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NASDAQ: TROO

TROOPS, Inc. (NASDAQ: TROO) — Forensic Short Update

The August 20 Endgame: Winding-Up Exposure, Suspension Mechanics, And A Support Bid Running On Fumes

SHORT — HIGH CONVICTION 12-MO PT: US$0.25 – US$0.45 · DOWNSIDE: ~78–88% · JULY 11, 2026

Key Fact	Detail
Report	Forensic Short — Update (third in series; see May 5 and May 20, 2026)
Publication date	July 11, 2026
Issuer	TROOPS, Inc. (formerly SGOCO Group Ltd.)
Ticker	NASDAQ: TROO
ISIN	KYG9059Q1010
Domicile	Cayman Islands (operations: Hong Kong / PRC; ancillary Australia)
Reference price	~US$1.80 – 2.00 (early-July 2026)
52-week range	US$0.49 – US$5.28
Judgment exposure	HK$404.8M (~US$51.9M), HCA 938/2022 — final at first instance
Reported FY2025 net loss	~US$27.91M (per disclosed financials)
Reported short interest	~2.59M shares; ~6.3 days to cover (third-party data; verify)
Pivotal event	Hong Kong hearing — **August 20, 2026**
Rating	**SHORT — High conviction**
12-month price target	US$0.25 – US$0.45 (implied downside ~78–88%); terminal value near zero on a winding-up order

Why We Are Publishing Today

Our January body of evidence, and the May 5 and May 20 updates, laid out the structural thesis: TROOPS is, in our view, a Nasdaq-listed Cayman shell with a Hong Kong operating footprint engineered for asset extraction rather than business execution. This update is narrower and more urgent. It concerns a single date — **August 20, 2026** — and the mechanics by which that date can convert a slow-motion insolvency into a halted ticker.

The new material, in brief:

- The **August 20 hearing** in Hong Kong is no longer a procedural skirmish. With the HK$404.8M (~US$51.9M) judgment in **HCA 938/2022** final at first instance, and a **winding-up petition** on foot against the company — brought in the interest of the judgment creditor, the **Real Estate and Finance Fund (in liquidation)**, acting through liquidators at **FTI Consulting** — an adverse outcome on August 20 opens the direct path to a **winding-up order** and court-supervised liquidation.
- A winding-up order is not merely bad news; it is a **suspension event**. We walk through the three overlapping mechanisms — exchange rules on court-ordered liquidation, the auditor's going-concern position, and loss of management control to liquidators — by which an adverse ruling translates into a **trading halt and delisting track** rather than a mere drawdown.
- The company's disclosed financial position is, in our assessment, **insufficient to sustain its own defense**. A multi-jurisdiction legal battle (Hong Kong, Cayman, U.S., with Australian entities in the structure) against a professional liquidator burns cash at a rate the company's reported resources — last hard cash print **US$5.2M (June 30, 2025)**, reported FY2025 net loss **~US$27.91M**, persistently negative operating cash flow — cannot fund for long. The failure mode is not losing the argument; it is **being unable to afford to make one**.
- The tape itself tells the endgame story. The recovery from the ~US$1.00 area to the current US$1.80–2.00 band is, in our reading, **not organic demand**. It is consistent with a defensive support operation by insider-aligned interests protecting against a bid-price deficiency — an operation whose capacity to absorb supply appears, from the trading pattern, to be nearly exhausted. Reported short interest of ~2.59M shares against ~6.3 days to cover completes an unusually unstable microstructure into the hearing.

We reiterate the short at high conviction, with the explicit caveat — expanded in the risk section — that the same microstructure that makes the downside violent also makes an adverse-to-us surprise (a stay granted on August 20) capable of a sharp squeeze. This is a trade that must be sized for its event risk in both directions.

Section 1 — August 20: From Procedural Skirmish To Terminal Event

1.1 How The Exposure Was Built

The chain of liability is on the public record and short:

1. **June 2025** — the Hong Kong High Court enters judgment in **HCA 938/2022** against TROOPS and subsidiaries, jointly, for approximately **HK$404.8 million (~US$51.9M)**. For an issuer with reported revenue only just into eight figures (US$) and deep, widening losses, the award is — on the company's own disclosed numbers — unpayable from operations.
2. **Non-payment follows.** The company has neither paid nor secured the judgment debt. It has appealed and sought a stay of execution — but as of this writing the debt stands due.
3. **The winding-up petition.** Faced with an unpaid judgment debt, the creditor side — the Real Estate and Finance Fund (in liquidation), acting by its liquidators at FTI Consulting, the same fund at the center of the REFF escrow scheme we documented in our May 5 report (Section 14 therein) — has pursued winding-up relief, on the straightforward ground that the company is unable to pay its debts.
4. **August 20, 2026.** After earlier stay-and-adjournment skirmishing, the Hong Kong court has set the next substantive hearing. If the court is not persuaded to extend the company further indulgence — a further adjournment, a stay pending appeal, or acceptance of its defenses — the path to a **winding-up order** is open.

1.2 What A Winding-Up Order Actually Means

A winding-up order is not a fine, a judgment, or a setback that management "continues to dispute through legal channels." It is the court replacing the company's management with court-supervised liquidators for the purpose of collecting assets and paying creditors. For the equity, it means:

- **Control passes.** The board and management cease to control the Hong Kong operating assets; the liquidator's duty runs to creditors, not shareholders.
- **The estate is administered for creditors first.** With a ~US$51.9M judgment at the top of the queue and reported equity of ~US$49M *before* testing its realisability, the arithmetic available for common shareholders in a liquidation is, in our assessment, approximately nothing.
- **The Cayman parent follows.** As we detailed in May, the Cayman enforcement docket tracks the Hong Kong proceedings. A Hong Kong winding-up order against the operating tier converts the Cayman question from "whether" to "when."

The bull framing of August 20 — a "procedural hearing" that merely gates a stay — is, in our view, a category error in the opposite direction from the one bulls accuse the market of making. The hearing is procedural in form; its downside branch is terminal in substance.

Section 2 — The Suspension Mechanics: Three Paths From An Adverse Ruling To A Halted Ticker

The single most under-appreciated feature of this situation, in our view, is that the adverse branch does not resolve as a price decline that shorts must ride down and longs can average into. It resolves, with meaningful probability, as a **suspension** — a ticker that stops trading. Three mechanisms operate in parallel, and any one of them suffices.

2.1 Exchange Action On A Liquidation Event

Under Nasdaq's listing framework, a court-ordered liquidation or entry into court-supervised insolvency proceedings is precisely the category of event in which the exchange acts to protect investors — through a **trading halt or suspension** and the initiation of delisting procedures. An issuer whose operating tier is in the hands of liquidators, with its parent facing the same, does not present the continuous-disclosure and operating-company profile that listing requires. We expect exchange action to be swift on a winding-up order, not deliberative.

2.2 The Auditor Cannot Sign

AssentSure PAC — on the engagement fewer than six months, as we noted in May — has already issued a going-concern opinion on FY2025 alongside ~US$13.44M of impairments. That was the *benign* scenario. An auditor assessing an issuer that is subject to a winding-up order, or that demonstrably cannot fund its own defense (Section 3), is looking at an entity with imminent-failure risk. In that posture:

- A clean or even qualified sign-off on subsequent financial reporting becomes very difficult to obtain;
- Without compliant financial reporting, the issuer breaches Nasdaq's filing requirements directly;
- The filing breach is itself a suspension/delisting trigger — **independent of** the exchange's reaction to the liquidation event.

The auditor does not need to resign to end the listing. It merely needs to be unable to sign.

2.3 The Shell Problem

If the liquidator takes control of the Hong Kong assets — the property under preservation orders, the money-lending book, the subsidiary shares whose registers are already frozen — the listed parent becomes what we have argued it economically already resembles: a holding company with nothing to hold. Management that has lost operational control of the group's core assets cannot satisfy the continued-listing standards of an operating company. The end state is administrative: suspension, delisting, and a residual claim on a creditor-first estate.

The practical consequence for positioning is asymmetric and deserves emphasis: on the adverse branch, longs may not get a market in which to exit, and late shorts may not get a market in which to enter. The trade into August 20 is, in substance, an option on a binary — and the window to position at market prices closes at the hearing, not after it.

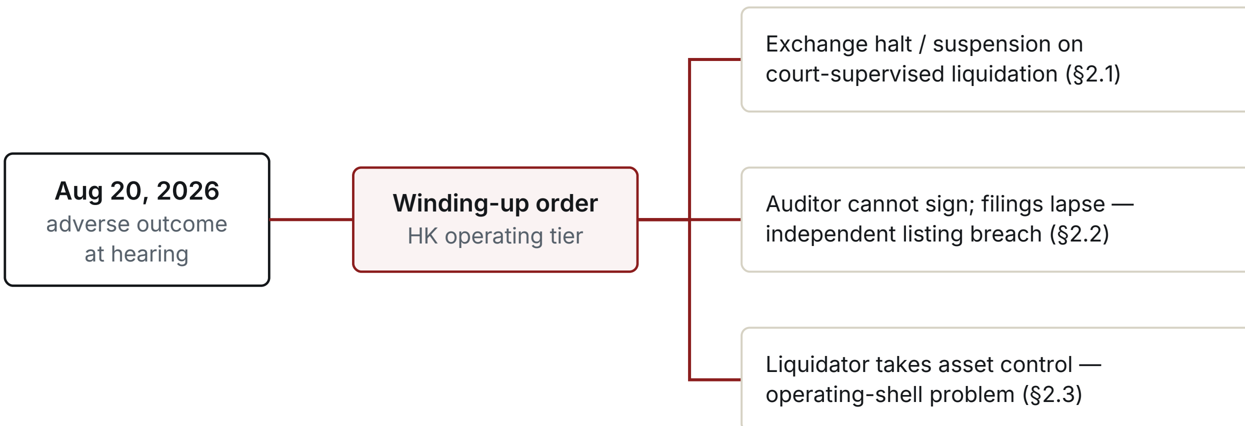

Figure 1 — The adverse branch: three parallel mechanisms, any one of which suffices to convert a winding-up order into a suspension and delisting track. Sequencing per Section 5; illustrative of mechanics, not a prediction of the hearing outcome.

Section 3 — The Financial Death Spiral: A Defense The Company Cannot Fund

3.1 The Cost Side: A Multi-Jurisdiction War

TROOPS' structure — Cayman incorporation, U.S. listing, Hong Kong operating core, Australian entities in the perimeter — means the winding-up fight is not one case. It is simultaneous engagements in at least three jurisdictions, against a professional liquidator (FTI Consulting) whose business model is precisely this kind of siege, requiring:

- Hong Kong insolvency counsel for the winding-up petition and the appeal;
- Cayman counsel for the parallel enforcement docket;
- U.S. securities counsel for the SEC/Nasdaq disclosure perimeter — plus the announced (and, we note, still merely announced) counter-litigation;
- Cross-border forensic accounting support on both the judgment and the audit fronts.

Defense at this level runs, conservatively, to **several hundred thousand U.S. dollars per month**, with seven-figure months plausible around hearings. That is the *entry fee* — it buys the argument, not the outcome.

3.2 The Resource Side: Reported Numbers That Cannot Carry It

Against that burn stands the company's disclosed position:

- **Last hard cash print: US$5.2M as of June 30, 2025** — now more than a year stale, with no subsequent hard print, an opacity we flagged in January and May and which has not improved.
- **Reported FY2025 net loss: ~US$27.91M**, with operating cash flow persistently negative. The operating businesses — money lending and the "fintech" perimeter — are not generating cash; on the disclosed record they consume it.
- The disclosed 2025 M&A and buyback activity (~US$14.5M, per our May 5 work) already exceeded the last-printed cash balance without a disclosed financing event — and the company has since *added* announced commitments (a reported ~£40M UK property memorandum; an announced UK prediction-market stake) rather than conserving.

We do not know the company's current cash balance — no one outside it does, which is itself the point. But every disclosed number points the same direction: **the war chest is not there.**

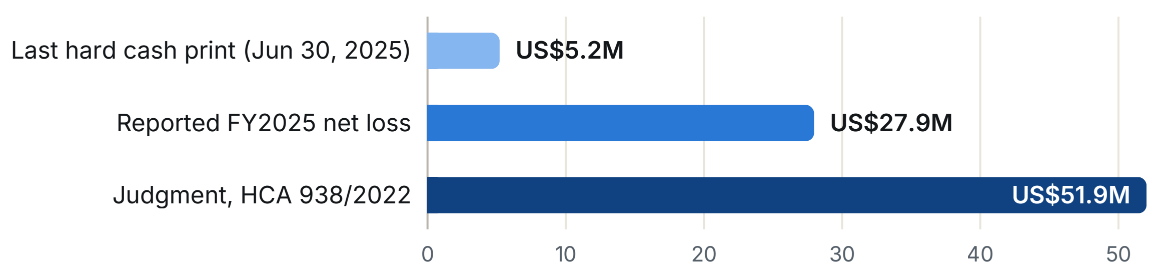

Figure 2 — The war-chest arithmetic; scale in US$ millions. The last disclosed hard cash balance (now more than a year stale) against the reported FY2025 net loss and the HCA 938/2022 judgment. Loss figure per secondary reporting of disclosed financials; verify against primary filings.

3.3 How "Can't Pay Counsel" Becomes "Suspended" — The Acceleration Loop

The insolvency literature and our own experience with collapsing microcaps suggest a specific, fast sequence once litigation funding fails:

1. **Counsel de-risks.** Law firms facing unpaid retainers stop substantive work or withdraw. The quality of the August 20 defense degrades precisely when it matters most — up to and including effective **default**: a hearing at which the company cannot mount meaningful opposition, inviting the winding-up order it needed to resist.

2. **The auditor re-prices its risk.** An auditor observing that its client cannot fund basic legal defense re-rates the engagement from "going-concern doubt" to "imminent-failure risk" — and declines to sign the next report (Section 2.2).
3. **The exchange acts on the filing failure.** Suspension follows the missed or non-compliant filing on the exchange's own timetable — potentially **around the August 20 window itself**, whichever of the triggers lands first.

Each step accelerates the next. This is why we characterize the funding question not as a risk to the company's case but as the probable *mechanism of its ending*.

Section 4 — The Support Bid: An Exhausted Defense Of US$1.00

4.1 What The Tape Shows

After the winding-up news flow drove the stock toward the **US$1.00** area — Nasdaq's bid-price line, whose breach starts the deficiency clock we discussed in the May 5 report — the price was walked back up to, and has since been held in, the **US$1.80–2.00** band. This recovery occurred with no corresponding improvement in the public record: no judgment settled, no stay secured, no financing disclosed, no operating turnaround reported.

4.2 Our Reading: A Defensive Operation, Not A Bid

A price that rises and then plateaus on adverse news, in a name with collapsed external sponsorship, is — in our experience of insider-aligned microcaps, and consistent with the promotional-tape pattern we documented across late 2025 — most plausibly a **support operation**: insider-aligned interests absorbing sell pressure to keep the print above the bid-price threshold and away from margin triggers. We state this as inference from the trading pattern and the issuer's history, not as a documented fact; we have no inside knowledge of any specific participant's book.

What we can observe is the *cost structure* of such an operation:

- Absorbing all marginal supply in a no-external-bid tape requires continuous cash deployment — buying every day the market wants to sell.
- The deeper the adverse news flow, the more supply must be absorbed per dollar of price defended.
- Unlike the 2025 promotional run, there is no exit: supply absorbed at US$1.80–2.00 cannot be distributed into strength that never comes.

4.3 The Positioning Overlay

Reported short interest stands at approximately **2.59 million shares**, with **days-to-cover around 6.3** on prevailing volume (third-party figures; verify before relying). Two readings coexist:

- To the extent the support bid persists, shorts pay carry while the operation defends the band — an equilibrium that can grind on.
- To the extent the support bid's resources are exhausted — and the flat, low-volume defense of the band suggests to us they largely are — the stock is being held up by a single discretionary buyer with a depleting budget, into a binary hearing.

4.4 The Double-Depletion Endgame

Put Sections 3 and 4 together and the pre-hearing state of the system is this: **the company's public cash cannot fund its defense, and the private cash behind the price cannot keep funding the bid.** If either gives way — a stumble at the hearing, or simply a day the support bid fails to show — the only bid in the book disappears at the moment the news flow is worst. The resulting move is not a decline but an **air pocket**: a cascade through margined longs with no natural buyer until liquidation-arithmetic prices, in the US$0.25–0.45 area of our standing target, or lower on an actual winding-up order.

We acknowledge the mirror image: 6.3 days to cover is genuine squeeze fuel if August 20 surprises favorably. That risk is real, is the reason this cannot be an oversized position, and is addressed below.

Section 5 — The Sequence, If August 20 Goes Badly

For clarity, the adverse cascade in order:

Step	Event	Timeframe	Mechanism
1	Court declines further indulgence; winding-up path opens or order issues	August 20, 2026	HCA 938/2022 judgment debt unpaid; petition on foot
2	Liquidator control over HK operating assets	Days	Preservation orders already in place accelerate handover
3	Nasdaq halt / suspension	Days, potentially immediate	Exchange action on court-supervised liquidation
4	Audit sign-off becomes unobtainable; filings lapse	Weeks	Going-concern posture converts to imminent-failure posture
5	Delisting proceedings; Cayman parent winding-up resumes	Weeks–months	Shell problem; linked docket
6	Residual equity claim on creditor-first estate	Months+	~US$51.9M judgment senior to ~US$49M book equity of untested quality

The trade expression follows from the table: the value of the short is realized primarily at steps 1–3. Positions that require liquidity *after* step 3 to realize value may not get it — size and instrument choice must respect that.

Section 6 — Risks To The Short Thesis

We hold the short at high conviction and state the ways we are wrong:

1. **A stay is granted on August 20.** The court extends the company's runway; the liquidation clock pauses; and 6.3 days-to-cover of short interest meets a relief tape. The squeeze scenario is real and violent in a thin float. This is the principal risk, and it is binary and dated — the same property that makes the short attractive.
2. **A funding event appears.** A white-knight financing, asset sale, or related-party cash injection could fund both the defense and the support bid for another leg. Given the issuer's history of undisclosed-financing arithmetic, we cannot rule out resources we cannot see.
3. **Settlement.** A negotiated resolution with the liquidator at a discount — however unlikely we judge it given the fund's own liquidation mandate — would remove the terminal branch.
4. **Timing slippage.** Hong Kong insolvency procedure can produce adjournments. A kicked can extends carry costs and gives the support operation time to regroup.
5. **Data risk.** The short-interest, days-to-cover, and FY2025 loss figures cited here derive from third-party and secondary reporting and must be independently verified; a materially different short base changes the squeeze math in both directions.

6. **Halt risk cuts both ways.** A suspension freezes shorts in as well as longs; borrow recalls and buy-ins during a halted, delisting-track tape are an operational risk to the position itself.

Position sizing should assume the possibility of a 50–100% adverse move on a granted stay before re-entry is possible. We are short because we assess the probability-weighted outcome as heavily favorable — not because the adverse branch is impossible.

Forward Catalyst Calendar

Date / Window	Event	Expected Direction
Pre-hearing (July–August)	Counsel/retainer signals; any financing disclosure; support-bid behavior at the US$1.80 floor	Cash-adequacy tells
August 20, 2026	**Hong Kong hearing — stay / adjournment / winding-up path**	**The binary**
Post-hearing days	Nasdaq action if order issues; Cayman docket response	Suspension mechanics
Next filing window	AssentSure sign-off posture on subsequent reporting	Filing-compliance trigger
Q4 2026	HKGolden "IPO" narrative; UK acquisition completion or lapse	Narrative-vs-substance test
~February 2027	Absent a stay: liquidation-timing pressure fully arrives	Terminal window

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Closing

Our January thesis was structural: an extraction vehicle wearing a Nasdaq listing. Our May updates documented the acceleration: auditor turnover after ratification, a lock-up quietly eased, an annual report past due and then delivered with impairments and going-concern language. This update is about the clock running out. On August 20 the company must persuade a Hong Kong court to let it keep fighting a judgment it cannot pay, using lawyers it increasingly cannot fund, behind a share price defended by a bid that appears nearly spent. If it fails, the ending is not a lower price. It is, in our assessment, no price at all — a suspended ticker administered for the benefit of the creditor whose money, per the court record we have documented since January, built this structure in the first place.

We remain short, sized for the binary.

Source Index (Public Record)

1. **Hong Kong court record** — HCA 938/2022 judgment (June 2025); stay and appellate applications; winding-up petition; the August 20, 2026 hearing listing.
2. **Cayman Islands Grand Court record** — enforcement docket concerning the parent ([2025] CIGC (FSD) 76 per our May 5 report).
3. **SEC filings of TROOPS, Inc.** — Form 6-K stream; FY2025 annual report (impairments; going-concern opinion); auditor-transition filings.
4. **Exchange framework** — Nasdaq continued-listing, bid-price, filing, and halt/suspension rules as applied to court-supervised insolvency events.
5. **Market and positioning data** — price band, 52-week range, reported short interest and days-to-cover (third-party; independent verification required).
6. **Prior Muddy Insights reports** — January 2026 body of evidence; May 5, 2026 and May 20, 2026 updates (REFF escrow scheme, Wang & Lee transactions, auditor sequence, FPI disclosure moat).

Figures cited from secondary sources (FY2025 net loss, short interest, days-to-cover, price levels) should be verified against primary documents and third-party data before reliance.

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