

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Crypto Flow Technology Limited

加幂科技有限公司

*(formerly known as Loto Interactive Limited 樂透互娛有限公司)
(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8198)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the “**Directors**”) of Crypto Flow Technology Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

The board (the “**Board**”) of the Directors of the Company announces the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2022 (the “**Year**”), together with the comparative figures for the corresponding year in 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	2022 HK\$’000	2021 <i>HK\$’000</i> (Re-presented)
CONTINUING OPERATIONS			
REVENUE	3	29,550	8,655
Cost of sales and services rendered		<u>(18,017)</u>	<u>(4,726)</u>
Gross profit		11,533	3,929
Interest income		–	131
Other income and gains		3,159	798
Administrative expenses		(21,066)	(27,797)
Provision for impairment loss under expected credit loss model on trade receivables		(97)	–
Impairment of property, plant and equipment		(5,256)	(1,015)
Impairment of right-of-use assets		–	(2,755)
Loss on disposal of property, plant and equipment		(892)	–
Write-off of trade receivables		(1,243)	–
Other expenses		–	(470)
Finance costs		(342)	(149)
LOSS BEFORE TAX		(14,204)	(27,328)
Income tax expense	4	<u>–</u>	<u>–</u>
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		<u>(14,204)</u>	<u>(27,328)</u>
DISCONTINUED OPERATIONS			
Loss for the year from discontinuing operations	6	<u>(42,690)</u>	<u>(265,008)</u>
LOSS FOR THE YEAR	5	<u>(56,894)</u>	<u>(292,336)</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive (expense) income for the year, net of tax:			
Items that will not be reclassified to profit or loss:			
Fair value changes of equity investments at fair value through other comprehensive income		<u>–</u>	<u>14,397</u>
		<u>–</u>	<u>14,397</u>

<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i> (Re-presented)
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	<u>(3,398)</u>	<u>7,414</u>
	<u>(3,398)</u>	<u>7,414</u>
OTHER COMPREHENSIVE (EXPENSE) INCOME FOR THE YEAR, NET OF TAX	<u>(3,398)</u>	<u>21,811</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	<u><u>(60,292)</u></u>	<u><u>(270,525)</u></u>
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY:		
– from continuing operations	(14,203)	(27,328)
– from discontinued operations	<u>(42,690)</u>	<u>(259,358)</u>
	<u><u>(56,893)</u></u>	<u><u>(286,686)</u></u>
LOSS FOR THE YEAR ATTRIBUTABLE TO NON-CONTROLLING INTERESTS:		
– from continuing operations	(1)	–
– from discontinued operations	<u>–</u>	<u>(5,650)</u>
	<u><u>(1)</u></u>	<u><u>(5,650)</u></u>
	<u><u>(56,894)</u></u>	<u><u>(292,336)</u></u>
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR ATTRIBUTABLE TO:		
Owners of the Company	(60,291)	(264,640)
Non-controlling interests	<u>(1)</u>	<u>(5,885)</u>
	<u><u>(60,292)</u></u>	<u><u>(270,525)</u></u>
TOTAL COMPREHENSIVE EXPENSE ATTRIBUTABLE TO OWNERS OF THE COMPANY:		
– from continuing operations	(14,203)	(12,931)
– from discontinued operations	<u>(46,088)</u>	<u>(251,709)</u>
	<u><u>(60,291)</u></u>	<u><u>(264,640)</u></u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (<i>HK cent`s</i>)	8	
– Basic and diluted (from continuing and discontinued operations)	(10.37)	(56.54)
– Basic and diluted (from continuing operations)	<u>(2.59)</u>	<u>(5.39)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		3,487	43,069
Right-of-use assets		2,724	4,185
Loan receivable		30,000	–
Investments in associates		–	3,698
TOTAL NON-CURRENT ASSETS		36,211	50,952
CURRENT ASSETS			
Loan receivable		–	30,000
Trade receivables	9	5,753	10,125
Prepayments, deposits and other receivables	10	3,649	38,600
Cash and cash equivalents		9,522	35,843
		18,924	114,568
Assets classified as held for sale	6	54,581	–
TOTAL CURRENT ASSETS		73,505	114,568
CURRENT LIABILITIES			
Trade payables	11	476	1,982
Accruals and other payables	12	8,027	14,650
Lease liabilities		3,091	5,851
Tax payable		3,278	3,278
		14,872	25,761
Liabilities associated with assets classified as held for sale	6	17,581	–
TOTAL CURRENT LIABILITIES		32,453	25,761
NET CURRENT ASSETS		41,052	88,807
TOTAL ASSETS LESS CURRENT LIABILITIES		77,263	139,759

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
NON-CURRENT LIABILITIES			
Lease liabilities		<u>302</u>	<u>2,758</u>
		<u>302</u>	<u>2,758</u>
NET ASSETS		<u>76,961</u>	<u>137,001</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>13</i>	54,841	54,838
Reserves		<u>22,353</u>	<u>82,395</u>
		77,194	137,233
Non-controlling interests		<u>(233)</u>	<u>(232)</u>
TOTAL EQUITY		<u>76,961</u>	<u>137,001</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company									
	Issued capital HK\$'000	Share premium [#] HK\$'000	Share-based payment reserve [#] HK\$'000	Other reserve ^{**} HK\$'000	Exchange reserve [#] HK\$'000	Equity investment revaluation reserve [#] HK\$'000	Accumulated losses [#] HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2021	37,902	338,906	9,370	(5,255)	19,281	(12,653)	(68,885)	318,666	91,044	409,710
Loss for the year	-	-	-	-	-	-	(286,686)	(286,686)	(5,650)	(292,336)
Other comprehensive income/ (loss) for the year	-	-	-	-	7,649	14,397	-	22,046	(235)	21,811
Total comprehensive income/ (loss) for the year	-	-	-	-	7,649	14,397	(286,686)	(264,640)	(5,885)	(270,525)
Issuance of shares on subscription	16,936	83,618	-	-	-	-	-	100,554	-	100,554
Purchase of non-controlling interests	-	-	-	(18,966)	-	-	-	(18,966)	(85,391)	(104,357)
Equity-settled share-based payment expense	-	-	1,619	-	-	-	-	1,619	-	1,619
Disposal of equity investments at fair value through other comprehensive income	-	-	-	-	-	(1,744)	1,744	-	-	-
At 31 December 2021	<u>54,838</u>	<u>422,524</u>	<u>10,989</u>	<u>(24,221)</u>	<u>26,930</u>	<u>-</u>	<u>(353,827)</u>	<u>137,233</u>	<u>(232)</u>	<u>137,001</u>
At 1 January 2022	54,838	422,524	10,989	(24,221)	26,930	-	(353,827)	137,233	(232)	137,001
Loss for the year	-	-	-	-	-	-	(56,893)	(56,893)	(1)	(56,894)
Other comprehensive expense for the year	-	-	-	-	(3,398)	-	-	(3,398)	-	(3,398)
Total comprehensive loss for the year	-	-	-	-	(3,398)	-	(56,893)	(60,291)	(1)	(60,292)
Equity-settled share-based payment expense	-	-	244	-	-	-	-	244	-	244
Lapse of share options	-	-	(185)	-	-	-	185	-	-	-
Exercise of share options	3	9	(4)	-	-	-	-	8	-	8
At 31 December 2022	<u>54,841</u>	<u>422,533</u>	<u>11,044</u>	<u>(24,221)</u>	<u>23,532</u>	<u>-</u>	<u>(410,535)</u>	<u>77,194</u>	<u>(233)</u>	<u>76,961</u>

* Other reserve represents the difference between the adjustment to non-controlling interests and the consideration paid arising in equity transactions. The comparative information and amounts in the consolidated statement of changes in equity have been reclassified due to the change in the classification of recognising difference between the adjustment to non-controlling interests and the consideration paid arising in the purchase of non-controlling interests occurred during the year ended 31 December 2021 (the “Difference”). In view that it is the Group policy to include such difference into other reserve, the Difference recognised into accumulated losses during the year ended 31 December 2021 has been reclassified to be recognised into other reserve accordingly.

These reserve accounts comprise the consolidated reserves in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

Crypto Flow Technology Limited (the “**Company**”) (formerly known as Loto Interactive Limited) is a limited liability company incorporated in the Cayman Islands and its shares have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 17 May 2002. The address of the registered office of the Company is at P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands, and the principal place of business in Hong Kong of the Company is at Unit 3506, 35th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) the provision of big data centre services and (ii) money lending business in Hong Kong.

As at 31 December 2021, the Company’s immediate holding company was BIT Mining Limited (formerly known as 500.com Limited), which is a company incorporated in the Cayman Islands with its shares listed on the New York Stock Exchange (Stock Code: BTCM).

On 25 July 2022, Manful Kingdom Limited, a company incorporated in Hong Kong with limited liability and beneficially owned as to 35% by Mr. Fu Jiepin, as to 55% by Ms. Mak Lam (of which, 25% is held by Ms. Mak Lam on trust as a nominee for Mr. Li Hongbin), as to 5% by Ms. Liang Yun and as to 5% by Mr. Liu Weihong, has purchased 279,673,200 shares of the Company, representing approximately 51% of the entire issued share capital of the Company from BIT Mining Limited, accordingly, Manful Kingdom Limited has become the immediate holding company.

During the current year, the functional currency of the Company was changed from Renminbi (“**RMB**”) to Hong Kong dollars (“**HK\$**”) as there is no revenue generated in the People’s Republic of China (the “**PRC**”) due to the suspension from power supply for the data centres in the PRC. Accordingly, the directors of the Company have determined that HK\$ better reflects the economic substance of the Company and its business activity as an investment holding company primarily holding subsidiaries with primary economic environment in Hong Kong for the year ended 31 December 2022. Accordingly, the functional currency of the Company was changed prospectively from 1 January 2022. This change in functional currency of the Company did not result in material impact on the consolidated financial statements of the Group.

2. APPLICATION OF AMENDMENTS HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or 1 January 2024.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. OPERATING SEGMENT INFORMATION

Information reported to the board of directors of the Company, being the Chief Operating Decision Maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable segments under HKFRS 8 Operating Segments in the continuing operations of the Group are as follows:

- Provision of Big Data Centre services (“**Big Data Centre Services**”)
- Money lending business (“**Money Lending Business**”)

No operating segments have been aggregated in arriving at the reportable segments of the Group from its continuing operations.

An operating segment of the Group regarding the provision of Big Data Centre Services in PRC was discontinued in the current year. The segment information report on the next pages does not include any amounts for these discontinued operations, which are described in more detail in note 6.

Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments:

For the year ended 31 December 2022

Continuing operations

	Big Data Centre Services HK\$'000	Money Lending Business HK\$'000	Total HK\$'000
Revenue from external customers	26,550	3,000	29,550
Segment (loss) profit	(8,422)	2,613	(5,809)
Unallocated other income			600
Unallocated corporate and other expenses			(8,995)
			<hr/>
Group's loss before tax from continuing operations			(14,204)
			<hr/> <hr/>

For the year ended 31 December 2021 (re-presented)

Continuing operations

	Big Data Centre Services HK\$'000	Money Lending Business HK\$'000	Total HK\$'000
Revenue from external customers	5,655	3,000	8,655
Segment (loss) profit	(8,750)	2,842	(5,908)
Unallocated other income			558
Unallocated corporate and other expenses			(21,978)
			<hr/>
Group's loss before tax from continuing operations			(27,328)
			<hr/> <hr/>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/(loss) represents the profit earned by/loss from each segment without allocation of central administration costs, directors' emoluments and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

The CODM makes decisions according to operating results of each segment. No analysis of segment assets and segment liabilities is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Other segment information

For the year ended 31 December 2022

Continuing operations

	Big Data Centre Services HK\$'000	Money Lending Business HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Additions of property, plant and equipment	61	–	–	61
Depreciation of property, plant and equipment	(7,318)	–	(639)	(7,957)
Impairment of property, plant and equipment	(5,256)	–	–	(5,256)
Loss on disposal of property, plant and equipment	(892)	–	–	(892)
Additions of right-of-use assets	–	–	721	721
Depreciation of right-of-use assets	(2,092)	–	(90)	(2,182)
Gain on forfeiture of deposit from customer	2,295	–	–	2,295
Provision for impairment loss under expected credit loss model on trade receivables	(97)	–	–	(97)
Write-off of trade receivables	(1,243)	–	–	(1,243)

For the year ended 31 December 2021 (re-presented)

Continuing operations

	Big Data Centre Services HK\$'000	Money Lending Business HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Additions of property, plant and equipment	5,387	–	12,012	17,399
Depreciation of property, plant and equipment	(2,335)	–	(273)	(2,608)
Impairment of property, plant and equipment	–	–	(1,015)	(1,015)
Depreciation of right-of-use assets	(2,093)	–	(2,742)	(4,835)
Additions of right-of-use assets	6,278	–	–	6,278
Impairment of right-of-use assets	–	–	(2,755)	(2,755)

Geographical information

Information about the Group's revenue from continuing operations from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	2022		2021 (re-presented)	
	Revenue from continuing operations <i>HK\$'000</i>	Non-current assets <i>HK\$'000</i>	Revenue from continuing operations <i>HK\$'000</i>	Non-current assets <i>HK\$'000</i>
Hong Kong	29,550	6,211	7,374	11,234
The PRC	–	–	–	28,964
Others	–	–	1,281	10,754
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Note: Non-current assets excluded financial instruments.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group for the continuing operations are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i> (Re-presented)
Customer A ¹	22,950	4,374
Customer B ²	3,000	3,000
Customer C ¹	–	1,166
Customer D ¹	3,600	–
	<u> </u>	<u> </u>

^{1.} Revenue from Big Data Center Services.

^{2.} Revenue from Money Lending Business.

4. INCOME TAX EXPENSE

Under the two-tiered profits tax rates regime in Hong Kong, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

No provision for Hong Kong profits tax has been made as the Hong Kong subsidiaries did not generate any assessable profits arising in Hong Kong during the year (2021: Nil).

The tax charge for the year can be reconciled to the loss before taxation from continuing operations per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 HK\$'000	2021 <i>HK\$'000</i> (Re-presented)
Loss before tax	<u>(14,204)</u>	<u>(27,328)</u>
Tax at the income tax rate of 16.5% (2021: 16.5%)	(2,344)	(4,509)
Tax effect of income that is not taxable	(44)	–
Tax effect of expenses that are not deductible	528	878
Tax effect of tax losses not recognised	2,133	3,631
Tax effect of utilisation of tax loss previously not recognised	<u>(273)</u>	<u>–</u>
Income tax expense	<u>–</u>	<u>–</u>

At 31 December 2022, the Group had unused tax losses of HK\$293,132,000 (2021: HK\$281,862,000) available to offset against future taxable profits. No deferred tax asset has been recognised in respect of unused tax losses due to the unpredictability of future profit streams.

5. LOSS FOR THE YEAR

The Group's loss for the year is arrived at after charging/(crediting):

	2022	2021
	HK\$'000	HK\$'000
		(Re-presented)
Continuing operations		
Auditors' remuneration	880	670
Cost of sales and services rendered (note i)	18,017	4,726
Staff costs (including directors' remuneration):		
Salaries and other benefits	7,391	11,380
Bonus	–	479
Pension scheme contributions	163	272
Equity-settled share option expense	244	988
	<u>7,798</u>	<u>13,119</u>
Depreciation of property, plant and equipment	7,957	2,608
Depreciation charge of right-of-use assets	2,182	4,835
Loss on disposal of property, plant and equipment	892	–
Impairment of property, plant and equipment (note ii)	5,256	1,015
Impairment of right-of-use assets	–	2,755
Impairment of trade receivables	97	–
Write-off of trade receivables	1,243	–
	<u><u>1,243</u></u>	<u><u>–</u></u>

Notes:

- (i) Cost of sales and services rendered mainly included cost of electricity amounting to HK\$12,601,000 (2021: HK\$2,392,000).
- (ii) Due to the political turmoil and power outages in Kazakhstan during the year ended 31 December 2022, the Group's data processors in Kazakhstan were unable to be used during the year. The management of the Company therefore has made full impairment on these assets.

6. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE

Since the incoming directors of the Company have been appointed in 2022, the directors of the Company have been looking for disposal of the Group's Big Data Centre Services in the PRC (the "Discontinued Operations"). Negotiations with several interested parties have subsequently taken place. On 3 January 2023, as disclosed in the Company's announcement dated 3 January 2023, the Company has entered into a sale and purchase agreement with the purchaser to sell the assets and liabilities attributable to the business at a consideration of HK\$37,000,000 (the "Disposal"). As disclosed in the Company's announcement dated 11 January 2023, this Disposal has been completed dated 11 January 2023.

As the directors of the Company were committed to the disposal plan to sell the Discontinued Operations, accordingly, the Discontinued Operations have been classified as a disposal group held for sale as at 31 December 2022, and the assets and liabilities of the Discontinued Operations are presented separately in the consolidated statement of financial position as assets and liabilities classified as held for sale is current assets and current liabilities respectively. (see below).

Further, as the Discontinued Operations represent a separate major line of business or geographical area of operations of the Group and was a reportable segment of the Group, the financial results of the Discontinued Operations have been presented as discontinued operations in the consolidated statement of profit or loss and other comprehensive income of the Group.

The loss for the year from the discontinued Big Data Centre Services in the PRC is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present this business as a discontinued operation.

	2022 HK\$'000	2021 HK\$'000
REVENUE	–	172,066
Cost of sales and service rendered	<u>(5,714)</u>	<u>(189,761)</u>
Gross (loss)	(5,714)	(17,695)
Interest income	150	160
Other income and gains	319	1,919
Selling expenses	–	(28)
Administrative expenses	(13,385)	(28,917)
Impairment of property, plant and equipment	(713)	(211,346)
Impairment of right-of-use assets	–	(263)
Impairment of goodwill	–	(11,867)
Impairment of intangible assets	–	(433)
Impairment of other receivables (note 10)	(18,697)	–
Other expenses	(274)	(104)
Share of profit of associates	84	1,230
Finance costs	–	(435)
LOSS BEFORE TAX	(38,230)	(267,779)
Income tax credit	–	2,771
LOSS AFTER TAX	(38,230)	(265,008)
Loss on remeasurement of disposal group of fair value less costs to sell	<u>(4,460)</u>	–
LOSS FOR THE YEAR	<u>(42,690)</u>	<u>(265,008)</u>

Loss for the year from discontinued operations includes the following:

	2022	2021
	HK\$'000	HK\$'000
Auditors' remuneration	–	–
Depreciation of property, plant and equipment	6,669	30,250
Depreciation of right-of-use assets	–	666
	<u>–</u>	<u>666</u>

During the year, the discontinued Big Data Centre Services in the PRC had net outflow of approximately HK\$2.7 million (2021: contributed HK\$13.1 million) included in the Group's net operating cash flows, paid nil (2021: HK\$104.4 million) in respect of investing activities and paid approximately HK\$0.3 million (2021: HK\$0.5 million) in respect of financing activities.

The major classes of assets and liabilities of the Big Data Centre Services in PRC operation as at 31 December 2022, which have been presented separately in the consolidated statement of financial position, are as follows:

	2022
	HK\$'000
Goodwill	–
Intangible assets	–
Property, plant and equipment	10,859
Investment in associates	3,500
Trade receivables	239
Prepayments, deposits and other receivables	15,170
Cash and cash equivalents	24,813
	<u>24,813</u>
Assets classified as held for sale	54,581
	<u>54,581</u>
Trade payables	876
Accruals and other payables	16,705
	<u>16,705</u>
Liabilities associated with assets classified as held for sale	17,581
	<u>17,581</u>

Cumulative amount of exchange differences (net gains) on translation of foreign operators of HK\$15.5 million relating to the disposal group classified as held for sale has been recognised in other comprehensive income and included in equity.

7. DIVIDEND

The Directors do not recommend the payment of any dividend for each of the years ended 31 December 2022 and 2021.

8. LOSS PER SHARE

From continuing operations

The calculation of the basic loss per share amount is based on the loss for the year attributable to owners of the Company and the weighted average number of ordinary shares of approximately 548,385,000 (2021: 507,084,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2022 and 2021 in respect of the impact of the share options outstanding as these options had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of the basic and diluted earnings per share is based on the following:

	2022 HK\$'000	2021 HK\$'000
Loss		
Loss for the year attributable to owners of the Company	(56,893)	(286,686)
Less: loss for the year from discontinued operations attributable to owners of the Company	<u>(42,690)</u>	<u>(259,358)</u>
Loss for the purpose of calculating basic and diluted loss per share from continuing operations	<u>(14,203)</u>	<u>(27,328)</u>
	2022 '000	2021 '000
Number of shares		
Weighted average number of ordinary shares in issue during the year for the purposes of the basic and diluted loss per share	<u>548,385</u>	<u>507,084</u>

From continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2022 HK\$'000	2021 HK\$'000
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	<u>(56,893)</u>	<u>(286,686)</u>

The denominators used are the same as those detailed above for basic and diluted loss per share from continuing operations.

From discontinued operations

For the year ended 31 December 2022, basic and diluted loss per share for the discontinued operation is HK\$7.78 cents per share (2021: HK\$51.15 cents per share), based on the loss for the year attributable to owners of the Company from the discontinued operations of HK\$42,690,000 (2021: HK\$259,358,000) and the denominators used are the same as those detailed above for basic and diluted loss per share from continuing operations.

9. TRADE RECEIVABLES

	2022	2021
	HK\$'000	HK\$'000
Trade receivables	5,850	10,962
Less: impairment of trade receivables	<u>(97)</u>	<u>(837)</u>
	<u>5,753</u>	<u>10,125</u>

An aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows

	2022	2021
	HK\$'000	HK\$'000
Within 30 days	5,753	5,190
31 days to 90 days	–	1,706
91 days to 180 days	–	1,520
181 days to 365 days	<u>–</u>	<u>1,709</u>
	<u>5,753</u>	<u>10,125</u>

Reconciliation of loss allowance for trade receivables:

	2022	2021
	HK\$'000	HK\$'000
At 1 January	837	837
Reclassified to held for sale	(837)	–
Increase in loss allowance for the year	<u>97</u>	<u>–</u>
At 31 December	<u>97</u>	<u>837</u>

The Group's trading terms with its customers are usually on credit, however, in some instances payment in advance is required. The credit period is generally 30 days from invoice date (2021: 60 days invoice date). Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current (not past due) <i>HK\$'000</i>	Less than 1 month past due <i>HK\$'000</i>	1-3 months past due <i>HK\$'000</i>	3-6 months past due <i>HK\$'000</i>	6-12 months past due <i>HK\$'000</i>	Over 1 year past due <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2022							
Weighted average expected loss rate	1.70%	N/A	N/A	N/A	N/A	N/A	
Receivable amount	5,850	-	-	-	-	-	5,850
Loss allowance	97	-	-	-	-	-	97
At 31 December 2021							
Weighted average expected loss rate	0.00%	0.00%	0.00%	0.00%	N/A	100.00%	
Receivable amount	5,190	1,706	1,520	1,709	-	837	10,962
Loss allowance	-	-	-	-	-	837	837

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other receivables	73	1,536
Other tax assets (<i>note</i>)	-	19,848
Utility deposits	-	10,135
Other deposits	3,016	2,503
Prepayments	560	5,646
	3,649	39,668
Impairment of other receivables	-	(1,068)
	3,649	38,600

Note: Other tax assets as at 31 December 2021 included VAT receivables of HK\$18,697,000 which related to the Discontinued Operations. The Company was of the opinion that the Group had good grounds to claim the refund of the VAT paid and hence the VAT receivables was included in other receivables of the Group as at 31 December 2021. During the current year, the independent tax advisers of the Group advised that, taking into account the prolonged approval process of the refund of the VAT receivables from the relevant tax authority in the PRC, the recoverability of the VAT paid had become remote. Hence full impairment was recognised during the year ended 31 December 2022.

The movement in the impairment of other receivables are as follows:

	2022 HK\$'000	2021 <i>HK\$'000</i>
At 1 January	1,068	1,068
Reclassified to held for sale	(1,068)	–
	<hr/>	<hr/>
At 31 December	–	1,068
	<hr/> <hr/>	<hr/> <hr/>

11. TRADE PAYABLES

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	2022 HK\$'000	2021 <i>HK\$'000</i>
Within 30 days	476	1,114
31 to 90 days	–	–
91 to 180 days	–	868
	<hr/>	<hr/>
	476	1,982
	<hr/> <hr/>	<hr/> <hr/>

The average credit period on purchases of goods is 60 days.

12. ACCRUALS AND OTHER PAYABLES

	2022 HK\$'000	2021 <i>HK\$'000</i>
Other payables	626	6,712
Amount due to a shareholder of a joint venture	2,334	2,334
Deposit received in relation to the Disposal (note)	4,160	–
Refundable deposits received from customers	–	5,395
Accruals	907	209
	<hr/>	<hr/>
	8,027	14,650
	<hr/> <hr/>	<hr/> <hr/>

Note: Amount represented the deposit received from the purchaser in relation to the Disposal as disclosed in Note 6.

13. SHARE CAPITAL

	2022 HK\$'000	2021 <i>HK\$'000</i>
Authorised		
2,000,000,000 (2021: 650,000,000) ordinary shares of HK\$0.1 (2021: HK\$0.1) each	200,000	65,000
	2022 HK\$'000	2021 <i>HK\$'000</i>
Issued and fully paid:		
548,408,822 (2021: 548,378,822) ordinary shares of HK\$0.1 each	54,841	54,838

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share Capital HK\$'000
At 1 January 2021	379,023,983	37,902
Issuance of shares on subscription (<i>Note a</i>)	169,354,839	16,936
At 31 December 2021 and 1 January 2022	548,378,822	54,838
Exercise of share options	30,000	3
At 31 December 2022	548,408,822	54,841

Note:

- (a) A subscription has taken place on 31 March 2021. A total of 169,354,839 subscription shares have been issued at the subscription price of HK\$0.62 per subscription share. The gross proceeds and net proceeds from the subscription amounted to approximately HK\$105,000,000 and HK\$100,554,000, respectively.

By an ordinary resolution passed by the shareholders of the Company on 26 March 2021, the authorised share capital of the Company was increased from HK\$55,000,000 to HK\$65,000,000 by the creation of 100,000,000 additional shares of the Company of HK\$0.1 each, such new shares rank pari passu in all respects with the existing shares of the Company.

By an ordinary resolution passed by the shareholders of the Company on 28 December 2022, the authorised share capital of the Company was increased from HK\$65,000,000 divided into 650,000,000 shares of the Company of HK\$0.1 each to HK\$200,000,000 divided into 2,000,000,000 shares by the creation of an additional 1,350,000,000 shares, such new shares rank pari passu in all respects with the existing shares of the Company.

CHAIRMAN’S STATEMENT

Dear Shareholders,

On behalf of the Board, I hereby present the results of the Group for the Year.

During the Year, the financial market experienced unprecedented volatility due to high inflation and tightened financial and industrial policies in different regions. In the virtual asset industry, black swan events occurred frequently throughout the Year, where Luna, FTX and other incidents triggered a number of related companies to re-evaluate their risks, led to reconsolidation of industry leaders and enhanced the importance of risk management. In addition, security and compliance have become key concerns for potential players in the crypto sector, as the trend of tightening regulations on virtual assets in various countries or regions has increasingly become more clear. Nevertheless, the Financial Services and the Treasury Bureau of Hong Kong has published the “Policy Statement on Development of Virtual Assets in Hong Kong” during the Year, stating that Hong Kong will spare no effort to promote the development of cryptocurrency, Web 3.0 and related industries, making the coming year promising!

The Year was a year full of opportunities and challenges for the Group!

Manful Kingdom becoming the controlling shareholder

Leveraging on the Group’s experience in blockchain-related businesses, the infrastructure of which is cryptocurrency mining, and the strong support of the Hong Kong government in the development of the crypto sector, the Group’s future prospects have been favoured by the join-in of Manful Kingdom Limited (“**Manful Kingdom**”). The Company completed the mandatory unconditional cash offers on 9 September 2022 and Manful Kingdom became the controlling shareholder of the Company. The name of the Company was changed from “Loto Interactive Limited 樂透互娛有限公司” to “Crypto Flow Technology Limited 加冪科技有限公司”, which provides a more appropriate corporate image and identity for the Company and reflects the direction of the Group’s future development. In addition, the Company has appointed high profile persons such as the chairman of Hong Kong Blockchain Association and the co-founder of Asia Meta Alliance to serve as the Directors, and recruited management members with extensive experience in digital infrastructure construction and operation and blockchain technology development. While continuously improving the existing business layout, the Company invested resources, recruited talents and paid close attention to the technology and the application development of Web3.0 and metaverse, and strived to build the Company into a large-scale blockchain infrastructure technology service enterprise.

Revitalizing assets

The three big data centers of the Group in Sichuan ceased operations in 2021 in order to actively comply with various national regulatory requirements. The Group also completed the disposal of relevant companies in January 2023. During the Year, the cessation of operation in mainland China had an impact on the Group's revenue in the short term. Nevertheless, the Company has formulated an overseas development strategy to build big data centers in order to seize the opportunity to meet the market demand, expand the big data center business, stabilize the Company's revenue, maintain customer relationships and gain valuable experience for further expansion into overseas markets.

Expanding the infrastructure business

Being the infrastructure of the crypto-asset industry, cryptocurrency mining will continue to grow steadily in the coming period. As big data centers are the service providers to all kinds of cryptocurrency mining, the Company remains optimistic about this service. In view of the constraints of rental and energy prices in Hong Kong on the development of large-scale big data center business, it would be more prudent to develop business in regions such as North America where electricity prices and rentals are lower and industry policies are more stable. As such, the Company is actively exploring the acquisition and investment in building big data centers in regions such as North America so to complement the Group's overall development strategy.

Expanding the application and market of blockchain and related fields

During the Year, the Financial Services and the Treasury Bureau of Hong Kong published the "Policy Statement on Development of Virtual Assets in Hong Kong", which states that Hong Kong will "embrace the metaverse, welcome Web 3.0, accept DLT, join the crypto world, connect to NFT, and join hands with stablecoins". With the support of the Innovation, Technology and Industry Bureau of Hong Kong, the Company has recruited a number of professionals who have served in large-scale digital industry platforms such as Tencent, as well as management with extensive experience in blockchain technology product development. We will strive to develop and operate a service platform with the ability to serve large-scale customers as soon as possible to enrich the Group's business by developing blockchain-based technologies, planning Web3.0 application projects and integrating Web2.0, Web2.5 and Web3.0 applications and solutions for different periods.

With the right time, the right place and the right people, everything is ready, and 2023 will be the year of restart of the Company with a promising future!

IN APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our sincere gratitude to our shareholders, customers and business partners for their continuing support and confidence in the Company. As to my fellow Board members, management team and all staff, I wish to express my heartfelt appreciation for their hard work and valuable contributions. Looking forward, we will continue to forge ahead by constantly exploring new growth drivers with concerted efforts and strive to achieve the goal of long-term and sustainable development.

Li Hongbin

Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in (i) the provision of data analysis and storage services (the “**Big Data Centre Services**”), (ii) data processors leasing services (the “**Data Processors Leasing Services**”) and (iii) money lending business in Hong Kong (the “**Money Lending Business**”).

Big Data Centre Services

The Group operates big data centres to provide comprehensive services including premises, hardware support, power supply, ancillary supervision and management services to our clients.

Continued Operations – Hong Kong

The big data centre in Hong Kong, with a maximum processing capacity of approximately 1,400 kWh, commenced business in November 2021 (the “**Continued Operations**”) and generated a revenue of approximately HK\$26.6 million for the Year. The Group is looking for more customers to use up capacity.

Discontinued Operations – PRC

As disclosed in the announcements of the Company dated 3 January 2023, 11 January 2023 and 27 February 2023 (the “**Disposal**”), the Group entered into an agreement to dispose Brighten Express Limited, a wholly-owned subsidiary of the Company, and its subsidiaries (the “**Discontinued Operations**”) with the three big data centres in Sichuan Province, the PRC, which were operated by Chengdu Keying Interactive Information Technology Limited (成都科盈互動信息科技有限公司), Ganzi Changhe Hydropower Consumption Service Co., Ltd. (甘孜州長河水電消納服務有限公司) and Sichuan Lecai Yuntian Network Technology Co., Ltd. (四川省樂彩雲天網絡科技有限公司). In order to comply with the relevant PRC laws and regulations, all the big data centres in Sichuan Province were closed before 2022. During the Year, the Big Data Centre Services in PRC generated no revenue.

Data Processors Leasing Services

The Group purchased 1,807 data processors in 2021 and started leasing the same to independent third parties in Kazakhstan from October 2021. Due to the political turmoil and power outages in Kazakhstan from January 2022, our customers' businesses were adversely affected. After liaising with our customers, the Group agreed to waive their rental fees for renting the Group's data processors during the power outages. As the situation showed no improvement, the Group decided to dispose all the data processors. During the Year, Data Processors Leasing Services generated no revenue.

Money Lending Business

In order to leverage our corporate expertise and resources to broaden income source, an indirect wholly-owned subsidiary of the Company, Might Winner Limited, obtained a money lender's license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) in January 2020. On 3 April 2020, a loan in the principal amount of HK\$30 million for a term of 24 months at an interest rate of 10% per annum, was granted to an independent third party. On 1 April 2022, the Group entered into a supplemental loan agreement with the Borrower and the Guarantor to extend the repayment date of the Loan by 24 months to 2 April 2024 at an interest rate of 10% per annum. During the Year, Money Lending Business contributed a revenue of approximately HK\$3 million for the Year.

As at 31 December 2022 and 31 December 2021, utilizing the third party's Expected Credit Loss ("ECL") model, no substantial changes were detected in the credit status and credentials of the Group's loan and interest receivables. Therefore, no significant impairment losses were identified for the Year in question.

Internal control procedures

The Group has implemented and adhered to a set of internal control measures governing its money lending activities, so as to ensure a holistic approach to risk management and safeguard the interests of the Company and the shareholders of the Company. In relation to credit risk assessment, credit approval, and continuous monitoring of loan recoverability and collection, the Group has established key internal control procedures.

1. Credit risk assessment

Upon receipt of a prospective client's application, the money lending control team ("TMLCT"), comprising of the chief executive officer of the Company and personnel from the accounting and company secretary departments, will conduct a credit risk assessment in accordance with relevant laws and regulations in Hong Kong. This assessment will evaluate and analyze the prospective client's credit rating, repayment capacity, financial status, and overall credit risk.

The credit risk assessment includes an evaluation of various aspects of the prospective client or guarantor (as applicable) and review of corresponding documents, including but not limited to, the following:

- a. Know-your-client process documents received during the processes listed in items (b) to (h) below.
- b. Identity verification and authentication such as identity card and/or passport; for corporate entities: business registration certificate, certificate of incorporation, and constitutional documents, among others.
- c. Historical credit records and rating such as credit and/or litigation search (if any).
- d. Purpose of loan, repayment plan, and source of funds for repayment such as loan application form, bank statement, and asset/worth proof (if any).
- e. Cash flows, assets, and liabilities (whether actual or contingent). For individuals: bank statement, income proof such as salary slip or tax return/demand note, and/or asset/worth proof; for corporate entities: audited financial statements, management accounts, and sales contract(s) (where applicable).
- f. Interview in person or, on-site visit in the case of corporate clients.
- g. The overall risk level of provision of the loan risk assessment conducted by the TMLCT.
- h. Other matters as may be considered necessary by the TMLCT case by case.

Meanwhile, the company secretary department will carry out a name screening to verify any connected person relationship under the GEM Listing Rules and the management will engage independent valuer(s) to appraise the value of assets/collaterals proposed by the prospective clients or guarantor (if applicable).

2. *Credit approval*

The TMLCT will prepare a preliminary proposal, based on the outcomes of the aforementioned credit risk assessment, to establish the principal amount, interest rate, and tenure of the loan, on a case-by-case basis. The proposal will then be forwarded to the accounting team for additional review. The interest rate decided upon should align with the risk level associated with the transaction, subject to relevant legal restrictions and guidelines.

Upon receipt of all documents pertaining to the loan application by the TMLCT, the accounting team, which plays a pivotal role in supervising the Group's internal control procedures, will conduct an independent assessment of the complete application. Additionally, the accounting team will undertake size tests for each transaction contemplated and consider compliance requirements under with the GEM Listing Rules, including but not limited to announcements, notification and approval requirements from shareholders. When necessary, the accounting team may consult with the Company's legal or financial adviser. Loan applications that have successfully undergone the above procedures will be forwarded to the Board, or the Company's shareholders (as appropriate) for approval, in compliance with the transaction size specified by the relevant percentage ratios under the GEM Listing Rules.

3. *Ongoing monitoring of loan recoverability and loan collection*

- a. Regarding the clients who have borrowed money, the financial department establishes a separate sub-account for each client in its loan register, which includes updated information such as the principal loan amount, repayment schedule for principal and interest, and repayment records. These records undergo review and approval by the financial controller and the chief executive officer.
- b. Upon receipt of clients' repayments, the financial department is responsible for verifying the repayment amount against the repayment schedule. If any discrepancy is identified, the TMLCT will be notified to follow up with the relevant client.
- c. To mitigate the Group's credit risk exposure, the management and the TMLCT perform quarterly reviews to monitor loan collection and recoverability, identify potential risks and issues, and develop mitigating measures.

- d. In the event of a default by a client, the financial department will issue an overdue notice to the defaulting client and report the case to the management and the TMLCT. The TMLCT will closely monitor the situation by reviewing the reasons for the default, assessing the loan's recoverability, and directing appropriate action on a case-by-case basis. If the overdue persists after the issuance of the notice, the TMLCT may instruct its legal representative to issue demand letters to the defaulting clients, including a final warning. If warranted, the TMLCT may consider initiating legal action against the defaulting client after seeking legal advice.

FINANCIAL REVIEW

During the Year, the Group is engaged in three operating segments which are (1) Big Data Centre Services; (2) Data Processors Leasing Services; and (3) Money Lending Business. The Group recorded a total revenue of approximately HK\$29.6 million (2021: HK\$8.7 million), representing a significant increase of HK\$20.9 million, which comprised the following:

(1) Big Data Centre Services

Continued operations – Big Data Centre in Hong Kong

Revenue contributed by the Big Data Centres Services in the provision of data analysis, storage services and ancillary administrative and consulting services amounted to approximately HK\$26.6 million for the Year, representing a significant increase of HK\$20.9 million as compared to the corresponding year in 2021 (2021: HK\$5.7 million).

Discontinued operations – Big Data Centre in PRC

During the Year, the Discontinued Operations generated no revenue, representing a significant decrease of HK\$172.1 million as compared to the corresponding year in 2021 (2021: HK\$172.1 million), which was primarily due to the termination of operation of the three big data centres in Sichuan, the PRC.

(2) Data Processors Leasing Services

Revenue generated from Data Processors Leasing Services was nil for the Year (2021: HK\$1.2 million).

(3) Money Lending Business

Revenue generated from the Money Lending Business amounted to approximately HK\$3.0 million for the Year, representing the same as compared to the corresponding Year in 2021 (2021: HK\$3 million).

Operating Results

The Group recorded a loss of approximately HK\$56.9 million for the Year, representing a decrease of HK\$235.4 million or 80.5% as compared to a loss of HK\$292.3 million for the corresponding year in 2021, which was mainly attributable to the combined effect of:

- (i) increase in gross profit of approximately HK\$7.6 million of the Big Data Centre Services – Continuing operations which was due to the operation of Big Data Centre Service in Hong Kong starting from November 2021;
- (ii) increase in the other income and gains of approximately HK\$2.4 million which was due to the confiscation of customer deposit, office rental concession and government ‘employment support scheme’;
- (iii) decrease in staff cost of approximately HK\$5.3 million attributable to the decreased number of employees due to the reduced size of operation;
- (iv) decrease in the impairment of right-of use assets of approximately HK\$2.8 million;
- (v) offset by the increase in impairment of property, plant and equipment approximately HK\$4.2 million;
- (vi) offset by the increase in loss on disposal of property, plant and equipment of approximately HK\$0.9 million;
- (vii) offset by the increase in write-off of trade receivables of approximately HK\$1.2 million; and
- (viii) offset by the decrease in loss from Discontinued Operations of approximately HK\$222.3 million.

MATERIAL ACQUISITION AND DISPOSAL AND SIGNIFICANT INVESTMENTS

During the Year, the Group had no material acquisition and disposal of subsidiaries, associates and joint ventures and there was no significant investments held by the Group.

ADDITION TO PROPERTY, PLANT AND EQUIPMENT

During the Year, the Company has made no significant addition in property, plant and equipment (2021: approximately HK\$20.7 million).

LOAN RECEIVABLE

An indirect wholly-owned subsidiary of the Company, Might Winner Limited, obtained a money lender's license in Hong Kong in January 2020. On 3 April 2020, the Group entered into a loan agreement (the "**Loan Agreement**") with an independent third party, Bright Topper Limited (the "**Borrower**"), in the principal amount of HK\$30 million at an interest rate of 10% per annum for a term of 24 months (the "**Loan**"). The repayment of the Loan was guaranteed by a director and the sole beneficial owner (the "**Guarantor**") of the Borrower. Interests for the first 12 months shall be repaid in the first year and the principal amount and interests for remaining period ("**Second Tranche Interest**") shall have been repaid on or before 2 April 2022. The Borrower has paid the interests for the Loan for the first 12 months in the amount of HK\$3 million in accordance with the Loan Agreement and the Second Tranche Interest was due by 2 April 2022 according to the Loan Agreement. On 1 April 2022, the Group entered into a supplemental loan agreement with the Borrower and the Guarantor to extend the repayment date of the Loan by 24 months to 2 April 2024 at an interest rate of 10% per annum and to extend the payment date of the Second Tranche Interest to 4 April 2022. The Second Tranche Interest was paid by the Borrower on 4 April 2022.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group continues to manage its balance sheet carefully and maintains conservative policies in cash and financial management. As at 31 December 2022, the Group's cash and bank balances (including bank deposits with original maturity over three months) amounted to HK\$34.3 million for both Continuing and Discontinued Operations (2021: HK\$35.8 million for both Continued and Discontinued Operations), representing a decrease of HK\$1.5 million as compared to that as at 31 December 2021. As at 31 December 2022, about 72.3% (2021: 75.9%) of the cash and cash equivalents was denominated in Renminbi which included in assets classified as held for sale, with the remaining balance in United States dollars and Hong Kong dollars. The decrease in cash and bank balances was mainly due to the ongoing expenses on the discontinued big data centres in PRC.

As at 31 December 2022, the Group's current assets exceeded its current liabilities by HK\$41.1 million (2021: HK\$88.8 million). The Group had a capital surplus of HK\$77.0 million as at 31 December 2022 (2021: HK\$137.0 million).

The Group had no bank borrowings in 2022 (2021: Nil) and generally finances its operations with internal resources.

OUTLOOK

After the completion of the mandatory unconditional cash offer on 9 September 2022, Manful Kingdom became the controlling shareholder of the Company. With a highly-skilled and strong management team from Manful Kingdom, we will continue the development of the Group's existing business.

In response to the "Policy Statement on the Development of Virtual Assets in Hong Kong" released by The Hong Kong Finance and Treasury Bureau, the Company actively considers performing research on the technology of blockchain, the technological application of web3.0 and the business models of support platforms.

The Company will continuously review on the operations and financial position of the Group for the purpose of formulating business plans and strategies for the Group's long-term business development and will explore other business opportunities for the Group. Subject to the results of the review, and should suitable investment or business opportunities arise, the Company may consider whether any assets and/or business acquisitions or disposals by the Group will be appropriate in order to enhance its growth. The Company is actively exploring the development of big data centres in line with the Group's overall development strategy, in order to seize opportunities to meet market demand and expand the big data centre business. The Company would expand the existing businesses of the Group through, among others, the development of big data centre(s) in the overseas markets including, but not limited to, the North America.

Save for the disposal of the residual obsolete assets of the big data centres, the Company has no intention to dispose the Group's fixed assets which are not in the ordinary and usual course of the business of the Group.

In the new and changing business environment, we will continue to pursue improvement, adhere to the spirit of innovation, closely monitor changes in policies and market conditions, leverage our core experience and corporate resources to seek new opportunities in pursuit of the long-term benefits for the Group and the shareholders of the Company as a whole.

CHARGES ON GROUP ASSETS

None of the Group's assets were pledged as at 31 December 2022 and 2021.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

As at 31 December 2022 and 2021, all assets and liabilities of the Group were denominated in Renminbi, Hong Kong dollars and United States dollars. Since the impact to foreign exchange exposure has been insignificant, no hedging or other alternatives have been implemented.

STAFF AND REMUNERATION POLICY

As at 31 December 2022, the Group had a total of 10 employees (2021: 24). For the year ended 31 December 2022, total Directors' emoluments were approximately HK\$3.7 million (2021: HK\$4.3 million), including non-cash share-based payments to the Directors of approximately HK\$0.2 million in 2022 (2021: HK\$0.8 million). The Group continues to provide remuneration packages to employees that are in line with market practices and past performance. The Group also provides employee benefits such as mandatory provident fund, medical insurance, staff training programs and share option schemes.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

The Group's capital commitments at the end of the reporting period are as follows:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment contracted, but not provided for	<u> —</u>	<u> —</u>

UNCONDITIONAL MANDATORY CASH OFFERS

On 12 July 2022, BIT Mining Limited as the vendor (the “**Vendor**”), and Manful Kingdom Limited as the purchaser (the “**Offeror**”) entered into a share sale and purchase agreement (the “**Share Purchase Agreement**”), pursuant to which, the Vendor conditionally agreed to sell and the Offeror conditionally agreed to purchase, in aggregate, 279,673,200 shares (the “**Sale Shares**”), representing approximately 51% of the entire issued share capital of the Company as at the date of the Share Purchase Agreement (as subsequently amended on 14 July 2022). The total consideration for the Sale Shares is HK\$78,308,496, equivalent to HK\$0.28 per Sale Share. The completion of the sale and purchase of the Sale Shares (the “**Share Purchase Completion**”) took place on 25 July 2022. Upon the Share Purchase Completion, the Offeror and parties acting in concert with it became interested in a total of 294,833,200 shares in the Company, representing approximately 53.76% of all the ordinary shares of HK\$0.1 each in the total issued share capital of the Company. Pursuant to Rule 26.1 and Rule 13.5 of Hong Kong Code on Takeovers and Mergers, the Offeror is required to make a mandatory unconditional cash offer to (i) acquire all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it); and (ii) cancel all the outstanding share options granted by the Company pursuant to the share option schemes adopted by the Company on 18 May 2012 (the “**Offers**”). The composite documents in relation to the Offers were despatched on 19 August 2022. As at 4:00 p.m. on 9 September 2022, being the latest time and date for acceptance of the Offers as set out in the composite documents, the Offeror had received (i) valid acceptances in respect of a total of 142,540 offer shares under the share offer, representing approximately 0.03% of the entire issued share capital of the Company; and (ii) valid acceptances in respect of a total of 180,000 share options under the option offer.

SIGNIFICANT EVENTS SUBSEQUENT TO THE YEAR

The following significant events have been taking place subsequent to 31 December 2022:

- (a) The Company entered into a sales and purchase agreement with an independent third party to dispose of Brighten Express Limited and its subsidiaries at a consideration of HK\$37,000,000 on 3 January 2023. All conditions precedent under the sales and purchase agreement had been fulfilled and the disposal took place on 11 January 2023 accordingly. Details about the disposal have been disclosed in the Company’s announcements dated 3 January 2023, 11 January 2023, 27 January 2023 and 7 February 2023, and in the Company’s circular dated 28 February 2023; and

- (b) On 16 March 2023, the Company has entered into a sales and purchase agreement with independent third parties to purchase 55% equity interest in Your Choice Ever Best, Inc. (“**Your Choice**”), a company incorporated in the state of Delaware of the United States of America (the “**USA**”) with limited liability and the loans borrowed by Your Choice due to the sellers at a consideration of US\$4,311,913 (equivalent to approximately HK\$33,848,515). The consideration shall be settled by the Company issuing and allotting 80,591,701 of the Company’s shares at the issue price of HK\$0.42 to the sellers upon completion.

Your Choice is principally engaged in the operation of the Big Data Centre in the USA.

Details about the acquisition and the conditions precedent under the acquisition have been disclosed in the Company’s announcement dated 16 March 2023. As at the date of this annual results announcement (the “**preliminary announcement**”), the acquisition has not yet been completed.

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance to safeguard the interest of the Company’s shareholders (the “**Shareholders**”) and achieved these by an effective board, segregation of duties with clear accountability, sound internal controls, appropriate risk assessment procedures and transparency to all the Shareholders. Throughout the Year, the Company complied with all the Code Provisions of the Corporate Governance Code (the “**CG Code**”) set out in Appendix 15 to the GEM Listing Rules, save for the following:

Under the code provision D.1.2 of the CG Code, management should provide all members of the Board with monthly updates to enable the Board as a whole and each Director to discharge their duties. Although the management of the Company has not provided the Board with monthly updates during the Year, the Company has based on business situation, provided the Board, from time to time, with updated business information to enable the Board to form a balanced and understandable assessment of the Company’s performance and to discharge their duties.

The Board will continue to review and monitor the corporate governance practices of the Company to ensure compliance with the CG Code and maintain high standard of corporate governance practices.

SECURITIES DEALINGS BY DIRECTORS AND EMPLOYEES

The Company has adopted its own code for dealing in the Company's securities by Directors and employees who are likely to be in possession of inside information in relation to the securities of the Company (the **"Code of Securities Dealings"**) on terms no less exacting than the required standards set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has received confirmation from all Directors that they have complied with the required standards set out in the Code of Securities Dealings throughout the Year.

AUDIT COMMITTEE

The Company has an audit committee (the **"Audit Committee"**), which was established for the purposes of reviewing and providing supervision over the Group's financial reporting process and overseeing the Group's risk management and internal controls. It also reviews the effectiveness of the audit process and risk evaluation. The Audit Committee currently comprises three members, including Mr. Sun Yuqiang (Chairman of the Audit Committee), Mr. Chu, Howard Ho Hwa and Mr. Tong, I Tony, all being independent non-executive Directors.

The annual results and the audited consolidated financial statements of the Group for the year ended 31 December 2022 have been reviewed by the Audit Committee.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on Wednesday, 10 May 2023. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Friday, 5 May 2023 to Wednesday, 10 May 2023 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the above annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 4 May 2023.

SCOPE OF WORK OF MOORE STEPHENS CPA LIMITED ON THIS PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the auditors, Moore Stephens CPA Limited, to the amounts set out in the audited consolidated financial statements of the Group for the year ended 31 December 2022. The work performed by Moore Stephens CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Moore Stephens CPA Limited on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the Company's website at www.cryptoflowhk.com and the Stock Exchange's website at www.hkexnews.hk. The annual report for the year ended 31 December 2022 will be available on the above websites and despatched to the Shareholders on or about Friday, 31 March 2023.

By order of the Board
Crypto Flow Technology Limited
Huang Yibin
Chief Executive Officer and Executive Director

Hong Kong, 27 March 2023

As at the date of this announcement, the executive Directors are Mr. Li Hongbin (Chairman) and Mr. Huang Yibin (Chief Executive Officer) and Ms. Xiong Jiayan; and the independent non-executive Directors are Mr. Chu, Howard Ho Hwa, Mr. Sun Yuqiang and Mr. Tong, I Tony.

This announcement will remain on the "Latest Listed Company Information" page of the Stock Exchange's website at www.hkexnews.hk for at least 7 days from the date of its publication and on the Company's website at www.cryptoflowhk.com.