodic evaluation of successor planning for the Chief Executive Officer and other executive officers;

development and evaluation of criteria for board membership such as overall qualifications, term limits, age limits and independence; and oversight of compliance with applicable corporate governance guidelines; and

Identifying and evaluating the qualifications of all candidates for nomination for election as directors.

Potential nominees will be identified by the MICT Board based on the criteria, skills and qualifications that will be recognized by the Corporate Governance/Nominating Committee. In considering whether to recommend any particular candidate for inclusion in the board's slate of recommended director nominees, MICT's Corporate Governance/Nominating Committee will apply criteria including the candidate's integrity, business acumen, knowledge of the MICT business and industry, age, experience, diligence, conflicts of interest and the ability to act in the interests of all stockholders. No particular criteria will be a prerequisite or will be assigned a specific weight, nor does MICT have a diversity policy.

There have not been any changes in MICT's process for nominating directors.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires executive officers and directors, and persons who own more than 10% of MICT Common Stock, to file reports regarding ownership of, and transactions in, MICT securities with the SEC and to provide MICT with copies of those filings. Based solely on a review of the copies of such forms received, or written representations from certain reporting persons, MICT believes that during fiscal year ended December 31, 2017, all filing requirements applicable to officers, directors and ten percent beneficial owners were complied with.

### **Code of Ethics**

MICT has adopted a Code of Business Conduct and Ethics that applies to its directors, executive officers and all of its employees. The Code of Business Conduct and Ethics is available on MICT's website and MICT will provide, at no



charge, persons with a written copy upon written request.

MICT intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of its Code of Business Conduct and Ethics by posting such information on MICT's website.

**Executive Compensation**

MICT's executive officers for the year ended December 31, 2018 and their positions are as follows:

David Lucatz, Chief Executive Officer and President  
Tali Dinar, Chief Financial Officer

Oren Harari was MICT's Chief Financial Officer from January 18, 2017 to September 30, 2017

**Summary Compensation Table and Narrative Disclosure to Summary Compensation Table**

The following information is furnished for the years ended December 31, 2018 and December 31, 2017 for the individuals listed on the table below, who are referred to as the named executive officers.

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (1)</b>	<b>Bonus (2)</b>	<b>Option Awards (3)</b>	<b>All Other Compensation (4)</b>	<b>Total</b>
David Lucatz(5) Chief Executive Officer and President	2018	\$393,305	\$300,000	\$217,641	\$ 5,438	\$916,384
	2017	\$325,226*	\$-	\$0	\$ 5,278	\$330,504
Tali Dinar Chief Financial Officer	2018	\$220,912	\$-	\$39,254	\$ 22,139	\$282,305
	2017	\$167,965	\$-	\$12,438	\$ 25,467	\$205,870
Oren Harari Former Chief Financial Officer(6)	2018	\$-	\$-	\$-	\$ -	\$-
	2017	\$130,097	\$21,285	\$-	\$ 7,173	\$158,555

(1) Salary paid partly in NIS and partly in U.S. dollars. The amounts are converted according to the average foreign exchange rate U.S. dollar/NIS for 2018 and 2017, respectively.

(2) Represents discretionary bonus in connection with the performance and achievements of MICT.

(3) The fair value recognized for such option awards was determined as of the grant date in accordance with Accounting for Standard Codification, or ASC, Topic 718. Assumptions used in the calculations for these amounts are included in Note 13 to the consolidated financial statements for the year ended December 31, 2018 included elsewhere in this Annual Report.

(4) Includes the following: pay-out of unused vacation days, personal use of company car (including tax gross-up), personal use of company cell phone, contributions to manager's insurance (retirement and severance components), contributions to advanced study fund, recreational allowance, premiums for disability insurance and contributions to pension plan. In addition, Ms. Dinar is entitled to receive director compensation from Micronet as a member of the board of directors of Micronet, pursuant to the Israeli Companies Law regulations (compensation and expenses reimbursement for independent directors). Mrs. Dinar's compensation and expenses reimbursement for serving as a director of Micronet amounted to a total of \$7,800 and \$12,000 for the period ended December 31, 2018 and 2017 respectively. On August 13, 2018, Mrs. Tali Dinar, MICT's Chief Financial Officer, and MICT, jointly agreed to terminate her employment. Mrs. Dinar will continue to provide her services to MICT as required under Israeli law/her engagement agreement until January 13, 2019. Mrs. Dinar's employment termination was not as a result of any disagreement or dispute with MICT but rather as a result of the current needs of MICT as a result from the sale of MICT's subsidiary, Enertec Systems 2001, Ltd.

(5) In November 2012, entities controlled by Mr. Lucatz reached agreements with each of Micronet and MICT, for the provision of management and consulting services to Micronet and MICT, respectively. On November 7, 2012, the board of directors and the Audit Committee of the board of directors of Micronet approved the entry into a management and consulting services agreement with DLC, pursuant to which, effective November 1, 2012 Mr. Lucatz agreed to devote 60% of his time to Micronet matters for the three year term of the agreement and Micronet agreed to pay the entities controlled by Mr. Lucatz management fees of NIS 65,000 (approximately \$18,172) on a monthly basis (the "**Micronet Management Fees**"), and cover other monthly expenses (the "**Micronet Agreement**"). Such agreement was further subject to the approval of Micronet's stockholders, which was obtained at a Special Meeting held on January 30, 2013 for that purpose and went into effect following its execution on February 8, 2013. The Micronet Agreement was extended on November 1, 2015 for three years on the same terms and conditions and was approved by Micronet's Board of Directors on October 11, 2015 and Micronet's stockholders on November 16, 2015. Effective July 6<sup>th</sup> 2017, DLC has consented to reduce the Micronet Management Fees to NIS 23,000 and by its further consent, as of October 31, 2018 management and consulting services are rendered for no consideration.

On November 26, 2012, DLC entered into a 36-month management and consulting services agreement with MICT, effective November 1, 2012, which provides that MICT (via any of its directly or indirectly fully owned subsidiaries) will pay the entities controlled by Mr. Lucatz: (1) management fees of \$13,333 on a monthly basis, and cover other monthly expenses, (2) an annual bonus of 3% of the amount by which the annual earnings before interest, tax, depreciation and amortization, or EBITDA, for such year exceeds the average annual EBITDA for 2011 and 2010, and (3) a one-time bonus of 0.5% of the purchase price of any acquisition or capital or debt raising transaction, excluding only a specified 2013 public equity offering, completed by us during the term of the agreement. According to the agreement, the management and consulting services agreement between DLC and MICT automatically renewed for a successive one year term on the same terms and conditions. On June 6, 2018, the Compensation Committee of MICT approved maintaining Mr. Lucatz's annual base salary of \$400,000.

In addition, on June 6, 2018, the Compensation Committee of MICT approved a discretionary cash bonus to Mr. Lucatz, MICT's Chief Executive Officer, in the aggregate amount of \$300,000 as well the issuance of a stock option to purchase 300,000 shares of MICT's common stock, with an exercise price of \$1.32 per share, with 100,000 shares of

common stock vesting immediately and 100,000 shares of common stock vesting on each of the first two anniversaries of the date of grant. The bonus and option were granted to Mr. Lucatz in light of his contributions to MICT's successful sale of its then wholly owned subsidiary, Enertec Systems 2001 Ltd.

(6) Mr. Harari was MICT's Chief Financial Officer from January 18, 2017 to September 30, 2017.

### Outstanding Equity Awards at Fiscal Year End

During 2018, 861,000 options were issued to our directors, officers and employees under our 2012 Incentive Plan and 92,500 shares were issued to our directors, officers and employees under our 2014 Incentive Plan. The following table presents the outstanding equity awards held as of December 31, 2018, by our named executive officers:

	Option Awards Number of securities underlying unexercised options (#)	Number of securities underlying exercised options unexercisable	Option exercise price (\$)	Option expiration date
David Lucatz	250,000	-	4.30	11/11/2024
	250,000	-	1.32	06/06/2028
	100,000	200,000	1.32	06/06/2028
Tali Dinar	80,000	-	4.30	11/11/2024
	80,000	-	1.32	06/06/2028
Oren Harari	-	-	-	-

### Compensation of Directors

#### Director Compensation Table for Fiscal 2017

The following table provides information regarding compensation earned by, awarded or paid to each person for serving as a director who is not an executive officer during Fiscal 2017:

Name(1)	Fees earned (\$)(5)	Option Awards \$(2)(3)(4)	Total (\$)
Chezy (Yehezkel) Ofir	12,200	49,914	62,114
Jeffrey P. Bialos	12,200	49,914	62,114
Miki Balin	12,200	49,914	62,114

Mr. Lucatz, who serves as our Chairman, Chief Executive Officer and President, is not included in this table (1) because he receives no compensation for his services as a director. The compensation received by Mr. Lucatz is as shown above in the Summary Compensation Table.

(2) The fair value recognized for such option awards was determined as of the grant date in accordance with ASC Topic 718.

(3) As of December 31, 2018, each of the directors listed in the table above held options to purchase 35,000 shares of Common Stock at an exercise price of \$4.30 per share, 5,000 of which were granted on April 29, 2013 and 5,000 of which were granted on November 11, 2014. Such options vest within three years following the date of grant. Such options vest within three years following the date of grant. Options to purchase 10,000 shares were granted on June 6, 2018 at an exercise price of \$1.32 per share and options to purchase 15,000 shares were granted on August 13, 2018 at an exercise price of \$1.4776 per share, all of which have vested.

As of December 31, 2018, all of the directors listed in this table held options to purchase 92,424 shares of MICT (4) Common Stock. Each non-employee director was granted an option to purchase 25,000 shares of MICT Common Stock on June 6, 2018.

(5) During 2018, our directors received compensation for serving on our board in the amount of \$36,000. Independent directors received \$12,000 plus applicable taxes for each year of service as directors. Independent directors receive \$200 (or \$ if the director participates via telephone or video conference) for each meeting in excess of three meetings in any month and reimbursement of expenses.

Other than as described above, we have no present formal plan for compensating our directors for their service in their capacity as directors. Directors are entitled to reimbursement for reasonable travel and other out-of-pocket expenses incurred in connection with attendance at meetings of our board of directors. The board of directors may award special remuneration to any director undertaking any special services on our behalf other than services ordinarily required of a director. Other than indicated above, no director received and/or accrued any compensation for his or her services as a director, including committee participation and/or special assignments during 2018.

#### **Summary of the 2012 MICT Stock Incentive Plan (the “2012 Incentive Plan”)**

The material features of the 2012 Incentive Plan are described below. This summary does not purport to be a complete description of all of the provisions of the 2012 Incentive Plan, and is qualified in its entirety by reference to the full text of the 2012 Incentive Plan.

#### **Purpose of the Plan**

The 2012 Incentive Plan is intended as an incentive to retain directors, officers, employees, consultants and advisors to MICT, persons of training, experience and ability, to attract new employees, directors, consultants and advisors whose services are considered valuable, to encourage the sense of proprietorship and to stimulate the active interest of such persons in the development and financial success of MICT, by granting to such persons options to purchase shares of the MICT’s Common Stock (“**2012 Options**”), shares of MICT’s stock, with or without restrictions, or any other share-based award (“**2012 Award(s)**”).

2012 Awards granted under the 2012 Incentive Plan to Israeli residents shall be granted pursuant to the Israeli Income Tax Ordinance (New Version), 1961, as amended, including the Law Amending the Income Tax Ordinance (Number 132), 2002 and any regulations, rules or orders or procedures promulgated thereunder.



### **Administration of the Plan**

MICT's Compensation Committee is the administrator of the 2012 Incentive Plan and shall have full power and authority to designate recipients of 2012 Awards, to determine the terms and conditions of respective 2012 Award agreement (which need not be identical), including the vesting schedule of the 2012 Options or grants of Restricted Stock, which may be performance based, as described in the 2012 Incentive Plan, to interpret the provisions and supervise the administration of the 2012 Incentive Plan, to accelerate the right to exercise or vesting of, in whole or in part, any previously granted option, to grant new 2012 Awards in exchange for existing 2012 Awards, to determine whether an Award has been earned (if performance requirements must be satisfied) and to make technical amendments to the 2012 Incentive Plan. MICT's Compensation Committee may also amend the terms of any Award theretofore granted, prospectively or retroactively, but no such amendment shall impair the rights of any grantee without the grantee's consent.

Subject to the provisions of the 2012 Incentive Plan, MICT's Compensation Committee shall interpret the plan and all 2012 Options and 2012 Awards granted thereunder, shall make such rules as it deems necessary for the proper administration of the 2012 Incentive Plan, shall make all other determinations necessary or advisable for the administration of the 2012 Incentive Plan and shall correct any defects or supply any omission or reconcile any inconsistency in the 2012 Incentive Plan or in any 2012 Awards granted thereunder in the manner and to the extent that MICT's Compensation Committee deems desirable to carry into effect the 2012 Incentive Plan or any 2012 Awards. Subject to the provisions of the 2012 Incentive Plan, any action taken or determination made by MICT's Compensation Committee shall be conclusive on all parties.

### **Scope of the Plan**

The total number of shares of MICT common stock reserved and available for grant and issuance pursuant to the 2012 Incentive Plan will be 5,000,000 from either authorized but unissued shares or treasury shares, all of which can be Incentive Stock Options, within the meaning of Section 422 of the Code, or any other 2012 Awards. In addition, if shares of stock are subject to a 2012 Award that terminates without such shares of stock being issued, then such shares of stock will again be available for grant and issuance under the 2012 Stock Incentive Plan. Should any 2012 Option expire or be canceled prior to its exercise in full or should the number of shares of stock to be delivered upon the exercise in full of an 2012 Option be reduced for any reason, the shares of stock theretofore subject to such 2012 Option may be subject to future Awards under the 2012 Incentive Plan, except where such reissuance is inconsistent with the provisions of Section 162(m) of the Code.

In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, or other change in corporate structure affecting the stock, MICT's Compensation Committee shall make an appropriate and equitable adjustment in the number and kind of shares reserved for issuance under the 2012 Incentive Plan and in the number of any 2012 Award (as applicable) and option price of shares subject to an outstanding 2012 Option granted thereunder, to the end that after such event each grantee's proportionate interest shall be maintained as immediately before the occurrence of such event. The adjustments described above will be made only to the extent consistent with continued qualification of the 2012 Option under Section 422 of the Code (in the case of an Incentive Stock Option) and Section 409A of the Code (in the case of grantees potentially subject to Section 409A of the Code).

### **Eligibility**

The persons eligible for participation in the 2012 Incentive Plan as recipients of 2012 Awards shall include employees, officers and directors of, and, subject to their meeting the eligibility requirements to participate in an "employee benefit plan" as defined in Rule 405 promulgated under the Securities Act of 1933, as amended, consultants and advisors to MICT.

In selecting grantees, and in determining the 2012 Awards granted to grantees, MICT's Compensation Committee may consider any factors it deems relevant, including without limitation, the office or position held by the grantee or the grantee's relationship to MICT, the grantee's degree of responsibility for and contribution to the growth and success of MICT, the grantee's length of service, promotions and potential. A grantee who has been granted an option may be granted an additional 2012 Awards or Awards, if MICT's Compensation Committee shall so determine.

## **Terms and Conditions of 2012 Options**

### **Option Price**

The exercise price of each share of stock purchasable under the 2012 Options shall be determined by MICT's Compensation Committee at the time of grant, subject to the conditions set forth in the immediately following sentence. The exercise price of each share of stock purchasable under an Incentive Stock Option shall not be less than 100% of the Fair Market Value (as defined below) of such share of stock on the trading day immediately preceding the date the Incentive Stock Option is granted; provided, however, that with respect to an optionee who, at the time such Incentive Stock Option is granted, owns (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of MICT, the exercise price per share of stock shall be at least 110% of the Fair Market Value per share of stock on the trading day immediately preceding the date of grant. The exercise price of each share of stock purchasable under any option other than an Incentive Stock Option shall not be less than 100% of the Fair Market Value of such share of stock on the trading day immediately preceding the date the option is granted; provided, however, and notwithstanding any future amendment to the minimum exercise price of a nonqualified stock option, that if an option granted to MICT's principal executive officer or to any of MICT's other three most highly compensated officers (other than the principal executive officer and the principal financial officer) was intended to qualify as performance-based compensation under Section 162(m) of the Code, the exercise price of such option shall not be less than 100% of the Fair Market Value of such share of stock on the trading day immediately preceding the date the option is granted. The exercise price for each option shall be subject to adjustment as provided in the 2012 Incentive Plan. In no event shall the exercise price of a share of stock be less than the minimum price permitted under the applicable rules and policies of any national securities exchange on which the shares of stock are listed. Notwithstanding the foregoing, provisions of the 2012 Incentive Plan related to the performance-based compensation exception to the limitation on MICT's tax deductions imposed by Section 162(m) of the Code shall not apply to awards made on or after the effective date of the amendment to the 2012 Incentive Plan, but may apply to prior awards.

"Fair Market Value" means the closing price of publicly traded shares of stock on the principal securities exchange, including the Nasdaq Stock Market, on which shares of stock are listed (if the shares of stock are so listed), or, if not so listed, the mean between the closing bid and asked prices of publicly traded shares of stock in the over-the-counter market, or, if such bid and asked prices shall not be available, as reported by any nationally recognized quotation service selected by MICT, or as determined by MICT's Compensation Committee in a manner consistent with the provisions of the Code.

### **Option Term**

The term of each option shall be fixed by MICT's Compensation Committee, but no Option shall be exercisable more than ten years after the date such option is granted and in the case of an Incentive Stock Option granted to an optionee who, at the time such Incentive Stock Option is granted, owns (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of MICT, no such Incentive Stock Option shall be exercisable more than five years after the date such Incentive Stock Option is granted.

### **Exercisability**

2012 Options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by MICT's Compensation Committee at the time of grant and subject to all applicable laws and regulations.

### **Non-Transferability of 2012 Options**

Unless determined otherwise by MICT's Compensation Committee, 2012 Awards granted under the 2012 Incentive Plan generally are not transferable other than by will or by the laws of descent or distribution, and all rights with respect to a 2012 Award granted to a participant generally will be available during a participant's lifetime only to the participant.

## **Change in Control**

Upon the occurrence of a Change in Control (as defined in the 2012 Incentive Plan), MICT's Compensation Committee may accelerate the vesting or exercisability of outstanding 2012 Award, in whole or in part, as determined by MICT's Compensation Committee in its sole discretion. In its sole discretion, MICT's Compensation Committee may also determine that, upon the occurrence of a Change in Control, each outstanding 2012 Option shall terminate within a specified number of days after notice to the grantee thereunder, and each such grantee shall receive, with respect to each share of Company stock subject to such 2012 Option, an amount equal to the excess of the Fair Market Value of such shares upon such Change in Control over the exercise price per share of such 2012 Option; such amount shall be payable in cash, in one or more kinds of property (including the property, if any, payable in the transaction) or a combination thereof, as MICT's Compensation Committee shall determine in its sole discretion.

Upon the occurrence of a Change in Control other than a liquidation or dissolution of MICT, the repurchase and other rights of MICT with respect to outstanding Restricted Stock shall inure to the benefit of MICT's successor and shall, unless MICT's Compensation Committee determines otherwise, apply to the cash, securities or other property that the Common Stock was converted into or exchanged for pursuant to such Change in Control in the same manner and to the same extent as they applied to the Restricted Stock; provided, however, that MICT's Compensation Committee may provide for termination or deemed satisfaction of repurchase or other rights under the agreement evidencing any Restricted Stock or any other agreement between a participant and MICT, either initially or by amendment. Upon the occurrence of a Change in Control involving the liquidation or dissolution of MICT, except to the extent specifically provided to the contrary in the instrument evidencing any Restricted Stock or any other agreement between a participant and MICT, all restrictions and conditions on all Restricted Stock then outstanding shall automatically be deemed terminated or satisfied.

## **Amendment, Suspensions and Termination of the Plan**

The MICT Board may amend or terminate the 2012 Incentive Plan at any time, subject to any requirement of stockholder approval required by applicable law, rule or regulation, including, without limitation, Nasdaq rules and regulations. No amendment or termination of the 2012 Incentive Plan will impair the rights of any participant without the participant's consent, unless required by applicable law, legislation, regulation or rule. Under Section 422(b)(2) of the Code, no Incentive Stock Option may be granted under the 2012 Incentive Plan more than ten years from the date the 2012 Incentive Plan was amended and restated or the date such amendment and restatement was approved by our stockholders, whichever is earlier.

## **Federal Tax Aspects**

The following summarizes the U.S. federal income tax consequences that generally will arise with respect to 2012 Awards granted under the 2012 Incentive Plan. This summary is based on the tax laws in effect as of the date of this proxy statement. This summary assumes that all 2012 Awards granted under the 2012 Incentive Plan are exempt from, or comply with, the rules under Section 409A of the Code related to nonqualified deferred compensation. Changes to these laws could alter the tax consequences described below. This discussion is not intended to be a complete discussion of all of the federal income tax consequences of the 2012 Incentive Plan or of all of the requirements that must be met in order to qualify for the tax treatment described herein. In addition, because tax consequences may vary, and certain exceptions to the general rules discussed herein may be applicable, depending upon the personal circumstances of individual holders of securities, each participant should consider his personal situation and consult with his own tax advisor with respect to the specific tax consequences applicable to him. No information is provided as to state tax laws.

*Incentive Stock Options.* A participant will not have income upon the grant of an Incentive Stock Option. Also, except as described below, a participant will not have income upon exercise of an Incentive Stock Option if the participant has been employed by MICT at all times beginning with the option grant date and ending three months before the date the participant exercises the option. If the participant has not been so employed during that time, then the participant will be taxed as described below under “Nonstatutory Stock Options.” The exercise of an Incentive Stock Option may subject the participant to the alternative minimum tax.

A participant will have income upon the sale of the stock acquired under an Incentive Stock Option at a profit (if sales proceeds exceed the exercise price). The type of income will depend on when the participant sells the stock. If a participant sells the stock more than two years after the option was granted and more than one year after the option was exercised, then, if sold at a profit, all of the profit will be long-term capital gain or, if sold at a loss, all of the loss will be long-term capital loss. If a participant sells the stock prior to satisfying these waiting periods, then the participant will have engaged in a disqualifying disposition and the participant will have ordinary income equal to the difference between the exercise price and the fair market value of the underlying stock at the time the option was exercised. Depending on the circumstances of the disqualifying disposition, the participant may then be able to report any difference between the fair market value of the underlying stock at the time of exercise and the disposition price as gain or loss, as the case may be.

*Nonstatutory Stock Options.* A participant will not have income upon the grant of a nonstatutory stock option. A participant will have compensation income upon the exercise of a nonstatutory stock option equal to the value of the stock on the day the participant exercised the option less the exercise price. Upon sale of the stock, the participant will have capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the day the option was exercised. This capital gain or loss will be long-term if the participant has held the stock for more than one year and otherwise will be short-term.

*Restricted Stock.* Generally, restricted stock is not taxable to a participant at the time of grant, but instead is included in ordinary income (at its then fair market value) and subject to withholding when the restrictions lapse. A participant may elect to recognize income at the time of grant, in which case the fair market value of the stock at the time of grant is included in ordinary income and subject to withholding and there is no further income recognition when the restrictions lapse.

*Other Stock-Based Awards.* The tax consequences associated with other 2012 stock-based Awards granted under the 2012 Incentive Plan will vary depending on the specific terms of such 2012 Award. Among the relevant factors are whether or not the 2012 Award has a readily ascertainable fair market value, whether or not the 2012 Award is subject to forfeiture provisions or restrictions on transfer, the nature of the property to be received by the participant under the 2012 Award and the participant’s holding period and tax basis for the 2012 Award or underlying stock.



*Tax Consequences to MICT.* There will be no tax consequences to MICT except that MICT will be entitled to a deduction when a participant has compensation income. Any such deduction will be subject to the limitations of Section 162(m) of the Code.

**Summary of the 2014 MICT Stock Incentive Plan (the “2014 Stock Incentive Plan”)**

The material features of the 2014 Incentive Plan are described below. This summary does not purport to be a complete description of all of the provisions of the 2014 Incentive Plan, and is qualified in its entirety by reference to the full text of the 2014 Incentive Plan.

## **Purpose of the Plan**

This 2014 Incentive Plan is intended to provide incentives (a) to the directors, officers and employees of MICT, by providing such directors, officers and employees with opportunities to purchase stock in MICT pursuant to options granted thereunder (“2014 Options”), (b) to directors, officers, employees, consultants and advisors of MICT by providing them with opportunities to receive awards of stock in MICT whether such stock awards are in the form of bonus shares, deferred stock awards, or performance share awards (“2014 Awards”); and (c) to directors, officers, employees, consultants and advisors of MICT by providing them with opportunities to make direct purchases of restricted stock in MICT (“Restricted Stock”).

## **Administration of the Plan**

The 2014 Incentive Plan shall be administered by the Board. The Board may appoint a Compensation Committee (the “Compensation Committee”) of two or more of its members to administer the 2014 Incentive Plan and to grant stock incentives thereunder, provided such Compensation Committee is delegated such powers in accordance with applicable law.

Subject to the terms of the 2014 Incentive Plan, MICT’s Compensation Committee shall have the authority to: (i) determine the employees, officers and directors of MICT to whom stock incentives may be granted; (ii) determine the time or times at which 2014 Options, 2014 Awards or Restricted Stock may be granted or authorizations to make direct purchases of restricted stock in MICT (“Restricted Stock Purchases”) may be made; (iii) determine the exercise price of shares subject to each Option, and the purchase price of shares subject to each Restricted Stock purchase; (iv) determine the time or times when or what conditions must be satisfied before each Option shall become exercisable and the duration of the exercise period; (v) determine whether restrictions such as transfer restrictions, repurchase 2014 Options and “drag along” rights and rights of first refusal are to be imposed on shares subject to 2014 Options, 2014 Awards and Restricted Stock Purchases and the nature of such restrictions, if any; (vi) impose such other terms and conditions with respect to capital stock issued pursuant to Stock Rights (as hereinafter defined) not inconsistent with the terms of the 2014 Incentive Plan as it deems necessary or desirable; and (viii) interpret the 2014 Incentive Plan and prescribe and rescind rules and regulations relating to it.

The interpretation and construction by MICT’s Compensation Committee of any provisions of the 2014 Incentive Plan or of any stock incentives granted under it shall be final unless otherwise determined by the Board. MICT’s Compensation Committee may from time to time adopt such rules and regulations for carrying out the 2014 Incentive Plan as it may deem best. No member of the Board or MICT’s Compensation Committee shall be liable for any action or determination made in good faith with respect to the 2014 Incentive Plan or any stock incentives granted under it.

MICT's Compensation Committee shall have authority to adopt special rules and sub-plans, and forms of agreements thereunder, for participants in foreign jurisdictions provided that those sub-plans and agreements do not contravene the provisions of the 2014 Incentive Plan.

### **Scope of the Plan**

The total number of shares of stock reserved and available for grant and issuance pursuant to the 2014 Incentive Plan will be 202,775. In addition, if shares of stock are subject to a 2014 Award that terminates without such shares of stock being issued, then such shares of stock will again be available for grant and issuance under this plan. Should any Option expire or be canceled prior to its exercise in full or should the number of shares of stock to be delivered upon the exercise in full of an Option be reduced for any reason, the shares of stock theretofore subject to such Option may be subject to future 2014 Options under the 2014 Incentive Plan, except where such reissuance is inconsistent with the provisions of Section 162(m) of the Code.

In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, or other change in corporate structure affecting our stock, MICT's Compensation Committee shall make an appropriate and equitable adjustment in the number and kind of shares reserved for issuance under the 2014 Incentive Plan and in the number and exercise price of shares subject to outstanding 2014 Options granted thereunder, to the end that after such event each optionee's proportionate interest shall be maintained as immediately before the occurrence of such event. The adjustments described above will be made only to the extent consistent with continued qualification of the Option under Section 422 of the Code (in the case of an Incentive Option, as defined below) and Section 409A of the Code (in the case of grantees potentially subject to Section 409A of the Code).

### **Eligibility**

2014 Options, 2014 Awards and authorizations to make Restricted Stock Purchases, may be granted to any employee, officer or director (whether or not also an employee) of or consultant or advisor to MICT. MICT's Compensation Committee may take into consideration a recipient's individual circumstances in determining whether to grant 2014 Options, 2014 Awards or Restricted Stock (2014 Options, 2014 Awards and Restricted Stock are referred to collectively, as "Stock Rights"). Granting a Stock Right to any individual or entity shall neither entitle that individual or entity to, nor disqualify him or her from, participation in any other grant of Stock Rights. MICT intends to file a registration statement on Form S-8 relating to the 2014 Incentive Plan, the shares issuable upon exercise of 2014 Options granted thereunder and the shares underlying any other 2014 Award or Restricted Stock thereunder.

### **Terms and Conditions of 2014 Options**

#### **Option Duration**

Subject to earlier termination as provided under the 2014 Incentive Plan, each 2014 Option shall have such duration as may be specified by MICT's Compensation Committee and set forth in the original stock option agreement granting such Option, but not more than ten years from the date of grant, but subject in any event to extension as determined by MICT's Compensation Committee (in compliance with applicable tax rules, if any).

#### **Exercise of 2014 Options**

Subject to certain provisions of the 2014 Incentive Plan, each 2014 Option granted under the 2014 Incentive Plan shall be exercisable as follows: (a) Vesting: Subject to provisions of the 2014 Incentive Plan with respect to Incentive

Options and as set forth under the paragraph titled "Administration of the Plan" above, MICT's Compensation Committee shall determine the time or times when or what conditions must be satisfied before each Option shall become exercisable and the duration of the exercise period. MICT's Compensation Committee may also specify such other conditions precedent as it deems appropriate to the exercise of a 2014 Option; (b) Full Vesting of Installments: Once an installment becomes exercisable it shall remain exercisable until expiration or termination of the Option, unless otherwise specified by MICT's Compensation Committee; (c) Partial Exercise: Each Option or installment may be exercised at any time or from time to time, in whole or in part, for up to the total number of shares with respect to which it is then exercisable, provided that MICT's Compensation Committee may specify a certain minimum number or percentage of the shares issuable upon exercise of any Option that must be purchased upon any exercise; and (d) Acceleration of Vesting: MICT's Compensation Committee shall have the right to accelerate the date of exercise of any installment of any Option, regardless of whether such acceleration will create adverse tax consequences to the optionee.

### **Granting of Stock Rights**

Stock Rights may be granted under the 2014 Incentive Plan at any time on or after September 30, 2014 and prior to September 30, 2024. The date of grant of a Stock Right under the 2014 Incentive Plan will be the date specified by MICT's Compensation Committee at the time it grants the Stock Right or such date that is specified in the instrument or agreement evidencing such Stock Right.

### **Assignability**

Unless determined otherwise by MICT's Compensation Committee, any Stock Right granted under the 2014 Incentive Plan generally is not transferable other than by will or by the laws of descent or distribution, and all rights with respect to an award granted to a participant generally will be available during a participant's lifetime only to the participant.

### **Acquisitions and Change in Control**

Upon the occurrence of an Acquisition (as defined in the 2014 Incentive Plan), MICT's Compensation Committee or the Board shall (i) provide that the entity that survives the Acquisition or purchases or leases MICT's assets in the Acquisition or any affiliate of such entity (the "Surviving Entity") shall assume the 2014 Options granted pursuant to the 2014 Incentive Plan or substitute options to purchase securities of the Surviving Entity on an equitable basis (as further described in the 2014 Incentive Plan), (ii) upon written notice to the optionees, provide that all 2014 Options will become exercisable in full subject to the consummation of the Acquisition as of a specified time prior to the Acquisition and will terminate immediately prior to the consummation of such Acquisition or within a specified period of time after the Acquisition, and will not be exercisable after such termination, or (iii) in the event of an Acquisition under the terms of which holders of Common Stock will receive upon consummation thereof an amount of cash, securities and/or other property for each share of Common Stock surrendered pursuant to such Acquisition (the amount of cash plus the fair market value reasonably determined by MICT's Compensation Committee of any securities and/or other property received by holders of Common Stock in exchange for each share of Common Stock shall be the "Acquisition Price"), provide that all outstanding 2014 Options shall terminate upon consummation of such Acquisition and that each optionee shall receive, in exchange for all vested shares of Common Stock under such Option on the date of the Acquisition, a payment in cash or in kind having a fair market value reasonably determined by MICT's Compensation Committee or the board of directors of the Surviving Entity equal to the amount (if any) by which (A) the Acquisition Price multiplied by the number of such vested shares of Common Stock exceeds (B) the aggregate exercise price of such shares. If MICT's Compensation Committee chooses under clause (iii) in the preceding sentence that all outstanding 2014 Options shall terminate upon consummation of an Acquisition and that each optionee shall receive a payment for the optionee's vested shares, with respect to any optionee whose stock option agreement specifies that no shares are vested until the first anniversary of the commencement of the optionee's employment, if the consummation of the Acquisition occurs prior to such first anniversary, then the number of vested

shares under such Option shall be deemed to be equal to the product of (x) the number of shares of stock subject to the Option that otherwise would vest on the first anniversary and (y) the quotient obtained by dividing the number of days the optionee was employed by MICT, by 365.

If a Change in Control Event (as defined in the 2014 Incentive Plan) occurs, and either (a) does not also constitute an Acquisition or (b) does constitute an Acquisition and clause (i) of the preceding paragraph is elected, and the optionee's employment with MICT, the related corporation or the Surviving Entity is terminated on or prior to the six month anniversary of the date of the consummation of such Change in Control Event either by the optionee for Good Reason (as defined in the 2014 Incentive Plan), or by MICT, the related corporation or the Surviving Entity for reason(s) other than Misconduct (as defined in the 2014 Incentive Plan), then all of the 2014 Options, or the equivalent to such 2014 Options in the form of assumed or substituted options granted in the Surviving Entity, that but for such termination and such Change in Control Event would vest on or prior to the next following annual anniversary of the grant date thereafter shall become immediately exercisable in full and any repurchase provisions applicable to Common Stock issued upon exercise thereof shall lapse; provided, however, that in particular stock option agreements issued pursuant to the 2014 Incentive Plan, the Board may provide that the 2014 Options or assumed or substituted options covered by such agreement shall become immediately exercisable upon the consummation of such Change in Control Event without regard to termination of employment, and that any repurchase provisions applicable to Common Stock issued upon exercise thereof shall lapse.

#### **Amendment, Suspensions and Termination of the Plan**

The Board may amend or terminate the 2014 Incentive Plan at any time, subject to any requirement of stockholder approval required by applicable law, rule or regulation, including, without limitation, Nasdaq rules and regulations. No amendment or termination of the 2014 Incentive Plan will impair the rights of any participant without the participant's consent, unless required by applicable law, legislation, regulation or rule.

#### **Material Differences between 2014 Incentive Plan and 2012 Incentive Plan**

MICT currently maintains both the 2014 Incentive Plan and the 2012 Incentive Plan (as hereinafter defined). The 2014 Incentive Plan permits the issuance of 2014 Options, as well as stock (2014) Awards and the opportunity for directors, officers, employees, consultants and advisors of MICT to make direct purchases of Restricted Stock. Alternatively, the 2012 Incentive Plan does not currently permit the grant or purchase of Restricted Stock, though Proposal No. 4 seeks to amend the 2012 Incentive Plan to permit grants of Restricted Stock. In addition, the 2012 Incentive Plan also permits issuances of 2012 Awards (as hereinafter defined) pursuant to Section 102 of the Israeli Income Tax Ordinance, which the 2014 Incentive Plan does not. We intend to continue to issue awards under both the 2014 Incentive Plan (2014 Awards) and the 2012 Incentive Plan (2012 Awards, as hereinafter defined).

#### **Federal Tax Aspects**



The following summarizes the U.S. federal income tax consequences that generally will arise with respect to 2014 Awards granted under the 2014 Incentive Plan. This summary is based on the tax laws in effect as of the date of this proxy statement. This summary assumes that all 2014 Awards granted under the 2014 Incentive Plan are exempt from, or comply with, the rules under Section 409A of the Code related to nonqualified deferred compensation. Changes to these laws could alter the tax consequences described below. This discussion is not intended to be a complete discussion of all of the federal income tax consequences of the 2014 Incentive Plan or of all of the requirements that must be met in order to qualify for the tax treatment described herein. In addition, because tax consequences may vary, and certain exceptions to the general rules discussed herein may be applicable, depending upon the personal circumstances of individual holders of securities, each participant should consider his personal situation and consult with his own tax advisor with respect to the specific tax consequences applicable to him. No information is provided as to state tax laws.

*Incentive Stock Options.* A participant will not have income upon the grant of an incentive stock option (an “Incentive Option”). Also, except as described below, a participant will not have income upon exercise of an Incentive Option if the participant has been employed by MICT at all times beginning with the option grant date and ending three months before the date the participant exercises the option. If the participant has not been so employed during that time, then the participant will be taxed as described below under “Nonstatutory Stock Options.” The exercise of an Incentive Option may subject the participant to the alternative minimum tax.

A participant will have income upon the sale of the stock acquired under an Incentive Option at a profit (if sales proceeds exceed the exercise price). The type of income will depend on when the participant sells the stock. If a participant sells the stock more than two years after the option was granted and more than one year after the option was exercised, then, if sold at a profit, all of the profit will be long-term capital gain or, if sold at a loss, all of the loss will be long-term capital loss. If a participant sells the stock prior to satisfying these waiting periods, then the participant will have engaged in a disqualifying disposition and the participant will have ordinary income equal to the difference between the exercise price and the fair market value of the underlying stock at the time the option was exercised. Depending on the circumstances of the disqualifying disposition, the participant may then be able to report any difference between the fair market value of the underlying stock at the time of exercise and the disposition price as gain or loss, as the case may be.

*Nonstatutory Stock Options.* A participant will not have income upon the grant of a nonstatutory stock option. A participant will have compensation income upon the exercise of a nonstatutory stock option equal to the value of the stock on the day the participant exercised the option less the exercise price. Upon sale of the stock, the participant will have capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the day the option was exercised. This capital gain or loss will be long-term if the participant has held the stock for more than one year and otherwise will be short-term.

*Restricted Stock.* Generally, restricted stock is not taxable to a participant at the time of grant, but instead is included in ordinary income (at its then fair market value) and subject to withholding when the restrictions lapse. A participant may elect to recognize income at the time of grant, in which case the fair market value of the Common Stock at the time of grant is included in ordinary income and subject to withholding and there is no further income recognition when the restrictions lapse.

*Other Stock-Based Awards.* The tax consequences associated with other 2014 stock-based Awards granted under the 2014 Incentive Plan will vary depending on the specific terms of such Award. Among the relevant factors are whether or not the award has a readily ascertainable fair market value, whether or not the Award is subject to forfeiture provisions or restrictions on transfer, the nature of the property to be received by the participant under the Award and the participant's holding period and tax basis for the award or underlying Common Stock.

*Tax Consequences to MICT.* There will be no tax consequences to MICT except that MICT will be entitled to a deduction when a participant has compensation income. Any such deduction will be subject to the limitations of Section 162(m) of the Code.

DIRECTORS, EXECUTIVE OFFICERS, EXECUTIVE COMPENSATION AND CORPORATE GOVERNANCE  
OF GFH

Currently, Mark Hanson and Darren Mercer are the directors of GFH.

The current boards and management of each of BNN and ParagonEx are finalizing the composition of the post-Business Combination board of directors and management team of GFH, which shall be included in an amendment to this proxy statement/prospectus. Such officers and directors shall meet the corporate governance requirements as set forth under the rules of regulations of Nasdaq.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION (MD&A) OF MICT

*The following discussion and analysis contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other Federal securities laws, and is subject to the safe-harbor created by such Act and laws. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “expect,” “intend,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential” or “continue,” the negative of such terms, or other variations thereon or comparable terminology. The statements herein and their implications are merely predictions and therefore inherently subject to known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, performance levels of activity, or our achievements, or industry results to be materially different from those contemplated by the forward-looking statements. Such forward-looking statements include, but are not limited to, statements regarding the following: demand for MICT's products as well as future growth, either through internal efforts, development of new products, potential segments and markets or through acquisitions; levels of research and development costs in the future; continuing control of at least a majority of MICT share capital; the organic and non-organic growth of our business; plans for new MICT products and services; our financing needs and our ability to continue to raise capital; MICT's ability to implement its streamlining of its production activity and its ability to raise additional capital; financing strategies; use of proceeds from any future financing, if any; the sufficiency of our capital resources; and the proposed transaction with BNN Technology PLC.*

*MICT's business and operations are subject to substantial risks, which increase the uncertainty inherent in the forward-looking statements contained or implied in this report. Except as required by law, MICT assume no obligation to update these forward-looking statements to reflect actual results or changes in factors or assumptions affecting such forward-looking statements. Further information on potential factors that could affect MICT's business is described under the heading “Risk Factors” in Part I, Item 1A of MICT's Annual Report on Form 10-K for the fiscal year ended December 31, 2017. Readers are also urged to carefully review and consider the various disclosures MICT has made in that report. The following discussion and analysis should be read in conjunction with MICT's Consolidated Financial Statements and related notes included elsewhere in this prospectus/proxy statement.*

**Overview**

MICT, Inc. (formerly named Micronet Enertec Technologies, Inc.), is a U.S.-based Delaware corporation, formed on January 31, 2002. On March 14, 2013, it changed its name from Lapis Technologies, Inc. to Micronet Enertec Technologies, Inc. and on July 13, 2018, it changed its name from Micronet Enertec Technologies, Inc. to MICT, Inc.

MICT currently operates through its Israel-based company, Micronet Ltd., MICT own or controls 49.89% of the shares of common stock of Micronet outstanding as of the date hereof and David Lucatz, the CEO of MICT, owns or

controls 0.18% of the shares of common stock of Micronet outstanding as of the date hereof. Micronet is a publicly traded company on the Tel Aviv Stock Exchange and operates in the growing commercial Mobile Resource Management, or MRM, market.

Micronet, through both its Israeli and U.S. operational offices, designs, develops, manufactures and sells rugged mobile computing devices that provide fleet operators and field workforces with computing solutions in challenging work environments. Micronet's vehicle portable tablets increase workforce productivity and enhance corporate efficiency by offering computing power and communication capabilities that provide fleet operators with visibility into vehicle location, fuel usage, speed and mileage, Micronet's products have historically been used in a wide range of MRM industry sectors comprising three major vertical markets (i.e. (1) traditional long haul, (2) local fleets and (3) heavy equipment), including:

- haulage and distribution, which includes short- and long- haul trucking and distribution servicing of urban retail and wholesale needs, such as delivery of packages, parts and similar items;

• public transport, which refers mainly to buses, para-transit, taxis and limousine services;

• construction, which refers to vehicle fleets that are involved in the construction industry such as cement trucks and heavy equipment;

• service industries, which include insurance companies, rental car companies and other companies operating large mobile service force of technicians, installers and similar personnel;

• municipalities, which include waste management and field workers such as public works; and

• public safety services, which includes fire departments, ambulances, police and forestry.

More specifically, Micronet's customers consist primarily of application service providers and solution providers specializing in the MRM market. These companies sell Micronet's products as part of their MRM systems and solutions. Currently, Micronet does not sell directly to end users. Micronet customers are generally MRM solution and service providers and application service providers in the transportation market, including long haul, local fleets' student transportation (yellow busses) and fleet and field management systems for construction and heavy equipment. The United States currently constitutes Micronet's largest market.

Micronet maintains an in-house research and development staff and operates an ISO 9001-2008 certified manufacturing facility. During the past years, with the exception of certain components purchased from subcontractors, Micronet has been manufacturing its products and solutions using its own facilities, capabilities and resources, which enable it to control and manage the manufacturing process. Micronet has begun utilizing overseas manufacturers for its new product offers in combination with its internal manufacturing resources. In addition, and dependent on volume and cost considerations, the company outsources from time to time certain Israeli manufacturing capabilities to qualified third parties.

On June 8, 2017, MICT and MICT Telematics Ltd. entered into the Second Supplemental Agreement with YA II (the "**Second Supplemental Agreement**"), whereby YA II agreed to lend MICT \$600,000 pursuant to an additional secured promissory note. The outstanding principal balance of the additional note bore interest at 7% per annum. The additional note was to mature on December 31, 2018. MICT has agreed to make payments of \$100,000 on September 30, 2018 and \$500,000 on December 31, 2018. The note, along with the other notes held by YA II, was secured by a pledge of shares of MICT owned by MICT Telematics Ltd.

Pursuant to the Second Supplemental Agreement, MICT, MICT Telematics Ltd. and YA II agreed to amend the terms of the June 2016 Note, the October 2016 Note and the December 2016 Note, as follows: (a) the June 2016 Note was amended to (i) extend the maturity date to December 31, 2017 and (ii) amend the repayment schedule owed under such note such that \$150,000 shall be payable by MICT on each of October 10, 2016, May 1, 2017, September 30, 2017 and December 31, 2017 (*provided, however*, that MICT has previously repaid the October 10, 2016 and May 1, 2017 payments), (b), the October 2016 Note was amended to (i) extend the maturity date to March 31, 2018 and (ii) amend the repayment schedule such that on May 1, 2017 MICT shall make a payment of \$150,000 (*provided, however*, that MICT has previously repaid the May 1, 2017 payment), on September 30, 2017 MICT shall make a payment of \$100,000, on December 31, 2017 MICT shall make a payment of \$150,000 and on March 31, 2018 MICT shall make a payment of \$100,000, and (c) the December 2016 Note was amended to (i) extend the maturity date to September 30, 2018 and (ii) amend the repayment schedule such that on March 31, 2018, MICT shall make a payment of \$300,000, on June 30, 2018 MICT shall make a payment of \$400,000 and on September 30, 2018 MICT shall make a payment of \$300,000.

In addition, MICT agreed to amend the exercise price of warrants to purchase 66,000 shares of MICT's common stock issued to YA II on June 30, 2016, with an original exercise price of \$4.30 per share, warrants to purchase 66,000 shares of MICT's common stock issued to YA II on October 28, 2016, with an original exercise price of \$3.00 per share, and warrants to purchase 120,000 shares of MICT's common stock issued to YA II on December 22, 2016, with an original exercise price of \$3.00 per share, to \$2.00 per share. The warrants also provide for demand and piggyback registration rights.

MICT agreed to pay to YA Global II SPV LLC (as designee of YA II) a commitment fee in the amount of \$25,000 and a \$25,000 extension fee in consideration for amending the terms of the June 2016, October 2016 and December 2016 Notes. In addition, MICT agreed to accelerate a commitment fee of \$50,000, payable pursuant to a First Supplemental Agreement dated December 22, 2016, to be paid at the closing of the December 2016 Note.

In connection with the Second Supplemental Agreement and issuance of the additional note, on June 8, 2017, MICT agreed to grant to YA II a five-year warrant to purchase 90,000 shares of MICT's common stock. The warrant is exercisable at an exercise price equal to \$2.00 per share of common stock for cash or on a cashless basis if no registration statement covering the resale of the shares issuable upon exercise of the warrant is available. The warrant also provides for demand and piggyback registration rights.

On August 22, 2017, MICT and MICT Telematics Ltd. executed a Third Supplemental Agreement which supplements the Note Purchase Agreement executed by the parties on October 28, 2016. Pursuant to the Third Supplemental Agreement, MICT borrowed \$1,500,000 from YA II pursuant to the terms of a secured promissory note. The outstanding principal balance of the note bore interest at 7% per annum. The note was to mature on November 22, 2017. On November 19, 2017, MICT and YA II amended the maturity date of the August 2017 Note to February 15, 2018 and provided that MICT may extend such maturity date to January 15, 2019 at its sole discretion. Upon the occurrence of an Event of Default (as defined in the notes), all amounts payable may be due immediately. In addition, if MICT receives any cash proceeds in connection with the sale or proposed sale of any of MICT's holdings in any of MICT's subsidiaries (if and to the extent such transaction is consummated) including without limitation, installment payments or break-up fee payments, MICT is required to pre-pay the outstanding balance of the note as soon as such proceeds are received. The notes are secured by a pledge of shares of Micronet owned by MICT Telematics Ltd.

On March 29, 2018, MICT and MICT Telematics executed and closed on a securities purchase agreement with YA II, whereby MICT issued and sold to YA II (1) certain Series A Convertible Debentures in the aggregate principal amount of \$3.2 million, or the Series A Debentures, and (2) a Series B Convertible Debenture in the principal aggregate amount of \$1.8 million (the "Series B Debenture"). The Series A Debentures were issued in exchange for the cancellation and retirement of the above described promissory notes issued by the Company to YA II on October 28, 2016, December 22, 2016, June 8, 2017 and August 22, 2017, or collectively, the Prior Notes, with a total outstanding aggregate principal amount of \$3.2 million. The Series B Debenture was issued and sold for aggregate gross cash proceeds of \$1.8 million. At the closing of the Transactions contemplated by the securities purchase agreement, MICT agreed to pay YA II, or its designee, a commitment fee of \$90,000, an extension fee of \$50,000 relating to the prior



extension of the secured promissory note issued on August 22, 2017, and \$126,786.74 representing the accrued and unpaid interest on the Prior Notes.

Pursuant to the terms of the securities purchase agreement, MICT agreed not to create, incur or assume any new indebtedness, liens or enter into a variable rate transaction, subject to certain exceptions, until the repayment of the Series B Debenture.

Pursuant to the terms of the Series A Debentures, YA II may elect to convert the required payments due thereunder into MICT's common stock at a fixed conversion price of \$2.00 per share. In addition, MICT may, at its sole discretion, convert a required payment at a conversion price equal to 98.5% of the lowest daily volume weighted average price of MICT's common stock during the ten consecutive trading days immediately preceding a conversion, provided that such price may not be less than \$0.50. In addition, pursuant to a Series A Debentures, MICT agreed to pay YA II \$63,287 representing the remaining unpaid and accrued interest from one of the Prior Notes within 90 days.

Pursuant to the terms of the Series B Debenture, YA II may elect to convert the required payments due thereunder into MICT common stock at a fixed conversion price of \$4.00 per share. In addition, MICT may, at its sole discretion, convert a required payment at a conversion price equal to 98.5% of the lowest daily volume weighted average price during the ten consecutive trading days immediately preceding a conversion, provided that such price may not be less than \$0.50.

Upon a change of control of MICT, YA II may elect to convert the Series A Debentures and Series B Debenture at either the relevant fixed conversion price or the variable conversion price, at its sole discretion. Upon the occurrence of an Event of Default (as defined in the Series A Debentures and the Series B Debenture), all amounts payable may be due immediately and YA II may elect to convert the Series A Debentures and the Series B Debenture at either the relevant fixed conversion price or the variable conversion price, at its sole discretion. The Series A Debentures and Series B Debenture are secured by a pledge of shares of Micronet owned by Enertec Electronics.

In addition, pursuant to the terms of the securities purchase agreement, MICT agreed to issue to YA II a warrant to purchase 500,000 shares of MICT's common stock at a purchase price of \$2.00 per share, a warrant to purchase 200,000 shares of MICT's common stock at a purchase price of \$3.00 per share and a warrant to purchase 112,500 shares of MICT's common stock at a purchase price of \$4.00 per share.

On December 17, 2018, MICT entered into the Yorkville Agreement with YA II PN, Ltd. Pursuant to the Yorkville Agreement, in connection with the Transactions contemplated by the Acquisition Agreement and effective upon the consummation of the Business Combination, the outstanding warrants shall be replaced by certain new warrants (the "Replacement Warrants") exercisable at \$2 per share for a number of ordinary shares of GFH equal to the number of shares underlying the warrants immediately prior to the effectiveness of the Business Combination (subject to adjustment as described therein). Yorkville also agreed that it would not convert the debentures into more than one million shares of MICT's common stock during the period between the execution of the Yorkville Agreement and the earlier to occur of the effectiveness of the Business Combination or the termination of the Acquisition Agreement.

On August 22, 2017, MICT entered into a Standby Equity Distribution Agreement (the "2017 SEDA"), with YA II for the sale of up to \$10 million of shares of MICT's common stock, par value \$0.001 per share, over a three-year commitment period. Under the terms of the 2017 SEDA, MICT may from time to time, in its discretion, sell

newly-issued shares of its common stock to YA II at a discount to market of 1.5%. MICT is not obligated to utilize any of the \$10 million available under the 2017 SEDA and there are no minimum commitments or minimum use penalties. The total amount of funds that ultimately can be raised under the 2017 SEDA over the three-year term will depend on the market price for MICT's common stock and the number of shares actually sold. YA II is obligated under the SEDA to purchase shares of MICT's common stock from MICT subject to certain conditions including, but not limited to MICT filing a registration statement with the SEC to register the resale by YA II of shares of common stock sold to YA II under the 2017 SEDA and the SEC declaring such registration statement effective. The 2017 SEDA does not impose any restrictions on MICT's operating activities. During the term of the 2017 SEDA, YA II is prohibited from engaging in any short selling or hedging transactions related to MICT's common stock. To date, MICT has not sold any shares under the 2017 SEDA. On May 8, 2018, MICT and YA II mutually agreed to terminate the 2017 SEDA. As a result of the termination of the 2017 SEDA, MICT's obligation to pay any and all of the remaining Commitment Fee owed under the 2017 SEDA was terminated as well. MICT did not conduct any sales pursuant to the 2017 SEDA prior to its termination.

On November 22, 2017, MICT entered into a Securities Purchase Agreement with an affiliate of YA II, for the sale of 555,556 shares of MICT's common stock at a purchase price per share of \$0.90 in a registered direct offering for total gross proceeds of \$500,000. The shares were offered and sold by MICT pursuant to shelf registration statement on Form S-3 (File No. 333-219596). The net proceeds to MICT from the offering, after deducting fees and expenses, were \$495,000.

On February 22, 2018, MICT entered into a Securities Purchase Agreement with D-Beta One EQ, Ltd., an existing stockholder and an affiliate of YA II, an existing lender, stockholder and warrant-holder of MICT and with which MICT has entered into the 2017 SEDA, for the sale of 456,308 shares of MICT Common Stock at a purchase price per share of \$1.05 in a registered direct offering for total gross proceeds of approximately \$479,123. The shares were offered and sold by MICT pursuant to MICT shelf registration statement on Form S-3 (File No. 333-219596). The net proceeds to MICT from the offering, after deducting fees and expenses, were approximately \$474,123.

On December 30, 2015, MICT entered into a Loan Agreement, or the Meydan Loan, with Meydan, pursuant to which Meydan agreed to loan MICT \$750,000 on certain terms and conditions. The proceeds of the Meydan Loan were used by us for working capital and general corporate needs. The Meydan Loan bore interest at the rate of Libor plus 8% per annum and was due and payable in 4 equal installments beginning on July 10, 2016. The Meydan Loan was fully paid in March 2018.

On June 17, 2014, MICT Telematics (former Enertec Electronics) entered into a loan agreement, or the Mercantile Loan Agreement, with Mercantile Discount Bank Ltd., or Mercantile Bank, pursuant to which Mercantile Bank agreed to loan MICT approximately \$3,631,000 on certain terms and conditions, or the Mercantile Loan. The proceeds of the Mercantile Loan were used by the Company: (1) to refinance previous loans granted to MICT in the amount of approximately \$1,333,000; (2) to complete the purchase by MICT, via MICT Telematics, of 1.2 million shares of Micronet constituting 6.3% of the issued and outstanding shares of Micronet; and (3) for working capital and general corporate purposes.

Pursuant to the terms of the Mercantile Loan Agreement: (1) approximately \$3,050,000 of the Mercantile Loan bears interest at a quarterly adjustable rate of Israeli Prime, or Prime, plus 2.45%, or the Mercantile Long Term Portion, and (2) approximately \$581,000 of the Mercantile Loan bears interest at a quarterly adjustable rate of Prime plus 1.7%, or the Mercantile Short Term Portion. The Mercantile Long Term Portion is due and payable in five equal consecutive annual installments beginning on July 1, 2015, and the interest on the Mercantile Long Term Portion is due and payable in ten equal consecutive annual installments beginning at January 1, 2015. The Mercantile Short Term Portion in the amount of approximately \$581,000 bears interest of Prime plus 1.7%. The Mercantile Loan is secured mainly by (1) a negative pledge on MICT Telematics's assets, (2) a pledge of MICT Telematics's financial deposits which shall be equal to 25% of Enertec's outstanding credit balance, and (3) a fixed charge of Micronet shares at such value equal to at least 200% of the outstanding net balance of the Mercantile Loan. The Mercantile Loan is subject to customary covenants, terms, conditions, events of default and certain pre-payment provisions. As of December 31, 2017, the balance on the Mercantile Loan was \$1,582,000 and the interest rates were Prime plus 2.45% and Prime plus 1.7% for

the Mercantile Long Term Portion and the Mercantile Short Term Portion, respectively. As of September 30, 2018, the balance on the Mercantile Loan was \$867,000 and the interest rates were Prime plus 2.45% and Prime plus 1.7% for the Mercantile Long Term Portion and the Mercantile Short Term Portion, respectively.

Pursuant to the terms of the Mercantile Loan Agreement, the parties agreed to grant Mercantile Bank a five-year Phantom Stock Option, or the Phantom Stock Option, pursuant to which Mercantile Bank is entitled to participate in the future appreciation of MICT's shares and receive a cash amount equal to the increase in the value of the shares underlying the Phantom Stock Option on certain terms and conditions. The Phantom Stock Option allows Mercantile Bank to theoretically exercise, on a cashless basis, options to purchase 1,144,820 shares of Micronet, or the Option Shares, and to receive a cash amount equal to the difference between approximately 4 million NIS, (representing 110 percent of the average market value of Micronet Option Shares during the 30 trading days prior to the date of the Mercantile Loan) and the actual market price of such Option Shares on the date of the exercise of the Phantom Stock Option. Pursuant to the Mercantile Loan Agreement, the parties further agreed that the potential gain to Mercantile Bank resulting from the Phantom Stock Option shall not exceed NIS 3 million. In the event the Mercantile Loan is repaid prior to the third anniversary of the Mercantile Loan, the gain to Mercantile Bank resulting from the Phantom Stock Option shall not exceed NIS 2 million. As of the date of the Mercantile Loan the exercise price of the Phantom Stock Options is higher than the market price of the Option Shares. As of December 31, 2017, the fair value of this Phantom Stock Option was less than \$11,000. As of September 30, 2018, the fair value of this Phantom Stock Option was \$0.

### **Non-GAAP Financial Measures**

In addition to providing financial measurements based on generally accepted accounting principles in the United States of America, or GAAP, we provide additional financial metrics that are not prepared in accordance with GAAP, or non-GAAP financial measures. Management uses non-GAAP financial measures, in addition to GAAP financial measures, to understand and compare operating results across accounting periods, for financial and operational decision making, for planning and forecasting purposes and to evaluate our financial performance.

Management believes that these non-GAAP financial measures reflect our ongoing business in a manner that allows for meaningful comparisons and analysis of trends in our business, as they exclude expenses and gains that are not reflective of our ongoing operating results. Management also believes that these non-GAAP financial measures provide useful information to investors in understanding and evaluating our operating results and future prospects in the same manner as management and in comparing financial results across accounting periods and to those of peer companies.

The non-GAAP financial measures do not replace the presentation of our GAAP financial results and should only be used as a supplement to, not as a substitute for, our financial results presented in accordance with GAAP.

The non-GAAP adjustments, and the basis for excluding them from non-GAAP financial measures, are outlined below:

**Amortization of acquired intangible assets** - We are required to amortize the intangible assets, included in our GAAP financial statements, related to the through the acquisition of Beijer. The amount of an acquisition's purchase price allocated to intangible assets and term of its related amortization are unique to these transactions. The amortization of acquired intangible assets are non-cash charges. We believe that such changes do not reflect our operational performance. Therefore, we exclude amortization of acquired intangible assets to provide investors with a consistent basis for comparing pre-and post-transaction operating results.

**Amortization of note discount** - These expenses are non-cash and are related to amortization of discount of the note purchase agreements with YA II PN, or YA II. Such expenses do not reflect our on-going operations.

**Stock-based compensation** - This is stock-based awards granted to certain individuals. They are non-cash and affected by our historical stock prices which are irrelevant to forward-looking analyses and are not necessarily linked to our operational performance.

The following table reconciles, for the periods presented, GAAP net loss attributable to Micronet Enertec to non-GAAP net loss attributable to Micronet Enertec and GAAP loss per diluted share attributable to Micronet Enertec to non-GAAP net income per diluted share attributable to Micronet Enertec:

	Year ended December 31, (Dollars in Thousands, other than share and per share amounts)	
	2017	2016
GAAP net loss from continued operation	\$ (5,060 )	\$ (6,262 )
Amortization of acquired intangible assets	504	582
Stock-based compensation and shares issued to service providers	102	294
Amortization of note discount	158	(24 )
Income tax-effect of above non-GAAP adjustments	(3 )	(6 )
Total Non-GAAP net loss from continued operation	\$ (4,299 )	\$ (5,416 )
Non-GAAP net loss per diluted share from continued operation	\$ (0.60 )	\$ (0.91 )
Shares used in per share calculations	7,128,655	5,966,622
GAAP basic and diluted loss per share from discontinued operation	\$ (0.68 )	\$ (0.21 )
GAAP basic and diluted loss per share from continued operation	(0.70 )	(0.76 )

The following table reconciles, for the periods presented, GAAP net loss from continued operation attributable to MICT, Inc. to non-GAAP net loss attributable to MICT, Inc.:

	Nine months ended September 30, (Dollars in thousands, other than share and per share amounts)	
	2018	2017
GAAP net loss from continued operation	\$ (6,610 )	\$ (4,104 )
GAAP net loss attributable to non-controlling interests	(1,726 )	(1,604 )
GAAP net loss attributable to MICT, Inc. from continued	\$ (4,884 )	\$ (2,500 )



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operation				
Amortization of acquired intangible assets	325		384	
Stock-based compensation and shares issued to service providers	617		74	
Income tax-effect of above non-GAAP adjustments	-		(3	)
Total Non-GAAP net loss attributable to MICT, Inc.	\$ (3,942	)	\$ (2,045	)
Non-GAAP net loss per share attributable to MICT, Inc.	(0.43	)	(0.30	)
continued operation				
Shares used in per share calculations	9,107,034		6,778,300	
GAAP net loss per share attributable to MICT, Inc. continued operation	(0.54	)	(0.37	)
Shares used in per share calculations	9,107,034		6,778,300	

Three months ended  
September 30,  
(Dollars in thousands,  
other than share and  
per share amounts)

	2018		2017	
GAAP net loss from continued operation	\$ (4,178	)	\$ (943	)
GAAP net loss attributable to non-controlling interests	(1,542	)	(257	)
GAAP net (loss attributable to MICT, Inc. continued operation	\$ (2,636	)	\$ (686	)
Amortization of acquired intangible assets	107		134	
Stock-based compensation and shares issued to service providers	498		22	

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Income tax-effect of above non-GAAP adjustments	-	-
Total Non-GAAP net loss attributable to MICT, Inc.	\$ (2,031 )	\$ (530 )
Non-GAAP net loss per share attributable to MICT, Inc. continued operation	(0.22 )	(0.07 )
Shares used in per share calculations	9,342,115	7,213,294
GAAP net loss per share attributable to MICT, Inc. continued operation	(0.28 )	(0.09 )
Shares used in per share calculations	9,342,115	7,213,294

## **Results of Operations**

### **Year Ended December 31, 2017 Compared to Year Ended December 31, 2016 Revenues**

MICT's revenues for the year ended December 31, 2017 were \$18,366,000 as compared to \$13,284,000 for the year ended December 31, 2016. These revenues represent an increase of \$5,082,000, or 38%, in MICT's revenues for the year 2017. The increase in revenues is primarily due to an increase in Micronet revenues as a result of an increase in customer orders related to Micronet's new SmartHub product line.

Gross profit increased by \$1,645,000, or 63%, to \$4,272,000 for the year ended December 31, 2017. This is in comparison to gross profit of \$2,627,000 for the year ended December 31, 2016. Gross profit as a percentage of sales was 23% for the year ended December 31, 2017 compared to 20% for the year ended December 31, 2016. This increase is mainly due to an increase in the volume of units sold relating to Micronet's new product line.

### **Selling and Marketing**

Selling and marketing costs are part of operating expenses. Selling and marketing costs for the year ended December 31, 2017 were \$1,883,000, as compared to \$1,352,000 for the year ended December 31, 2016. This represents an increase of \$531,000, or 39%, for the year 2017. The increase is primarily due to an increase in sales commissions as a result of the increase in revenues and increases in salaries of sales and marketing employees as a result of increased marketing efforts in North America and Europe.

### **General and Administrative**

General and administrative costs are part of operating expenses. General and administrative costs for the year ended December 31, 2017 were \$4,116,000 as compared to \$4,535,000 for the year ended December 31, 2016. This represents a decrease of \$419,000, or 9%, for the year ended December 31, 2017. The decrease is mainly due to cost saving measures undertaken by Micronet and MICT, as well as decreases in consultant and professional expenses.

### **Research and Development**

Research and development costs are part of operating expenses. Research and development costs, which mainly include wages, materials and sub-contractors, for the year ended December 31, 2017, were \$1,964,000 compared to \$1,802,000 for the year ended December 31, 2016. This represents an increase of \$162,000, or 9%, for the year ended December 31, 2017. The increase is mainly attributed to an increase in payroll costs.

### **Net Loss from operations**

Our net loss from operations for the year ended December 31, 2017 was \$4,669,000, or 25% as a percentage of sales, compared to an operating loss of \$5,988,000, or 45% as a percentage of sales, for the year ended December 31, 2016. The decrease in net loss is mainly a result of the increase in revenues and in gross margins.

### **Financial Expenses, net**

Financial expenses net, for the year ended December 31, 2017 were \$401,000 compared to \$319,000, for the year ended December 31, 2016. This represents an increase of \$82,000, or 26%, for the year ended December 31, 2017. The increase in financial expenses in the year ended December 31, 2017 as compared to the year ended December 31, 2016 was primarily due to an increase in exchange rate differentials.

### **Net Loss attributed to MICT from continued operation**

MICT's net loss attributable to MICT from continued operation was \$5,060,000, or 28% as a percentage of sales, in the year ended December 31, 2017, compared to net loss attributable to MICT from continued operation of \$6,262,000, or 47% as a percentage of sales, in the year ended December 31, 2016. This represents a decrease in net loss of \$1,202,000, or 19%, as compared with the year ended December 31, 2016. The change is mainly a result of the increase in revenues and the changes in gross profit and operating expenses as described above.

### **Discontinued operation**

As a result of the sale of MICT holdings in Enertec systems 2001 Ltd (former subsidiary) to Coolisys, MICT has classified Enertec's assets and liabilities as held for sale and the results of operations in the statement of operations and prior periods' results have been reclassified as discontinued operation. MICT Telematics's net loss decreased from \$1,738,000 for the nine months ended September 30, 2017, to a net profit of \$4,894,000 for the five months ended May 22, 2018 (the net loss for the five months ended May 22, 2018 was partially offset by the \$6,844,000 capital gain realized from such sale, resulting in a net profit of \$4,894,000).

### **Three and Nine Months Ended September 30, 2018 Compared to Three and Nine Months Ended September 30, 2017**

Revenues for the three and nine months ended September 30, 2018 were \$2,216,000 and \$12,897,000, respectively, compared to \$5,473,000 and \$11,937,000 for the three and nine months ended September 30, 2017, respectively. This represents a decrease of \$3,257,000 and increase of \$960,000, or 59% and 8%, for the three and nine months ended September 30, 2018, respectively. The decrease in revenues for the three months ended September 30, 2018 is primarily due to a decrease in customer orders, and their value, a trend that has continued throughout the current fiscal year. MICT is experiencing a significant decline in the rate at which it receives new orders, against the background of a record volume of orders recorded by MICT at the end of 2017, which contributed to the high revenues in the first half of 2018. The decrease in orders received this year has had a significant effect on the low revenues recorded in the third quarter of 2018. The reasons for the decrease in the volume of the orders are the delay in the launch of our fourth generation products, high levels of inventory among MICT's customers and increased competition in the market for MICT's products.

Gross profit for the three and nine months ended September 30, 2018 decreased by \$1,450,000 and increased by \$657,000, respectively, to \$54,000 and \$3,308,000, and represents 2% and 26% of the revenues. This is in comparison to gross profit of \$1,504,000 and \$2,651,000, representing 27% and 22% of the revenues for the three and nine

months ended September 30, 2017, respectively. The decrease in gross margin for the three months ended September 30, 2018, is mainly a result of the decrease in revenues and slow inventory reduction. The increase in gross margin for the nine months ended September 30, 2018, is mainly a result of the increase in revenues and cost savings as a result of certain efficiency initiatives and cost reductions.

### **Selling and Marketing**

Selling and marketing costs are part of operating expenses. Selling and marketing costs for the three and nine months ended September 30, 2018 were \$383,000 and \$1,217,000, respectively, compared to \$480,000 and \$1,330,000 for the three and nine months ended September 30, 2017, respectively. This represents a decrease of \$97,000 and \$113,000, or 20% and 8%, for the three and nine months ended September 30, 2018 respectively. The decreases are mainly due to decreased commission expenses resulting from the revenue decrease described above.

### **General and Administrative**

General and administrative costs are part of operating expenses. General and administrative costs for the three and nine months ended September 30, 2018 were \$2,544,000 and \$5,070,000, respectively, compared to \$1,033,000 and \$3,077,000 for the three and nine months ended September 30, 2017, respectively. This represents an increase of \$1,511,000 and \$1,993,000, or 146% and 65%, for the three months and nine months ended September 30, 2018, respectively. The increases are mainly a result of (i) increases in expenses related to Enertec's sale, including professional expenses and bonuses paid to our Chief Executive Officer and certain consultants, (ii) options and shares granted to employees and directors and (iii) the existence of doubtful debt in the amount of \$1,341,000.

### **Research and Development Costs**

Research and development costs are part of operating expenses. Research and development costs, which mainly include wages, materials and sub-contractors, for the three and nine months ended September 30, 2018, were \$425,000 and \$1,457,000, respectively, compared to \$526,000 and \$1,430,000 for the three and nine months ended September 30, 2017, respectively. This represents a decrease of \$101,000 and an increase of \$27,000, or 19% and 2%, for the three and nine months ended September 30, 2018, respectively. The increase in research and development costs for the three months ended September 30, 2018, is primarily a result of the change in the exchange rate of NIS to the U.S. dollar.

### **Loss from Operations**

Our loss from operations for the three and nine months ended September 30, 2018 was \$3,512,000 and \$5,088,000, respectively, or 158% and 40% of revenues, compared to loss from operations of \$802,000 and \$3,923,000, respectively, or 15% and 33% of revenues, for the three and nine months ended September 30, 2017, respectively. The decreases for the three and nine months ended September 30, 2018 are mainly a result of the decrease in revenues described above.

### **Financial Expenses, net**

Financial expenses, net for the three and nine months ended September 30, 2018 were \$104,000 and \$956,000, respectively, compared to expenses of \$134,000 and \$177,000 for the three and nine months ended September 30, 2017, respectively. This represents a decrease of \$30,000 and an increase of \$779,000, for the three and nine months ended September 30, 2018, respectively. The increase in financial expenses for the nine months ended September 30, 2018, is primarily due to changes in currency exchange rates and interest for the YA II loans.

### **Net Profit/Loss Attributed to MICT, Inc.**

Our net loss attributed to MICT, Inc. for the three and nine months ended September 30, 2018 was \$2,636,000 and net profit of \$10,000 for the nine months ended September 30, 2018, respectively, compared to a net loss of \$1,295,000 and \$4,238,000 for the three and nine months ended September 30, 2017, respectively. This represents an increase in net loss of \$1,341,000 for the three months ended September 30, 2018 and an increase in net profit of \$4,248,000 for the nine months ended September 30, 2018, as compared to the same periods last year. The increase in net profit for

the nine months ended September 30, 2018 is primarily attributable to the Closing of the sale of all of Enertec's outstanding equity to Coolisys pursuant to the terms of the Share Purchase Agreement. The increase in net loss for the three months ended September 30, 2018 is primarily to the decrease in revenue.

### **Discontinued Operation**

As a result of the proposed sale of our Enertec subsidiary to Coolisys, we classified Enertec's assets and liabilities as held for sale and the results of operations in the statement of operations and prior periods' results have been reclassified as a discontinued operation. Enertec's net loss decreased from \$1,738,000 for the nine months ended September 30, 2017, to a net profit of \$4,894,000 for the five months ended May 22, 2018. The net loss for the five months ended May 22, 2018 was partially offset by the \$6,844,000 capital gain realized from such sale, resulting in a net profit of \$4,894,000.

### **Liquidity and Capital Resources**

MICT finances its operations through current revenues, loans and securities offerings. The loans are divided into bank loans and loans from YA II, as described above and below.

As of September 30, 2018, MICT's total cash and cash equivalents and restricted cash balance was \$2,537,000, as compared to \$2,398,000 as of December 31, 2017. This reflects an increase of \$139,000 in cash and cash equivalents and restricted cash. The increase in cash and cash equivalents is primarily a result of the sale of Enertec to Coolisys, partially offset by the repayment of certain loans. For the year ended December 31, 2017, MICT's total cash and cash equivalents and restricted cash and marketable securities balance was \$2,398,000 (of which none were marketable securities), as compared to \$4,111,000 (of which marketable securities amounted to \$2,978,000) for the year ended December 31, 2016. This reflects a decrease of \$1,713,000 in cash and cash equivalents and restricted cash and marketable securities. The decrease in cash and cash equivalents is primarily a result of loan repayments.

For the year ended December 31, 2017, MICT's net cash used in operating activities was \$4,073,000, as compared to \$4,615,000 for the year ended December 31, 2016. The change in operating activities is primarily a result of increase in accounts receivable and inventories.

For the year ended December 31, 2017, MICT's net cash provided by investing activities was \$3,171,000, as compared to \$2,605,000 for the year ended December 31, 2016. The change in investing activities is primarily a result of the sale of marketable securities.





For the year ended December 31, 2017, MICT's net cash used in financing activities was \$2,387,000, as compared to \$481,000 for the year ended December 31, 2016. The change in financing activities is primarily a result of bank loan repayments.

For the year ended December 31, 2017, MICT's net cash used in discontinued operating activities was \$1,367,000, as compared to net cash provided by discontinued operating activities \$1,228,000 for the year ended December 31, 2016. The change is mainly a result of the increase of net loss and decrease in trade accounts receivable.

For the year ended December 31, 2017, MICT's net cash provided by discontinued investing activities was \$43,000, as compared to net cash used in discontinued investing activities of \$574,000 for the year ended December 31, 2016. The change is mainly a result of the increase in restricted cash.

For the year ended December 31, 2017, MICT's net cash provided by discontinued financing activities was \$1,427,000 as compared to net cash used discontinued financing activities of \$723,000 for the year ended December 31, 2016. The change is mainly a result of an increase in a short term bank loan.

As disclosed in MICT'S condensed consolidated financial statements included herein, Micronet anticipates that it will be required to obtain additional financing during the coming year due to an increase in cash flow needs on the one hand, and the utilization of most of its existing financing resources on the other. The reason for the increase in cash needs is a significant decrease in sales in the third quarter of 2018 and a lower sales forecast than in previous years. Micronet estimates that the reason for the decline in the income forecast is due to a number of factors, including a decrease in the rate of sales of Micronet's customers to end customers, delays in the launch of the new generation of products and a decrease in demand due to delays in the implementation of the Electronic Logging mandate. These factors are expected to generate a cash flow deficit of approximately NIS 1,500,000 for Micronet for the next 12 months.

On the other hand, in order to cope with the decline in the timing and volume of sales, Micronet is implementing a process of streamlining its production activity, increasing the sources and amounts of credit from banks, and contemplating the sale of certain of its real estate assets. In addition, Micronet is examining additional options for raising capital in the public and private markets. In addition, on November 19, 2018, MICT agreed to extend financial backing to Micronet of up to \$250,000 in the aggregate and MICT's Chief Executive Officer, David Lucatz, through D.L. Capital, an entity in his control, agreed to extend financial backing to Micronet of up to \$150,000 in the event Micronet is unable to find alternate sources of financing. It is Micronet's estimation, that the activities mentioned above shall enable Micronet to finance the cash flow deficit as mentioned above for the next 12 months.

On December 31, 2017, MICT, MICT Management Ltd. (then, Enertec Management Ltd.) and MICT's previously wholly owned subsidiary, Enertec Systems 2001 Ltd., entered into a Share Purchase Agreement with Coolisys, a subsidiary of DPW, pursuant to which ON May 22, 2018 MICT sold the entire share capital of Enertec to Coolisys. At the Closing, MICT received aggregate gross proceeds of \$4,772,521, of which 10% will be held in escrow for up to 14 months after the Closing to satisfy certain potential indemnification claims. The final consideration amount was adjusted, pursuant to the terms of the Share Purchase Agreement, as a result of adjustments relating to certain Enertec's debts and certain intercompany account at the Closing. In addition, Coolisys also assumed approximately \$4,288,439 of Enertec's debt.

In conjunction with, and as a condition to, the closing of the Share Purchase Agreement, MICT, Enertec, Coolisys, DPW and Mr. David Lucatz, MICT's Chief Executive Officer, executed a consulting agreement, or the Consulting Agreement, whereby MICT, via Mr. Lucatz, will provide Enertec with certain consulting and transitional services over a 3 year period as necessary and requested by the Coolisys (but in no event to exceed 20% of Mr. Lucatz's time). Coolisys (via Enertec) will pay MICT an annual consulting fee of \$150,000 as well as issue MICT 150,000 restricted shares of DPW Class A common stock, or the DPW Equity, for such services, to be vested and released from restriction in three equal installments, with the initial installment vesting the day after the closing and the remaining installments vesting on each of the first 2 anniversaries of the closing. In the event of a change of control in MICT, or if Mr. Lucatz shall no longer be employed by MICT, the rights and obligations under the Consulting Agreement shall be assigned to Mr. Lucatz along with the DPW Equity.

In March 2018, Micronet entered into a credit line agreement, or the Mizrahi-Tefahot Loan Agreement, with Mizrahi-Tefahot Bank for borrowings of up to a total of \$1,400,000 at a rate of Prime plus 1.9%. As of September 30, 2018, the balance on this credit line was \$855,000. MICT may cancel the Mizrahi-Tefahot Loan Agreement with an advance notice of 14 days. This credit arrangement was obtained to support Micronet's working capital.

On July 10, 2018, Micronet received a loan from Mizrahi-Tefahot Bank in the amount of NIS 5 million, in accordance with a financing agreement dated March 25, 2018. The loan will bear annual interest at a rate of Prime plus 2.5%. The loan has a term of 36 months and will be repaid in twelve quarterly installments payable from October 10, 2018 to July 11, 2021.

As of September 30, 2018, our total current assets were \$10,371,000, as compared to \$25,308,000 at December 31, 2017. The decrease is mainly due to the Closing of the sale of all of Enertec's outstanding equity to Coolisys pursuant to the terms of the Share Purchase Agreement.

Our trade accounts receivable at September 30, 2018 were \$2,945,000 as compared to \$5,183,000 at December 31, 2017. The decrease is primarily due to the decrease in revenues and to a provision for doubtful debt in Micronet.

As of September 30, 2018, our working capital was \$3,253,000, as compared to \$3,062,000 at December 31, 2017. The decrease in the working capital is primarily due to the decrease in trade accounts receivables and a decrease in other accounts receivables.

As of September 30, 2018, our total debt, excluding any debt associated with our discontinued operation, was \$6,165,000 as compared to \$5,168,000 at December 31, 2017. The increase in total debt is primarily due to Micronet's additional loans from Mizrahi-Tefahot Bank.

Our bank and other debt is composed of short-term loans amounting to \$4,077,000 as of September 30, 2018 compared to \$3,789,000 at December 31, 2017, and long-term loans amounting to \$2,088,000 as of September 30, 2018 compared to \$1,379,000 at December 31, 2017.

MICT's current debt as of September 30, 2018 includes the bank debt of MICT's subsidiaries as described above and loans from YA II:

Our bank debt is composed of short-term loans to MICT Telematics and Micronet amounting to \$2,225,000 as of September 30, 2018 compared to \$1,582,000, as of December 31, 2017. These short-term loans bear interest at rates between Prime (currently 1.60%) plus 1.9% to 2.5%. The bank loans have maturity dates between October 2018 and July 2021 and bear interest at a rate of Prime plus 2.5%.

MICT Telematics has covenanted under its bank loan that MICT will present separate financial statements equity of not less than 32.5% of total assets. Certain restricted cash is used as collateral to secure the loan.

As described above, on March 29, 2018, MICT and MICT Telematics executed and closed on a securities purchase agreement with YA II, whereby MICT issued and sold to YA II (1) the Series A Convertible Debentures in the aggregate principal aggregate amount of \$3,200,000 and (2) the Series B Convertible Debenture in the principal aggregate amount of \$1,800,000.

In March 2018, Micronet entered into the Mizrahi-Tefahot Loan Agreement with Mizrahi-Tefahot Bank for borrowings of up to a total of NIS 5,000,000. In addition, in July 2018, Micronet received a loan from Mizrahi-Tefahot Bank in the amount of NIS 5,000,000. Pursuant to these borrowing arrangements, Micronet has covenanted that it will present separate financial statements reflecting: (A) annual EBITDA shall be not less than \$750,000; (B) the ratio of customer debt to financial credit (credit utilized by Micronet under each agreement with Mizrahi-Tefahot Bank for the deduction of bank guarantees) shall not be less than 1:1 on the basis of a report; (C) the ratio of inventory to financial credit shall not be less than 1:1 on the basis of a semi-annual report; and (D) the tangible shareholders' equity shall not be less than NIS 15,000,000 (or approximately \$4,286,000) and not less 35% of the total balance sheet deducted on the basis of the Micronet's semi-annual reports. As of September 30, 2018, Micronet has met these covenants.

### **Financing Needs**

Although we currently do not have any material commitments for capital expenditures, we expect a need for additional capital as we continue to support our subsidiary and the growth of our business. Among other activities, we may be required to continue to support our subsidiary, which may include plans to develop, manufacture and market larger-scale MRM solutions, support its growing MRM manufacturing and finance needs, continue the development and testing of MRM suite of products and systems, and increase management, marketing, and administration infrastructure. Our future liquidity and capital funding requirements will depend on numerous factors, including but not limited to (1) the amount of financial support we will provide our subsidiary and (2) the capital needed for any additional acquisitions we might conduct.

As disclosed in our condensed consolidated financial statements included herein, Micronet anticipates that it will be required to obtain additional financing during the coming year due to an increase in cash flow needs on the one hand, and the utilization of most of its existing financing resources on the other. In order to cope with the decline in the timing and volume of sales, Micronet is taking steps to implement certain efficiency measures, particularly in its production activity, increasing the sources and amounts of credit from banks, and contemplating the sale of certain of its real estate assets. In addition, Micronet is examining additional options for raising capital in the public and private markets. In addition, on November 19, 2018, MICT agreed to extend financial backing to Micronet of up to \$250,000 in the aggregate and D.L. Capital, a company controlled by our Chief Executive Officer, Mr. Lucatz, agreed to extend financial backing of up to \$150,000 to Micronet in the event Micronet is unable to find alternate sources of financing. Micronet's estimation, the activities mentioned above are expected to enable Micronet to continue its operations in the normal course of business for the next 12 months.

On May 22, 2018, MICT, through its wholly owned subsidiary, Enertec Management Ltd., conducted the Closing of all of the outstanding equity of its wholly owned subsidiary Enertec, pursuant to the terms of the previously reported Share Purchase Agreement. At the Closing, MICT received aggregate gross proceeds of approximately \$4.7 million, of which 10% will be held in escrow for up to 14 months after the Closing to satisfy certain potential indemnification claims. The final consideration amount was adjusted, pursuant to the terms of the Share Purchase Agreement, as a result of adjustments relating to certain Enertec's debts at the Closing. In addition, Coolisys also assumed approximately \$4.0 million of Enertec's debt.

MICT filed a Form S-3 registration statement (File No. 333-219596), under the Securities Act of 1933, as amended, with the SEC using a “shelf” registration process, which was declared effective on November 8, 2017. Under this shelf registration process, MICT may, from time to time, sell common stock, warrants or units in one or more offerings up to a total dollar amount of \$30 million. To date, we have sold approximately \$1,000,000 of our securities pursuant to our existing shelf registration statement.

On August 22, 2017, we entered into the 2017 SEDA for the sale of up to \$10 million of shares of MICT’s common stock over a two-year commitment period. On May 9, 2018, we agreed to terminate the 2017 SEDA.

Based on our current business plan and existing loans, we anticipate that our existing cash balances and cash generated from future income will be sufficient to permit us to conduct our operations and carry out our contemplated business plans for at least the next 9 months from the date of this prospectus/proxy statement. We believe that we may need to raise additional funds if we want to materially grow our current business decrease our dependence on our existing cash and other liquidity resources. Currently, the only main external sources of liquidity are our banks, and the YA II loans, and we therefore may seek additional financing from them or through securities offerings in the next 12 months. We intend to use such funds in order to sustain or expand our operations, refinance our various debts, develop new products, enhance existing products or respond to competitive pressures. However, we may also undertake additional debt or conduct equity financings (including sales of common stock, warrants or units under our shelf registration statement) to better enable us to support or grow and meet our future operating and capital requirements. There is no assurance that we will be able to consummate such offerings on favorable terms or at all. Further, there is no assurance that we will be able to borrow additional funds on favorable terms or at all.

### **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect that is material to investors on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.



## **OPERATING AND FINANCIAL REVIEW AND PROSPECTS OF PARAGONEX**

*The following discussion and analysis of the results of operations and financial condition of ParagonEx Ltd. and subsidiaries as of June 30, 2018 and for the six months ended June 30, 2018 and 2017 and as of December 31, 2017 and 2016 and for the years then ended should be read in conjunction with our financial statements and the notes to those financial statements that are included elsewhere in this proxy statement/prospectus under “Notes to Financial Statements”. References in this “Operating and Financial Review and Prospects” to “us,” “we,” “our” and similar terms refer to ParagonEx Ltd. This Operating and Financial Review and Prospects contains forward-looking statements as that term is defined in the federal securities laws. The events described in forward-looking statements contained in this Operating and Financial Review and Prospects may not occur. Generally, these statements relate to business plans or strategies, projected or anticipated benefits or other consequences of our plans or strategies, projected or anticipated benefits from acquisitions to be made by us, or projections involving anticipated revenues, earnings or other aspects of our operating results. The words “estimate,” “project,” “believe,” “intend,” “anticipate,” “expect,” “target,” “plan,” “may” and their opposites and similar expressions, are intended to identify forward-looking statements. We caution you that these statements are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond our control, which may influence the accuracy of the statements and the projections upon which the statements are based. Reference is made to “Risk Factors” beginning on page 54 of this proxy statement/prospectus for a discussion of some of the uncertainties and risks associated with these statements.*

*The financial information and related discussion and analysis contained in this section are presented in U.S. dollars, rounded to the nearest thousand (‘000) for convenience of presentation.*

### **Overview**

ParagonEx Ltd. (“ParagonEx”), was incorporated in the British Virgin Islands and commenced its operations on February 12, 2008. The Company has located its headquarters in the Isle of Man.

ParagonEx and its subsidiaries (the “ParagonEx Group”) are engaged in the development, production, and marketing of an advanced trading platform for the online trading industry. The ParagonEx Group receives and transmits trades from companies in the online trading industry for execution on the ParagonEx Group’s electronic trading platform. The ParagonEx Group also provides sales and support services for - companies in the online trading industry.

The material subsidiaries of the ParagonEx Group, which are all 100% owned, are as follows:

- Hexagon Technologies Ltd., located in Israel
- Toyga Media Ltd., located in Israel
- Toyga Online Ltd., located in Israel
- Urom Support Srl (formerly LPH Marketing Srl), located in Romania
- ParagonEx UK Ltd., located in UK
- PX Exchange Ltd., located in Belize
- Tianjin Fu Yi Marketing Management Consulting Co. Ltd., located in China
- NGJ Limited, located in the Isle of Man
- UPL Marketing Sp z.o.o., located in Poland.
- Capi tech LLC, located in Ukraine.

## Recent Developments

On December 18, 2018, ParagonEx entered into a merger transaction (the “Merger”) with Brookfield Interactive (Hong Kong) Limited (“BI China”), a Hong Kong company and a wholly owned subsidiary of BNN Technology Plc. This combination will create a company with a strong business-to-business (“B2B”) technology platform and operational know-how that will enable the new company Global Fintech Holdings Ltd. or (“GFH”) to present a leading global multifaceted platform for trading in digital assets. ParagonEx’s and BI China’s assets and technology are complementary, and potentially will enable GFH to monetize BI China’s opportunities within China as well as expedite the growth plan of ParagonEx. The goal is to integrate ParagonEx’s and BI China’s technology platforms and capitalize on BI China’s market relationships via public market platform, with access to the capital markets to become a leading technology provider for the online lottery, sports content, and other gaming verticals with a unique position in the Chinese market.

## Consolidated Results of Operations

The following table sets forth ParagonEx’s consolidated results of operations for the periods shown:

### Summary Financial Data

	For the Six Months Ended		For the Years Ended	
	June 30, 2018	2017	December 31, 2017	2016
	\$'000	\$'000	\$'000	\$'000
Total Revenue	\$ 31,950	\$ 33,479	\$ 62,130	\$ 69,507
Operating Expenses:				
Research and development	(1,828 )	(2,741 )	(5,208 )	(7,899 )
Sales and marketing	(15,577 )	(13,502 )	(29,275 )	(37,420 )
General and administrative	(5,392 )	(4,425 )	(9,181 )	(7,233 )
Total Operating Expenses	(22,798 )	(20,668 )	(43,664 )	(52,552 )
Operating Profit	9,152	12,811	18,466	16,955
Financial expenses, net	(274 )	(68 )	(152 )	(153 )
Net foreign exchange gains	4	18	185	(148 )
Profit Before Taxes on Income	8,882	12,761	18,500	16,654
Taxes on Income	(541 )	(632 )	(179 )	(683 )
Profit for the Period	8,341	12,129	18,321	15,971
Remeasurements of post-employment obligations	-	-	(161 )	(100 )

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Currency translation difference	(423	)	269	447	109
Total Comprehensive Income for the Period	\$ 7,918		\$ 12,398	\$ 18,607	\$ 15,980

**Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017**

***Revenue***

Total revenue was \$31,950 for the six months ended June 30, 2018 compared to \$33,479 during the six months ended June 30, 2017, a decrease of \$1,529, or 5%. This decrease was attributable to fewer marketing services being provided during the 2018 period. This was effected by higher rebates being passed to the customer. Rebates (commission paid base on trading volume to clients and set-off from the income) were also higher during the 2018 period as a result of increase of trade volumes.

### ***Research and Development***

Total research and development expenses were \$1,828 for the six months ended June 30, 2018 compared to \$2,741 during the six months ended June 30, 2017, a decrease of \$913, or 33%. This decrease was attributable to a cost reduction plan that was implemented during May 2018.

### ***Sales and Marketing***

Total sales and marketing expenses were \$15,577 for the six months ended June 30, 2018 compared to \$13,502 during the six months ended June 30, 2017, an increase of \$2,075, or 15%. This increase was due to higher sales employee costs which was a result of higher bonuses in the first quarter of 2018 and reduction plan costs at May 2018 which included high severance pay and short notice payments.

### ***General and Administrative***

Total general and administrative expenses were \$5,392 for the six months ended June 30, 2018 compared to \$4,425 during the six months ended June 30, 2017, an increase of \$967, or 22%. This increase was due to higher management costs in the first quarter of 2018.

### ***Financial Expenses***

Financial expenses were \$274 for the six months ended June 30, 2018 compared to \$68 during the six months ended June 30, 2017, an increase of \$206, or 303%. This increase was due to increased bank fees during the six months ended June 30, 2018.

### ***Net Income***

Net income for the six months ended June 30, 2018 decreased by \$3,788, or 31%, to \$8,341 as compared to \$12,129 for the six months ended June 30, 2017. The decrease was primarily attributable to an increase in sales and marketing

expenses of \$2,075 and general and administrative expenses of \$967.

## **Year Ended December 31, 2017 Compared to the Year Ended December 31, 2016**

### ***Revenue***

Total revenue was \$62,130 for the year ended December 31, 2017 compared to \$69,507 during the year ended December 31, 2016, a decrease of \$7,377, or 11%. This decrease was attributable to fewer marketing services being provided during the 2017 period. This was effected by higher rebates being passed to the customer. Rebates (commission paid base on trading volume to clients and set-off from the income) were also higher during the 2017 period as a result of increase of trade volumes.

### ***Research and Development***

Total research and development expenses were \$5,208 for the year ended December 31, 2017 compared to \$7,899 during the year ended December 31, 2016, a decrease of \$2,691, or 34%. This decrease was attributable to the capitalization of certain development costs during the 2017 period.

### ***Sales and Marketing***

Total sales and marketing expenses were \$29,275 for the year ended December 31, 2017 compared to \$37,420 during the year ended December 31, 2016, a decrease of \$8,145, or 22%. The decrease was due to the cessation of the provision of certain marketing services, as a result of the disposal of part of the business in August 2016.

***General and Administrative***

Total general and administrative expenses were \$9,181 for the year ended December 31, 2017 compared to \$7,233 during the year ended December 31, 2016, an increase of \$1,948, or 27%. This increase was due to higher legal and consulting expenses in 2017 along with the increase of rented areas by ParagonEx.

***Financial Income (Expense)***

Total financial expense was \$152 for the year ended December 31, 2017 compared to an expense of \$153 during the year ended December 31, 2016, a decrease of \$1. This decrease was primarily driven by fluctuations in exchange rates.

***Net Income***

Net income for the year ended December 31, 2017 increased by \$2,350, or 15%, to \$18,321 as compared to \$15,971 for the year ended December 31, 2016. The increase was primarily attributable to a decrease in sales and marketing expense of \$8,145 and research and development expense of \$2,691.

**Financial Resources and Liquidity**

***Financial Resources***

We manage liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. We have no undrawn borrowing facilities at our disposal, and all financial assets and liabilities are due within one year.

Based upon our cash, working capital (comprising of current assets less current liabilities) and stockholders' equity of \$7,131, \$27,569 and \$38,566, respectively, as of June 30, 2018, we believe we have adequate cash and working capital to support the operations for the next twelve months from the date of this registration statement. We have

evaluated the forecast cashflow and working capital of the ParagonEx Group for the next 24 months and have further sensitized the forecast model to take into consideration potential risks in the business. In the event that we are unable to mitigate the risks and therefore face a reduced level of cash, we would seek to raise short term funds to maintain headroom at a reasonable level.

### *Cash Flows*

The following table sets forth ParagonEx's consolidated cash flows for the periods presented:

	For the Six Months Ended		For the Years Ended	
	June 30, 2018	2017	2017	2016
	\$'000	\$'000	\$'000	\$'000
Cash from operating activities	\$ 1,178	\$ 11,664	\$ 16,598	\$ 15,630
Cash used in investing activities	(2,763 )	(3,175 )	(6,014 )	(1,967 )
Cash used in financing activities	(274 )	(6,034 )	(12,105 )	(12,119 )
Net change in cash and equivalents	(1,859 )	2,456	(1,521 )	1,543
Cash and cash equivalents at beginning of period	9,897	10,949	10,949	9,420
Exchange rate differences in cash and cash equivalents	(906 )	516	468	(14 )
Cash and cash equivalents at end of period	\$ 7,131	\$ 13,921	\$ 9,897	\$ 10,949



*Cash Flows from Operating Activities*

For the six months ended June 30, 2018 and 2017, we generated cash of \$1,178 and \$11,664, respectively, in operations. Our cash from operating activities for the six months ended June 30, 2018 was primarily attributable to our net income of \$9,153, adjusted by net non-cash expense in the aggregate amount of \$1,685, and partially offset by \$9,491 of net cash used in changes in the levels of operating assets and liabilities and \$169 of cash paid for income taxes. Our cash from operating activities for the six months ended June 30, 2017 was primarily attributable to our net income of \$ 12,812 adjusted for net non-cash expenses in the aggregate amount of \$829, partially offset by \$1,522 of net cash used in changes in the levels of operating assets and liabilities and \$455 of cash paid for income taxes.

For the years ended December 31, 2017 and 2016, we generated cash of \$16,598 and \$15,630, respectively, in operations. Our cash used for the year ended December 31, 2017 was primarily attributable to our net income of \$18,466, adjusted by net non-cash expense in the aggregate amount of \$1,673, and partially offset by \$ 2,608 of net cash used in changes in the levels of operating assets and liabilities and \$933 of cash paid for income taxes. Our cash used for the year ended December 31, 2016 was primarily attributable to our net income of \$16,956, adjusted for net non-cash expenses in the aggregate amount of \$1,578, partially offset by \$2,408 of net cash provided by changes in the levels of operating assets and liabilities and \$496 of cash paid for income taxes.

*Cash Flows Used in Investing Activities*

During the six months ended June 30, 2018, cash used in investing activities was \$2,763, which was used to purchase intangible and fixed assets. Net cash used in investing activities was \$3,175 during the six months ended June 30, 2017, which was used to purchase intangible and fixed assets.

During the years ended December 31, 2017, cash used in investing activities was \$6,014, of which \$5,821 was used to purchase intangible and fixed assets and \$193 related to long term deposits. Net cash used in investing activities was \$1,967 during the year ended December 31, 2016, of which \$1,416 was used to purchase intangible and fixed assets, \$443 was used in the disposal of a subsidiary, and \$108 related to long term deposits.

*Cash Flows Used in Financing Activities*

Net cash used in financing activities during the six months ended June 30, 2018 and 2017 was \$274 and \$6,034, respectively. During the six months ended June 30, 2018, \$274 were related to finance costs. During the six months

ended June 30, 2017, \$68 was related to finance costs \$6,000 was related to dividend payouts to shareholders, offset by \$34 received in connection with the issuances of shares.

Net cash used in financing activities during the year ended December 31, 2017 and 2016 was \$12,105 and 12,119, respectively. During the year ended December 31, 2017, \$127 was related to finance costs and \$12,000 was related to the payment of dividends, offset by the issue of \$22 of ordinary shares related to share base payment. During the year ended December 31, 2016, \$145 was related to finance costs, and \$12,000 related to the payment of dividends offset by the issue of \$26 of ordinary shares related to share base payment.

### **Capital Expenditures**

Capital expenditures were \$2,763 for the six months ended June 30, 2018, compared to (\$3,172) for the six months ended June 30, 2017. Capital expenditures for the six months ended June 30, 2018, and 2017 were primarily related to the development and additional features to various trading platforms and leasehold improvements

Capital expenditures were \$5,821 for the year ended December 31, 2017, compared to \$1,416 for the year ended December 31, 2016. Capital expenditures for the years ended December 31, 2017 and 2016 were primarily related to the development and additional features to various trading platforms and leasehold improvements.

## Contractual Obligations

The following table sets forth the financial payments that ParagonEx will be obligated to make as of December 31, 2017:

As of December 31, 2017	Total \$'000	Less than 1 year \$'000	1-3 years \$'000	3-5 years \$'000	More than 5 years \$'000
Office Lease	3,039	1,046	1,993	-	-
Total contractual obligations	3,039	1,046	1,993	-	-

## Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, financings, or other relationships with unconsolidated entities or other persons, also known as special purpose entities (“SPEs”).

## Quantitative and Qualitative Disclosures about Market Risk

Market risk refers to the potential for adverse changes in the value of a Company’s financial instruments as a result of changes in market conditions. We do not hold financial instruments for trading purposes on a long-term basis. We continually evaluate our exposure to market risk and oversee the establishment of policies, procedures and controls to ensure that market risks are identified and analyzed on an ongoing basis.

### *Credit Risk*

Credit risk is managed on a Group basis. Group management is responsible for managing and analyzing the credit risk for all new clients before standard payment terms and conditions are offered. Credit risk arises from cash and cash equivalents, financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a satisfactory credit minimum rating are accepted. To manage customer default risk, if customers are independently rated, these ratings are used in a similar way. If customers have no independent rating, Group management assesses the credit quality of the customer, considering its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by

management. The utilization of credit limits is regularly monitored.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

*Cash and Cash Equivalents*

Of the Group's cash and cash equivalents, 98.4% (2016: 99.2%) are held in financial institutions rated B or above.

*Trade and Other Receivables*

All trade and other receivables at December 31, 2017 and December 31, 2016 were without external credit rating but categorized by management within their category of "existing counterparties with no past defaults."

No credit limits were exceeded during the reporting period and the directors do not expect any losses from non-performance by counterparties. See note 5 in the audited annual financial statements for ParagonEx included in this proxy statement/prospectus for further disclosure on credit risk in respect of trade and other receivables.

#### *Market Risk*

We are exposed to market risk in connection with our institutional trading activities. Because we act as counterparty to the clients of our institutional customers' transactions, we are exposed to risk on each trade that the market price of our position will decline. Accordingly, accurate and efficient management of our net exposure is a high priority, and as such we have developed both automated and manual policies and procedures to manage our exposure. These risk-management policies and procedures are established and reviewed by our Board of Directors. Our risk-management policies require quantitative analyses by instrument, as well as assessment of a range of market inputs, including trade size, dealing rate, customer margin and market liquidity. Our risk-management procedures require our team of senior traders to monitor risk exposure on a continuous basis and update senior management both informally over the course of the trading day and formally through intraday and end of day reporting. A key component of our approach to managing market risk is that we do not initiate market positions for our own account in anticipation of future movements in the relative prices of products we offer.

#### *Foreign Currency Risk*

Currency risk arises from the possibility that fluctuations in foreign exchange rates will impact the value of our earnings and assets. Entities that have assets and liabilities denominated in currencies other than the primary economic environment in which the entity operates are subject to re-translation. We monitor our exchange rate exposure and may make settlements to reduce our exposure. We do not take proprietary directional market positions.

Virtually all sales and related operating costs are denominated in the currency of the local country and translated into U.S. dollars for consolidated reporting purposes. Although the majority of the assets and liabilities of these subsidiaries are denominated in the functional currency of the subsidiary, they may also hold assets or liabilities denominated in other currencies. These items may give rise to foreign currency transaction gains and losses. As a result, our results of operations and financial position are exposed to changing currency exchange rates. We may consider entering into hedging transactions to mitigate our exposure to foreign currency exchange rates. These hedging transactions may not be successful.

The ParagonEx Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the New Israeli Shekels ("NIS"), the Euro ("EUR"), the British pound ("GBP"), the

Romanian New Lei (“RON”) and Ukrainian hryvnia (“UKR”). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

The table below analyzes the exposure to foreign currencies:

2017

	NIS 000’s	EURO 000’s	GBP 000’s	RON 000’s	UKR 000’s
Monetary assets	2,832	5,367	93	25	26
Monetary liabilities	(5,567)	(4 )	(25 )	(63 )	0
Net	(2,734)	5,363	69	(39 )	27

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At December 31, 2017, if the U.S. dollar had strengthened by 10% against the NIS with all other variables held constant, post-tax profit for the year would have been \$208 higher (2016 - \$65 higher), mainly as a result of foreign exchange losses on translation of NIS-denominated trade receivables and foreign exchange gains on translation of NIS-denominated current liabilities.

At December 31, 2017, if the U.S. dollar had strengthened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been U.S. dollar \$536 lower (2016 – \$164 lower), mainly as a result of foreign exchange gains/losses on translation of Euro-denominated trade receivables and foreign exchange losses on translation of Euro denominated current liabilities.

### *Cash Liquidity Risk*

In normal conditions, our market making business and related services is self-financing as we generate sufficient cash flows to pay our expenses as they become due. As a result, we generally do not face the risk that we will be unable to raise cash quickly enough to meet our payment obligations as they arise. Our cash flows, however, are influenced by customer trading volume, currency volatility and liquidity in markets in which we have positions. These factors are directly impacted by domestic and international market and economic conditions that are beyond our control. In an effort to manage this risk, we have secured a substantial liquidity pool by establishing trading relationships with several financial institutions. These relationships provide us with sufficient access to liquidity to allow us to consistently execute significant trades in varying market conditions at the notional amounts our customers desire by providing us with as much as 100:1 leverage on the notional amounts of our available collateral we have on deposit with such financial institutions.

In addition, our trading operations involve the risk of losses due to the potential failure of our customers to perform their obligations under the transactions we enter into with them, which increases our exposure to cash liquidity risk. To reduce this risk, our margin policy requires that we mark our customers' accounts to market each time the market price of a position in their portfolio changes and provides for automatic liquidation of positions, as described above.

### *Operational Risk*

Our operations are subject to broad and various risks resulting from technological interruptions, failures or capacity constraints in addition to risks involving human error or misconduct. Regarding technological risks, we are heavily dependent on the capacity and reliability of the computer and communications systems supporting our operations. Our computer infrastructure is potentially vulnerable to physical or electronic computer break-ins, viruses and similar disruptive problems and security breaches. We have established a program to monitor our computer systems,

platforms and related technologies and to promptly address issues that arise. We have also established disaster recovery facilities in strategic locations to ensure that we can continue to operate with limited interruptions in the event that our primary systems are damaged. As with our technological systems, we have established policies and procedures designed to monitor and prevent both human errors, such as clerical mistakes or incorrectly placed trades, as well as human misconduct, such as unauthorized trading, fraud or negligence. In addition, we seek to mitigate the impact of any operational issues by maintaining insurance coverage for various contingencies.

## **Critical Accounting Policies and Estimates**

### **Principles of Consolidation**

The Consolidated financial statements include the accounts of ParagonEx and its wholly-owned subsidiaries.



Subsidiaries are all entities (including structured entities) over which ParagonEx has control, being the exposure to or right to variable returns from its involvement with the entity and the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the ParagonEx Group. They are deconsolidated from the date that control ceases. All significant intercompany transactions, balances, gains and losses on transactions between Group companies have been eliminated in consolidation.

### **Use of Estimates**

The consolidated financial statements have been prepared under the historic cost convention and in accordance with International Financial Reporting Standards (“IFRS”) and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in notes 2h, 2p and 2r in the audited annual financial statements for ParagonEx included in this proxy statement/prospectus.

### **New Standards Adopted by the ParagonEx Group**

There are no new international standards, amendments or interpretations that are effective for the first time for the financial year beginning on or after January 1, 2017 that have had a significant effect on the consolidated financial statements of the ParagonEx Group.

### **New Standards Not Yet Adopted**

Several new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2018 and have not been applied in preparing these consolidated financial statements.

#### ***i. IFRS 9 Financial Instruments***

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The ParagonEx Group's financial assets are classified as loans and receivables and the ParagonEx Group does not expect the new guidance to affect the classification and measurement of these financial assets.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under IAS 39. It will apply to the ParagonEx Group's financial assets classified at amortized cost and any contract assets under IFRS 15 Revenue from Contracts with Customers. Based on the assessments undertaken to date, the ParagonEx Group does not expect an increase in the loss allowance for trade receivables.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the ParagonEx Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. The ParagonEx Group will apply the new rules retrospectively from its effective date of January 1, 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

*ii. IFRS 15 Revenue from Contracts with Customers*

IFRS 15 is a new standard for the recognition of revenue, based on the principle that revenue is recognized when control of a good or service transfers to a customer.

Management has assessed the effects of applying the new standard on the Group's financial statements and does not believe that there will be a material impact, other than in relation to the presentation of contract assets and contract liabilities in the balance sheet. IFRS 15 requires separate presentation of contract assets and contract liabilities in the consolidated statement of financial position. This will result in some reclassifications as of January 1, 2018 in relation to accrued revenues and contract liabilities in relation to expected volume discounts and rebates which are currently included in other line items in the consolidated statement of financial position.

*iii. IFRS 16 Leases*

IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The standard will primarily affect the accounting for the ParagonEx Group's operating leases. As at the reporting date, the ParagonEx Group has non-cancellable operating lease commitments of \$3,039, see note 20 in the audited annual financial statements for ParagonEx included in this proxy statement/prospectus. The ParagonEx Group estimates that approximately 10% of these relate to payments for short-term and low value leases which will be recognized on a straight-line basis as an expense in profit or loss.

However, the ParagonEx Group has not yet assessed what other adjustments, if any, are necessary, for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of

extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognized on adoption of the new standard and how this may affect the ParagonEx Group's profit or loss and classification of cash flows going forward.

The standard is mandatory for financial years commencing on or after January 1, 2019. At this stage, the ParagonEx Group does not intend to adopt the standard before its effective date. The ParagonEx Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

#### Functional Currency and Foreign Currency Translation

Items included in the financial statements of each of the ParagonEx Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The currency of the primary economic environment in which the operations of ParagonEx are conducted is the U.S. dollar ("dollar"; "USD"). Thus, the functional currency of the ParagonEx and the presentation currency of the ParagonEx Group is the dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income as 'Net foreign exchange gains/(losses)'. The results and financial position of all the ParagonEx Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income.

### **Research and Development**

Research and development expenses are charged to the income statement as incurred, except (in the case of development expenses) where certain capitalization criteria are met, relating to technical feasibility and generation of future economic benefits.

### **Intangible Assets**

Intangible assets comprise purchased computer software and internally generated software development costs. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the ParagonEx Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
  - there is an ability to use or sell the software product;
  - it can be demonstrated how the software product will generate probable future economic benefits;
  - adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
  - the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognized as an expense as incurred.

Capitalized computer software is stated at historical cost to acquire/develop and bring to use the specific software less amortization. Amortization is computed by the straight-line method over the estimated useful life of the software. The annual rates of amortization are as follows:

	%
Computer software	33
Internally generated software development costs	20

Costs associated with maintaining computer software programmers are recognized as an expense as incurred. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

#### Financial Assets

The ParagonEx Group currently holds financial assets classified as loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The ParagonEx Group's loans and receivables comprise 'long term deposits', 'trade and other receivables' (excluding prepayments and accrued revenue) and 'cash and cash equivalents' in the consolidated statement of financial position.

Regular purchases and sales of financial assets are recognized on the date on which the ParagonEx Group commits to purchase or sell the asset. Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the ParagonEx Group has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

The ParagonEx Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, or default or delinquency in payment. The amount of the loss on loans and receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.



The carrying amount of the ParagonEx Group's financial instruments, including cash equivalents, accounts payable and accrued liabilities approximate their fair value, due to their short maturities.

#### Trade and Other Receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

#### Cash and Cash Equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

The ParagonEx Group considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

#### Trade and Other Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction from the proceeds.

Where any Group company purchases ParagonEx's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the ParagonEx's equity holders.

**Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services supplied, stated net of discounts, rebates and purchase taxes. The cost of customer promotions and bonuses are deducted from revenue. The ParagonEx Group recognizes revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity. Revenues from the ParagonEx Group's services are recognized in the accounting period in which the services are provided, by reference to the stage of completion of the specific transaction and assessed based on the actual service provided as a proportion of the total services to be provided.

## OPERATING AND FINANCIAL REVIEW AND PROSPECTS OF BNN

*The following discussion and analysis of the results of operations and financial condition of BNN Technology Plc. and its subsidiaries as of June 30, 2018 and for the six months ended June 30, 2018 and 2017 and as of December 31, 2017 and 2016 and for the years then ended should be read in conjunction with our financial statements and the notes to those financial statements that are included elsewhere in this proxy statement/prospectus under “Notes to Financial Statements”. References in this “Operating and Financial Review and Prospects” to “us,” “we,” “our” and similar terms refer to BNN Technology Plc. This “Operating and Financial Review and Prospects” contains forward-looking statements as that term is defined in the federal securities laws. The events described in forward-looking statements contained in this “Operating and Financial Review and Prospects” may not occur. Generally these statements relate to business plans or strategies, projected or anticipated benefits or other consequences of our plans or strategies, projected or anticipated benefits from acquisitions to be made by us, or projections involving anticipated revenues, earnings or other aspects of our operating results. The words “estimate,” “project,” “believe,” “intend,” “anticipate,” “expect,” “target,” “plan,” “may” and their opposites and similar expressions, are intended to identify forward-looking statements. We caution you that these statements are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond our control, which may influence the accuracy of the statements and the projections upon which the statements are based. Reference is made to “Risk Factors” beginning on page 54 of this proxy statement/prospectus for a discussion of some of the uncertainties and risks associated with these statements.*

### Overview

We formed BNN Technology Plc. in 2008 as a software solution provider for the Chinese gaming industry. However, following the suspension of online lotteries in China in March 2015, we took a strategic approach to diversify the business into high growth online and mobile markets. BNN Technology Plc. is a technology company that processes high volumes of transactions and delivers content. By leveraging our long-standing relationships with large Chinese e-commerce partners and government bodies at both national and provincial level and utilizing our robust technology platform that has proven its scalability and reliability in lottery fulfilment, we have the capability to deliver mobile content and process transactions for partners ranging from public utility providers to banks. We continue to invest and reinvest in technology, and design and maintenance to ensure its flexibility and capabilities reflect the growing usage of the technology and variety of services it supports.

With the roll out of 4G across China, China’s rapid adoption of mobile payments, and the growth of low-cost smartphones in China, our mission is to enrich the lives of Chinese citizens in partnership with public and private sector organization by enabling more rural and urban communities across the country to access exclusive content and pay for services online. By aligning ourselves with government initiatives, we have created a business model that incorporates the promotion of education. We recognize and understand the importance of education; thus, we strive to provide a one stop-shop for students to find jobs, develop their business ideas and attract funding for those ideas and financial services. The platform that we have created encourages the cultivation of students’ entrepreneurship,

innovation capabilities and practical skills. We are humbled that our recruitment portal, business incubator platform, and financial services platform will assist in supporting one of the key initiatives in China's 13<sup>th</sup> Five-Year plan (2016-2020).

We continue to use our strong relationships with international football (in the United States referred to as "soccer") clubs to develop unique engaging digital content for our mobile partners. Football in China is seeing explosive growth spurred by President Xi Jinping's mission for the country to qualify for, host and win a World Cup. BNN is supporting China in achieving this ambitious goal by bringing world famous football clubs together with grassroots Chinese footballers to foster social participation. We intend to leverage our partnership with FC Barcelona ("FCB"), to deliver FCB content on the sports channel of the Xinhua News application, and to run a series of football camps to train hundreds of young football players, is the latest example of our commitment to China.

During 2017 and the first half of 2018 the group's management evaluated the Xinhua News Mobile App and related business channels in conjunction with the planned future direction of the group. After evaluation management concluded that the Xinhua Mobile business line for 11 out of 12 provinces operated no longer coincided with the future direction of the group and terminated all contracts with Xinhua.

As a result of the termination agreement reached with Xinhua; there are no further future liabilities due to Xinhua from any of the companies within the group.

The Company disposed of its interest in the following three entities:

- Beijing Hulian YiCai Technology Development Co., Limited
- Hulian Xincai Information Technology Co. Ltd.
- Hulian Xincai Hangzhou Sport Culture Communication Ltd.

## **Recent Developments**

On December 18, 2018, the Company has entered into a merger transaction (the "Merger") with Brookfield Interactive (Hong Kong) Limited ("BI China"), a Hong Kong company and a wholly owned subsidiary of BNN. This combination will create a company with a strong business-to-business ("B2B") technology platform and operational know-how that will enable the new company Global Fintech Holdings Ltd. or ("GFH") to present a leading global multifaceted platform for trading in digital assets. ParagonEx's and BI China's assets and technology are complementary, and potentially will enable GFH to monetize BI China's opportunities within China as well as expedite the growth plan of ParagonEx. The goal is to integrate ParagonEx's and BI China's technology platforms and capitalize on BI China's market relationships via public market platform, with access to the capital markets to become a leading technology provider for the online lottery, sports content, and other gaming verticals with a unique position in the Chinese market.

**Consolidated Results of Operations**

The following table sets forth BNN's consolidated results of operations for the periods shown:

**Summary Financial Data**

	For the Six Months Ended June 30,		For the Years Ended December 31,	
	2018	2017	2017	2016
	£'000	£'000	£'000	£'000
	(Unaudited)			
Revenue	3,278	4,262	7,137	2,164
Cost of sales	(2,432 )	(3,104 )	(5,352 )	(1,296 )
Gross profit	846	1,158	1,785	868
Research and development expenses	(704 )	(580 )	(1,358 )	(608 )
Sales and marketing expenses	(2,021 )	(703 )	(1,553 )	(348 )
Administrative expenses	(5,248 )	(11,411 )	(18,224 )	(10,123 )
Professional/consultancy fees	(1,585 )	-	-	-
Aborted listing fees	-	(677 )	(655 )	(677 )
Corporate governance investigation	-	-	(1,381 )	-
Release/(provision) against Chinese VAT receivable	-	222	146	(1,323 )
Contract termination fee	-	-	(309 )	-
Operating loss	(8,712 )	(11,991 )	(21,549 )	(12,211 )
Share of results of associates	(98 )	(195 )	(350 )	(812 )
Finance costs	(342 )	(1,723 )	(2,434 )	(1,739 )
Loss before tax	(9,152 )	(13,909 )	(24,333 )	(14,762 )

Tax	-	-	-	-
Loss for the period from continuing operations	(9,152 )	(13,909 )	(24,333 )	(14,762 )
Loss for the period from discontinued operations	(4,221 )	(1,739 )	(7,572 )	(7,258 )
Loss for the period	(13,373 )	(15,648 )	(31,905 )	(22,020 )

**Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017**

***Revenue***

For the six months ended June 30, 2018, revenue decreased by £984, or 23%, from £4,262 to £3,278, as compared to the six months ended June 30, 2017. For the six months ended June 30, 2018 and 2017, revenue consisted of sales of mobile phone top-ups, lottery tickets, and related services. The reduction of revenue was primarily due to business closures.

***Cost of sales***

For the six months ended June 30, 2018, cost of sales decreased by £672, or 22%, from £3,104 to £2,432, as compared to the six months ended June 30, 2017. For the six months ended June 30, 2018 and 2017, cost of sales consisted of commissions payable to third parties.

***Research and development expenses***

For the six months ended June 30, 2018, research and development increased by £124, or 21%, from £580 to £704, as compared to the six months ended June 30, 2017. For the six months ended June 30, 2018 and 2017, research and development consisted of online technology platform projects being developed.

***Sales and marketing expenses***

For the six months ended June 30, 2018, sales and marketing increased by £1,318, or 187%, from £703 to £2,021 as compared to the six months ended June 30, 2017. For the six months ended June 30, 2018 and 2017, sales and marketing consisted of costs associated with new streams of business which included football projects. In Q1 2017, BNN cemented partnerships with four leading European clubs; Manchester City, Arsenal, FC Barcelona and Borussia Dortmund. These partnerships uniquely positioned the Group in the Chinese market and helped to develop a marketing strategy utilizing international football resources which benefited all areas of the business.

With a series of marketing campaigns aimed to establish the Group as pioneers of football development in China, BNN built a robust database collecting rich data on the football population. In addition, the marketing efforts opened opportunities to strengthen existing government and non-government relationships for the benefit other areas of the business.

***Administrative expenses***

For the six months ended June 30, 2018, administrative expenses decreased by £6,163, or 54%, from £11,411 to £5,248, as compared to the six months ended June 30, 2017. For the six months ended June 30, 2018 and 2017, administrative expenses consisted of significant cost reduction as a result of business restructuring, this was spread across a number of non-core activities. This included savings in wages and salaries decreased by £777, or 19% from £4,105 to £3,328, telephone and network costs, decreased by £1,348, or 89%, from £1,516 to £168 and other operating expenses, decreased by £1,683, or 79%, from £2,144 to £460. In 2018, headcount has been reduced in the Chinese operation from 400 to 120. The benefits of this and other cost reduction measures are becoming evident in the 2018 figures. The Board has also significantly reduced the UK cost base in 2018 by reducing headcount and controlling the cost base. This includes exiting leases for serviced offices where possible. No cancellation fees were payable, and no dilapidation costs were incurred.



***Professional/consultancy fees***

For the six months ended June 30, 2018, professional/consultancy fees related to the transaction were £1,585.

***Aborted listing fees***

For the six months ended June 30, 2017, aborted listing fees were £677. These fees were related to the now aborted NASDAQ listing.

***Release/(provision) against Chinese VAT receivable***

For the six months ended June 30, 2017, we released £222 of our provision against Chinese VAT receivables.

***Share of results of associates***

For the six months ended June 30, 2018, share of results of associates decreased by £97, or 50%, from £195 to £98, as compared to the six months ended June 30, 2017.

***Finance costs***

For the six months ended June 30, 2018, finance costs decreased by £1,381, or 80%, from £1,723 to £342, as compared to the six months ended June 30, 2017. The decrease was due to an increase in foreign exchange gains and a decrease of interest-bearing short-term borrowings as compared to the six months ended June 30, 2017.

***Discontinued operations***

For the six months ended June 30, 2018, we generated a loss of £4,221 from discontinued operations including Beijing Hulian Yicai £2,339, Hulian XinCai Sports Culture Communication Ltd £53, and Hulian Hangzhou £1,829. For the six months ended June 30, 2017, we incurred a loss of £1,739 in connection with the discontinuation of the Xinhua News Mobile App and related business channels. On April 4, 2018 the Group agreed to the disposition of the following legal entities to the legal owners of those entities who was a director of the group.

A) Beijing Hulian YiCai Technology Development Co., Limited

B) Hulian Xincai Information Technology Co. Ltd.

C) Hulian Xincai Hangzhou Sport Culture Communication Ltd.

From April 4, 2018 the groups proportion of ownership interest held and voting power held in all above companies is 0%.

Further to the agreement entered into as of April 4, 2018, a working capital loan from BNN to NewNet was agreed of £5.7M (RMB 50 million), and as agreed the return amount of £3.1M (RMB 27 million) to BNN. The difference of £2.65M (RMB 23 million) has been used in the restructuring plan within China, which consisted of reorganizing and downsizing the PRC Group Companies, including a number of redundancies. Since this time, no further money has been requested or sent from BNN. The Directors' therefore foresee that no further amounts will fall due to Newnet.

**Year Ended December 31, 2017 Compared with Year Ended December 31, 2016**

***Revenue***

For the year ended December 31, 2017, revenue increased by £4,973, or 230%, from £2,164 to £7,137, as compared to the year ended December 31, 2016. For the year ended December 31, 2017 and 2016, revenue consisted of sales of mobile phone top-ups, lottery tickets, and related services. The increase of revenue was primarily due to the Chinese business strategy.

***Cost of sales***

For the year ended December 31, 2017, cost of sales increased by £4,056, or 313%, from £1,296 to £5,352, as compared to the year ended December 31, 2016. The increase was primarily due to increased sales, partially offset by lower margins in the mobile phone top-up market for the year ended December 31, 2017 as compared to the year ended December 31, 2016.

***Research and development expenses***

For the year ended December 31, 2017, administrative expenses increased by £750, or 123%, from £608 to £1,358, as compared to the year ended December 31, 2016. For the years ended December 31, 2017 and 2016, research and development consisted of online technology platform projects being developed.

***Sales and marketing expenses***

For the year ended December 31, 2017, sales and marketing increased by £1,205, or 346%, from £348 to £1,553, as compared to the year ended December 31, 2016. For the years ended December 31, 2017 and 2016, sales and marketing consisted of costs associated with new streams of business which included football projects. In Q1 2017, BNN cemented partnerships with four leading European clubs; Manchester City, Arsenal, FC Barcelona and Borussia Dortmund. These partnerships uniquely positioned the Group in the Chinese market and helped to develop a marketing strategy utilizing international football resources which benefited all areas of the business. With a series of marketing campaigns aimed to establish the Group as pioneers of football development in China, BNN built a robust database collecting rich data on the football population. In addition, the marketing efforts opened opportunities to strengthen existing government and non-government relationships for the benefit other areas of the business.

***Administrative expenses***

For the year ended December 31, 2017, administrative expenses increased by £8,101, or 80%, from £10,123 to £18,224, as compared to the year ended December 31, 2016. For the years ended December 31, 2017 and 2016, administrative expenses consisted of increased head count to support the Chinese and UK business strategy, which in turn increased a number of non-core activities including wages and salaries and increased by £4,004, or 42% from £5,501 to £9,505, travel increased by £617, or 73%, from £845 to £1,462 and other operating expenses incurred during the year increased by £2,679, or 17759%, from an income of £15 to an expense of £2,664. In 2017 Management concentrated on to develop revenue opportunities based on the Group's leading-edge technology and content provision in the online lottery sector and finding additional revenue streams for group resulting in incurring additional cost in China operations.

***Aborted listing fees***

For the year ended December 31, 2017, aborted listing fees decreased by £22, or 3%, from £677 to £655, as compared to the year ended December 31, 2016. These fees were related to the costs associated with the aborted NASDAQ listing.

***Corporate governance investigation***

For the year ended December 31, 2017, corporate governance investigation costs were £1,381. These costs were in relation to a governance investigation in 2017 relating to non-compliance with stock exchange rules and regulations. The investigation undertaken by a third-party professional services firm, under the oversight of the non-executive directors, concluded that there were no material breaches and no material remedial actions were required.

***Release/(provision) against Chinese VAT receivable***

For the year ended December 31, 2017, we released £146 of a provision against Chinese VAT receivables, as compared to the recording of a £1,323 provision during the year ended December 31, 2016.

***Contract termination fee***

For the year ended December 31, 2017, contract termination fees were £309. These fees were for the termination of a football marketing contract related to online advertisement that was ended in 2017.

### *Share of results of associates*

For the year ended December 31, 2017, share of results of associates decreased by £462, or 57%, from £812 to £350, as compared to the year ended December 31, 2016.

### *Finance costs*

For the year ended December 31, 2017, finance costs increased by £695, or 40%, from £1,739 to £2,434, as compared to the year ended December 31, 2016. The increase was primarily due to an increase of £4,025 in foreign exchange losses, partially offset by a decrease of interest-bearing short-term borrowings.

### *Discontinued operations*

For the year ended December 31, 2017 and 2016, we incurred losses of £7,572 and £7,258, respectively, in connection with the discontinuation of the Xinhua News Mobile App and related business channels.

## **Financial Resources and Liquidity**

### *Financial Resources*

We manage liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. We have no undrawn borrowing facilities at our disposal, and all financial assets and liabilities are due within one year.

Furthermore, we are actively pursuing a corporate transaction which upon completion will substantially improve the financial health of our business, removing any risk of cash flow shortfalls. As part of the transaction, our board has had discussions with the holders of the £6m convertible notes who have deferred the repayment of the notes to January 14, 2020. The rights and obligations of the parties and the deferral of the redemption date pursuant to this agreement are conditional upon the completion of the transaction. Upon completion of this corporate transaction, BNN will novate the convertible notes to the acquiring company.

Based upon our cash, working capital and stockholders' equity of £9,689, £10,871 and £19,301, respectively, as of June 30, 2018, we believe we have adequate cash and working capital to support the operations for the next twelve months from the date of this registration statement.

During 2018, the management team presented short-term and medium-term plans which included the reduction in the previous heavy cost of technology investment; a refocus of the business on its significant core strengths; and, and a strategy to grow revenue streams more quickly at higher margins and on a lower cost base.