火币科技
Huobi Tech

HUOBI TECHNOLOGY HOLDINGS LIMITED
火 币 科 技 控 股 有 限 公 司

(Incorporated in the British Virgin Islands with limited liability)

(Stock code: 1611)

2020 ANNUAL REPORT

CONTENTS

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Li Lin
(Chairman and Chief Executive Officer)
Mr. Lee Chris Curl
(Chief Financial Officer)
(resigned on 10 August 2020)
Mr. Lan Jianzhong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Duan Xiongfei
Mr. Yip Wai Ming
Mr. Ngai Matthew Cheuk Yin

AUDIT COMMITTEE

Mr. Yip Wai Ming *(Chairman)*
Mr. Duan Xiongfei
Mr. Ngai Matthew Cheuk Yin

REMUNERATION COMMITTEE

Mr. Ngai Matthew Cheuk Yin *(Chairman)*
Mr. Lan Jianzhong
Mr. Yip Wai Ming

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

Mr. Duan Xiongfei *(Chairman)*
Mr. Yip Wai Ming
Mr. Lan Jianzhong
(appointed on 10 August 2020)
Mr. Lee Chris Curl
(resigned on 10 August 2020)

REGISTERED OFFICE

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PO Box 362
Road Town, Tortola
BVI VG 1110

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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http://www.irasia.com/listco/hk/huobitech/

PRINCIPAL BANKER

DBS Bank Ltd., Hong Kong Branch

BVI PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
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KY1–1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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183 Queen's Road East
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

Patrick Mak & Tse
Rooms 901–905
9/F, Wing On Centre
111 Connaught Road Central
Hong Kong

AUDITOR

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

COMPANY SECRETARY

Mr. Lee Chris Curl
(resigned on 10 August 2020)
Mr. Ng Gilbert Man Him
(resigned on 10 August 2020)
Mr. Ng Kwan Ho
(appointed on 10 August 2020)

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Huobi Technology Holdings Limited (the "Company" and together with its subsidiaries the "Group"), I am pleased to present the annual report of the Group for the financial year ended 30 September 2020.

MACROECONOMIC CONDITIONS

During the challenging 2020, the global liquidity crisis triggered by the COVID-19 pandemic led to various epic volatile movements in the capital market. In March, the U.S. stock market set its biggest single-day decline since 1987. It only took three months for the Nasdaq Index to recover the loss with a record high. The Dow Jones Industrial Average continued to rise, and for the first time crossed the 30,000 threshold on November 24.

As compared to other major economies across the world, China's economy has performed comparatively better. The International Monetary Fund forecasts that China will be the only major economy that maintains a positive growth in 2020. In the first three quarters, China's GDP amounted to RMB72.28 trillion (RMB, the same below), representing a year-on-year increase of 0.7% at comparable prices. It showed a steady recovery growth in the single quarter. The unemployment rate in cities and towns nationwide decreased to 5.4% in September from August by 0.2%. During the year, the total retail sales of consumer goods reached the highest level of RMB3.53 trillion, representing a year-on-year increase of 3.3%. During the year, the added value of industries above the designated size reported a record high, an increase by 6.9% year-on-year.

The rapid rebound in the capital market was driven by the monetary stimulus, rather than a truly comprehensive economic recovery. In the context of the COVID-19 pandemic without an effective control, major developed countries continue to experience a low inflation. Due to the combination of low inflation with an economic uncertainty, the inflation targeting, the cornerstone of monetary policies settled by central banks in various countries, faced a tremendous challenge.

BUSINESS OVERVIEW

Despite the pressure brought by rising external volatility, the management of the Group made great efforts to safeguard the stability of production and operation and received an outstanding result. In terms of the contract manufacturing business, sales of high-margin products further increased and sales of low-margin products further decreased, which to a certain extent offset the decrease in turnover caused by the weak demand from major customers. During the same period, the cost and expenses dropped due to the declining copper price. In terms of the blockchain technology business, upon completion of the acquisition of Win Techno Inc. in July 2019, the relevant business proceeded successfully with an increasing income. The Group will continue to concentrate resources on the development of cloud software and database services for global customers from innovative technology sectors, including blockchain, fintech and big data.

In addition, it is noteworthy that Huobi Asset Management (Hong Kong) Limited, a wholly-owned subsidiary of the Group, obtained Type 4 and Type 9 licenses by the Securities and Futures Commission in Hong Kong on 31 July 2020. Huobi Wallet Hong Kong Limited obtained the relevant Trust or Company Service Provider License issued by the Companies Registry in Hong Kong on 19 August 2020. The Group will develop an integrated financial service platform that provides securities advisory and asset management services to professional investors.

MACROCOSMIC VIEWPOINT

During this year, Decentralized Finance (DEFI) morphed into an unexpected momentum following years of ordeals. Over a few months, the total lock-up volume of the DEFI protocol on Ethereum has grown from less than US$1 billion to more than US$15 billion. The 24 hours' trading volume of the header protocol surpassed the world's leading centralized exchange. An unexpected market star is actually the result of the persisted efforts throughout the entire industry, which lives up to the Chinese proverb of "gentlemen change like leopards, the glory shines growingly". As characterized by "decentralization and point-to-point value transfer", the "internet of value" system and Web3.0 may come sooner than expected, and become a catalyst for new production relations and productivity. At the same time, Micro Strategy, the US listed company, and Grayscale Investment as the leading institutions, have also begun to increase their holdings of virtual assets such as Bitcoin. Furthermore, major economies have introduced comprehensive compliance and regulation polices to govern the virtual asset industry. As a result, licensed operations in this particular industry have become a general trend.

Essentially, every major economic crisis results from overproduction. Subsequent to the crisis, demand and supply will be rebalanced until a new technological revolution further enhances productivity and production efficiency, which in turn stimulates the expansion of demand. Looking ahead, the blockchain technology will undoubtedly take its valuable position in the next round of humankind technological revolution and industrial upgrading. The PRC government has made it clear that the integration and application of the blockchain technology play a vital role in new technological innovation and industrial reform, and therefore the blockchain shall serve as the critical breakthrough for the indigenous innovation of core technologies to accelerate and advance the development of the blockchain technology and industrial innovation.

FUTURE PROSPECTS

We firmly believe that the advancement of the industry should be accompanied by trial and error, just as the process of history should tolerate volatility. Species with the best genes can always survive and grow in the most dramatic volatility, and long-termism will eventually triumph over opportunism. Only by stopping reminiscing about the successes of the past then we can transcend the cognition of the present.

We wish to live with time, commonsense, and modesty. The Group will always stay on course for the long-term development of its business. While safeguarding the steady advancement of the Company's manufacturing business and operating cash flow, the Company will persist in promoting and venturing into business diversity and ***continue to promote scientific and technological innovation in the development of a new generation of digital financial infrastructure, which is based on the blockchain technology and centers on the development of the internet of value***.

The Group believes that its persistence in long-termism and technological innovation will generate reasonable long-term returns to the shareholders in the future.

On behalf of the Board,

Li Lin
Chairman

HKSAR
18 December 2020

MATERIAL EVENTS

Change of Company Name

Pursuant to (i) the passing of the special resolution at the extraordinary general meeting of the Company held on 9 October 2019; and (ii) the issue of the Certificate of Name Change by the Registry of Corporate Affairs in the British Virgin Islands on 11 October 2019, the Company has changed its official registered English name from "Pantronics Holdings Limited" to "Huobi Technology Holdings Limited" and its Chinese name from "桐成控股有限公司" to "火币科技控股有限公司". With effect from 9:00 a.m. on 18 November 2019, the English stock short name of the Company for trading in the Shares on the Stock Exchange has changed from "PANTRONICS HLDG" to "HUOBI TECH" and the Chinese stock short name of the Company has changed from "桐成控股" to "火幣科技". The website of the Company has also changed from www.pantronicshk.com to www.huobitech.com with effect from 1 November 2019.

Continuing connected transaction – provision of financial assistance in relation to payment agent services

Reference is made to the Company's announcement dated 24 December 2019 in relation to the continuing connected transaction in the provision of financial assistance regarding payment agent services.

On 24 December 2019, Win Techno Inc. ("Win Techno"), an indirectly wholly-owned subsidiary of the Company, has become a participant of the Amazon Web Services Partner Network. Such network allows Win Techno to provide payment agent service and other add-on services to support the usage of the Amazon Web Services (the "AWS") by the end-customers of AWS and its affiliates (the "AWS Group"). Win Techno has commenced to provide payment agent services to Huobi Global Limited, a company incorporated with limited liability under the law of Seychelles, ("Huobi Global (Seychelles)") to facilitate payment of the usage fees to AWS Group for a term of three years.

(1) Discloseable and continuing connected transactions in relation to supplemental agreement to service agreement and (2) continuing connected transactions in relation to new service agreement

Reference is made to the Company's announcement dated 19 March 2020 in relation to (1) discloseable and continuing connected transactions in relation to supplemental agreement to service agreement and (2) continuing connected transactions in relation to new service agreement.

On 19 March 2020, Win Techno and Huobi Global (Seychelles) entered into a supplemental agreement to the service agreement for provision of payment agent services entered into between Win Techno and Huobi Global (Seychelles) on 24 December 2019 to revise the cap of financial assistance for the period from 14 April 2020 to 23 December 2022 from HK$15.0 million to HK$30.0 million.

On 19 March 2020, Win Techno and Huobi Global (Seychelles) entered into a new service agreement in relation to the provision of cloud-based software and database service, pursuant to which, the parties agreed, among others, to revise the original annual cap under the service agreement entered into between Win Techno and Huobi Global (Seychelles) on 1 May 2019 and supplemented by a supplemental agreement dated 19 July 2019 for the term commencing from 1 May 2020 to 30 April 2021.

Shareholding restructuring of the Company

Reference is made to the Company's announcement dated 27 April 2020 in relation to the shareholding restructuring of the Company.

On 27 April 2020, Huobi Global Limited, a company incorporated in the Cayman Islands with limited liabilities ("Huobi Global (Cayman)") as vendor, entered into a sale and purchase agreement with Huobi Capital Inc., HBCapital Limited, Techwealth Limited and other purchasers (collectively, the "Purchasers"), pursuant to which Huobi Global (Cayman) agreed to sell and the Purchasers agreed to purchase the 228,503,269 shares in the Company, representing approximately 74.80% voting rights in the Company (the "Controlling Block"). The shareholding restructuring was completed on 13 May 2020.

The purpose of the shareholding restructuring was to remove Huobi Global (Cayman) and Huobi Universal Inc. ("Huobi Universal") as intermediate holding companies such that the direct shareholders of Huobi Universal (or in certain cases, their ultimate beneficial owners), being the Purchasers, would directly hold shares in the Controlling Block in proportion to their then current respective attributable interests in the Company.

Obtained Securities and Futures Commission Type 4 (advising on securities) and Type 9 (asset management) Licenses

On 31 July 2020, Securities and Futures Commission has approved Huobi Asset Management (Hong Kong) Limited ("Huobi Asset Management"), an indirectly wholly-owned subsidiary of the Company, to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities. The approval is subject to Huobi Asset Management's continuous compliance of the licensing conditions that Huobi Asset Management shall not hold client assets and Huobi Asset Management shall only provide services to professional investors. Huobi Asset Management has not commenced any business as of the date of this report.

Obtained Trust or Company Service Provider (the "TCSP") License

On 19 August 2020, Huobi Wallet Hong Kong Limited ("Huobi Wallet"), an indirectly wholly-owned subsidiary of the Company, was notified by the Registry for Trust and Company Service Providers of Companies Registry of Hong Kong that, the application of Huobi Wallet for a TCSP license was approved and the TCSP license was granted to Huobi Wallet under section 53G of the Anti-Money Laundering and Counter-Terrorist Financing Ordinance, Cap. 615. Huobi Wallet has not commenced any business as of the date of this report.

PERFORMANCE REVIEW

The Group recorded a total revenue of HK$276.6 million for the year ended 30 September 2020 ("FY2020"), representing a decrease of 11.5% or HK$35.7 million from HK$312.3 million for the year ended 30 September 2019 ("FY2019").

The gross profit of the Group was HK$77.9 million for FY2020, representing an increase of 34.7% or HK$20.1 million from gross profit of HK$57.8 million for FY2019.

The net loss after tax of the Group increased from HK$6.1 million for FY2019 to HK$32.6 million for FY2020.

Loss per share of the Group for FY2020 was HK$10.6580 cents (FY2019: loss per share of HK$1.9889 cents).

BUSINESS REVIEW

Power-related & electrical/electronic products businesses

The revenue of the Group from power-related & electrical/electronic product businesses was HK$242.3 million for FY2020, representing a decrease of approximately HK$67.5 million or 21.8% as compared with that for FY2019. The decrease was primarily due to the continuous escalation of China-US trade tension and geopolitical frictions, the outbreak and widespread of the COVID-19 since the early 2020 and its economic impact on the global market. Specifically, revenue from its largest customer decreased by 31.5%.

Cost of sales, mainly comprising raw materials, direct labour and manufacturing overheads, amounted to HK$190.0 million and HK$252.9 million for FY2020 and FY2019 respectively. The cost of sales, in line with revenue, has decreased by 24.9% from FY2019.

The gross profit for FY2020 and FY2019 were HK$52.3 million and HK$57.0 million, representing a gross profit margin of 21.6% and 18.4% respectively for the power-related & electrical/electronic products businesses.

The higher gross profit margin was due to the decrease in raw material costs, especially copper cost, and the positive impact on the shift in sales mix. Sales to high-margin customers increased while sales to low-margin customers decreased during FY2020.

Selling and distribution expenses decreased by HK$1.6 million or 27.6% from HK$5.8 million for FY2019 to HK$4.2 million for FY2020 regarding power-related & electrical/electronic products businesses. The decrease was mainly attributable to the decrease in sales and a favourable shipment term from the largest customer obtained by the Group.

Technology solution business

The Group has acquired Win Techno Inc., a company providing data centre and cloud-based services, in July 2019. The Group provides high-quality customised services to global customers in blockchain, virtual assets, fintech, big data as well as other innovative technology sectors.

For FY2020, the revenue of the business was HK$34.2 million, which was mainly attributable to the provision of data centre services of HK$16.6 million and cloud-based service of HK$16.9 million.

The gross profit of the aforementioned was HK$25.6 million, representing a gross profit margin of 74.8% of the business in FY2020.

Asset management

The management intends to commence and carry on the business through Huobi Asset Management. Huobi Asset Management was incorporated in Hong Kong with limited liability for carrying on businesses in Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance.

Huobi Asset Management's vision is to bridge the gap between traditional and virtual asset investments and offer integrated investment solutions to professional investors. The fund shall invest into a combination of different asset classes including equities, fixed income securities and virtual assets.

Huobi Asset Management has not commenced any business in relation to assets and funds management and provision of advice on trading of securities as of the date of this report.

NON-OPERATING EXPENSES OVERVIEW

Other income

Other income, which included gain on disposal of property, plant and equipment, government grants, certification and inspection fees, sample sales and rework costs recharged to customers, has decreased by approximately HK$1.7 million from HK$8.2 million for FY2019 to HK$6.5 million for FY2020, mainly due to the decrease of HK$2.2 million in government grants received.

Administrative expenses

Administrative expenses have increased by HK$52.1 million or 111.8% from HK$46.6 million for FY2019 to HK$98.7 million for FY2020. The increase included, among others, increase in staff costs resulting from recruiting high calibre personnel during the year and increase in related professional fee as the Group is applying for virtual asset and financial service-related license in major markets around the world, as well as the incubation of and expansion into emerging businesses during FY2020.

Finance costs

Finance costs have increased by HK$11.4 million from HK$5.5 million for FY2019 to HK$16.9 million for FY2020, resulting from the loan from a related company made on 26 September 2019.

(Loss)/Profit before income tax

The Group's loss before income tax for FY2020 was HK$32.6 million as compared to the profit before income tax for FY2019 of HK$8.7 million.

The turnaround from profit before income tax to loss before income tax was mainly due to the increase in administrative expenses and finance costs.

Income tax credit/(expense)

The Group had an income tax credit of approximately HK$4.0 thousand for FY2020 compared to the income tax expense of approximately HK$14.8 million for FY2019.

The income tax credit was due to the reversal of overprovision of HK$2.1 million for finalisation of tax audit in FY2020, netting off with the income tax expenses for FY2020.

For FY2019, there were a one-off expense of approximately HK$6.9 million from the one-time transfer of land use rights and certain buildings from one PRC wholly-owned subsidiary to another as part of an internal restructuring/reorganisation of the Group.

Loss after income tax

The Group's loss after income tax increased from approximately HK$6.1 million for FY2019 to HK$32.6 million for FY2020, representing an increase of HK$26.5 million.

Dividend

The Directors do not recommend the payment of a final dividend for FY2020 (FY2019: HK$Nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

We finance our operations primarily through cash generated from operations and bank and other borrowings. The Group's net cash as at 30 September 2020, together with the position as at 30 September 2019 is summarised below:

	30 September 2020 HK$'000	30 September 2019 HK$'000
Cash and cash equivalents	403,684	474,683
Less: Interest-bearing bank borrowings	(6,235)	(9,362)
Other borrowings	(309,545)	(461,321)
Net cash	87,904	4,000

Cash and cash equivalents, denominated in Hong Kong Dollars, US Dollars, Singapore Dollars, Renminbi and Japanese Yen.

As at 30 September 2020, the effective interest rates on the Group's floating rate borrowing range from 2.2% to 4.0% (30 September 2019: 4.0% to 5.5%) per annum.

CASH FLOW FROM OPERATING ACTIVITIES

Net cash generated from operating activities was HK$29.8 million for FY2020 (FY2019: HK$17.6 million). The increase of cash flow in FY2020 was attributed to the decreases of HK$18.3 million in working capital.

CASH FLOW FROM INVESTING ACTIVITIES

Net cash generated from investing activities was HK$0.3 million for FY2020 compared to net cash used in investing activities was HK$15.4 million for FY2019. The current period inflow mainly resulted from interest received on bank deposit of HK$2.9 million, netting off with HK$2.6 million (FY2019: HK$2.6 million) outflow of capital expenditure.

CASH FLOW FROM FINANCING ACTIVITIES

Net cash used in financing activities was HK$101.0 million for FY2020 compared to net cash generated from financing activities was HK$266.5 million for FY2019. The inflow for FY2020 includes HK$78.4 million in relation to the proceeds from conversion of intangible asset and HK$4.1 million in relation to the issue of shares on the exercise of share options, offset by HK$159.0 million repayment of other loans from a related company, HK$21.1 million of repayment of lease liabilities, HK$3.1million of export loans and HK$0.3 million on interest paid on bank borrowing.

CAPITAL EXPENDITURE

Capital expenditure in FY2020, financed by internal resources and credit facilities, amounted to HK$2.7 million (FY2019: HK$2.6 million).

TREASURY MANAGEMENT

During the FY2020, there has been no material change in the Group's funding and treasury policies. The Group had a sufficient level of cash and banking facilities for the conduct of its trade in the normal course of business.

We closely review our trade receivable balances and any overdue balances on an ongoing basis and only trade with creditworthy parties. To manage liquidity risk, we closely monitor the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

For exchange risk management, the Group's foreign currency risk is mainly concentrated on the fluctuation of the US dollar against the Renminbi. While the Group has no formal hedging policy, it seeks to manage its foreign currency exposures by constructing natural hedges as well as entering into certain forward foreign exchange contracts to minimise any currency risks, when necessary.

CAPITAL STRUCTURE

As at 30 September 2020, the Group's gearing ratio was approximately 243.8% (2019: 320.7%). Gearing ratio equals total borrowings divided by net asset value as at the end of the reporting period. The total borrowings of approximately HK$315.8 million included bank and other borrowings.

CHARGE ON GROUP ASSETS

As at 30 September 2020, the banking facilities of the Company's wholly-owned subsidiaries based in the Mainland China and HKSAR amounted to approximately HK$23.3 million (30 September 2019: HK$31.4 million), comprising asset-back lending facility. The facilities are secured against certain bank deposits, corporate guarantees from the Company and in the case of the asset-backed lending facility, an assignment over specific trade receivables. As at 30 September 2020, the amount drawn down under the asset-backed lending facility was HK$6.2 million (30 September 2019: HK$9.4 million).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During FY2020, the Group did not have any material acquisition or disposal of any subsidiaries or associates.

CONTINGENT LIABILITIES

As at 30 September 2020, the Group did not have any material contingent liabilities (30 September 2019: HK$Nil).

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

During the FY2020, sales to the largest customer and the five major customers respectively accounted for 36.8% and 73.4% of total revenue of the Group.

Purchases from the largest supplier and the five largest suppliers respectively accounted for 25.0% and 45.0% of total purchases of the Group for FY2020.

As at the date of this annual report, as far as the Directors are aware of, none of the Directors of the Company, their associates, or any shareholder of the Company has any interest in the customers or suppliers of the Company as disclosed above.

COMMITMENTS

As at 30 September 2020, the Group did not have capital commitments in respect of purchase of property, plant and equipment (30 September 2019: HK$0.8 million). Upon the adoption of HKFRS 16, Leases, the operating lease commitment previously disclosed under previous standards were recognised as lease liabilities in the Consolidated Statement of Financial Position as at 30 September 2020 (30 September 2019: HK$58.0 million).

FOREIGN CURRENCY RISK

The Group's principal operating subsidiaries carry on their business in the People's Republic of China (the "PRC") (including Hong Kong Special Administrative Region ("HKSAR")), Japan, Singapore and USA. Entities in the Group regularly transact in currencies other than their respective functional currencies with regard to the sale and purchase of products. As a consequence, certain trade receivables and borrowings are denominated in foreign currencies. While the Group has no formal hedging policy, it does seek to manage its foreign currency exposures by constructing natural hedges as well as entering into certain foreign exchange contracts to minimise any currency exposure risks, when necessary.

EMPLOYEES

As at 30 September 2020, the Group had 622 employees (30 September 2019: 672) working in Mainland China, HKSAR, Japan, Singapore, and the USA. The Group has adopted certain bonus programmes, which are determined annually based on certain criteria including performance of the Company and individual employees. The total employment costs (including remuneration of the Directors and mandatory provident fund contributions) for FY2020 amounted to approximately HK$91.4 million (FY2019: HK$81.7 million).

OUTLOOK

The capital market has experienced significant volatility alongside a weak global demand during the global outbreak of COVID-19 this year. Despite the tremendous operating pressure, the management has managed to introduce proper countermeasures, and as a result, the technology solution business has shown a significant increase in revenue, and the contract manufacturing business has further improved its gross profit margin. As compared to the same period last year, the Company has improved in the overall gross profit margin.

Furthermore, since a number of applications for virtual asset and financial service-related licenses have been filed in major global markets with significant progresses, together with incubating and expanding emerging businesses, therefore, the Company's staff costs and professional service expenses remain at a comparatively high level. However, the Company continues to maintain ample cash reserves. In view of the smooth development in the Company's emerging business, the management continues to remain cautiously optimistic about the future business development.

Biographical Details of Directors and Senior Management

The profiles of Directors and Senior Management as at the date of this annual report are as follows:

EXECUTIVE DIRECTORS

Mr. Li Lin ("Mr. Li"), aged 38, was appointed as the Chairman of the Company, an executive Director of the Company and Chief Executive Officer (the "CEO") of the Company on 10 September 2019.

Mr. Li founded Huobi Group in 2013 and currently served as its Chairman and Chief Executive Officer. Prior to establishing Huobi Group, Mr. Li worked at Oracle, the world's largest database service company. After that, Mr. Li worked at Beijing Baide Yunbo Technology Co., Ltd. (北京百德雲博技術有限公司), a technology company specialising in Search Engine Optimisation, from August 2007 to August 2011. Thereafter, Mr. Li served as the General Manager of Beijing Zhongke Huishang Electronic Commerce Co., Ltd. (北京中科匯商電子商務有限公司), an e-commerce company targeting retail customers, from September 2011 to April 2013.

Mr. Li obtained a Bachelor's Degree in automation from Tongji University (同濟大學) in July 2005, and a Master's Degree in control science and engineering from Tsinghua University (清華大學) in June 2007. Mr. Li possesses over 10 years of experiences in technology, blockchain and corporate management, which has been a great asset to the Company.

Apart from being the executive Director of the Company, Mr. Li is also the directors of Huobi Capital Inc. ("Huobi Capital") and Techwealth Limited ("Techwealth") which have 22.64% and 24.99% interest respectively in the shares of the Company.

Mr. Lan Jianzhong ("Mr. Lan"), aged 36, was appointed as an executive Director and as a member of Remuneration Committee of the Company (the "Remuneration Committee") on 22 February 2019. Mr. Lan was appointed as a member of Nomination and Corporate Governance Committee (the "NCGC") on 10 August 2020. Before joining the Company, he worked as the Vice President in Beijing Caimao Shidai Network Corporation (北京財貓時代網絡股份有限公司) from April 2016 to September 2016, and worked as the Vice President in Beijing Huobi Tianxia Network and Technology Company Limited (北京火币天下網絡技術有限公司) from October 2016 to October 2017. Before that, Mr. Lan had been working as a Technology Analyst from July 2008 to December 2015 and the Technology Vice President from January 2016 to March 2016 in Goldman Sachs (Asia) L.L.C..

Mr. Lan obtained his bachelor's degree in automation, master's degree in control science and technology from Tsinghua University in Beijing, China and his master's degree in science in investment management from the Hong Kong University of Science and Technology. Mr. Lan has extensive programming experience in designing and building both high-performance server and client sides using different programming languages. Besides, he has managed and participated in various platform development and maintenance and front desk support projects.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Duan Xiongfei ("Mr. Duan"), aged 51, was appointed as an independent non-executive Director, the Chairman of the NCGC and a member of the Audit Committee of the Company (the "Audit Committee") on 11 October 2018.

Mr. Duan is currently an independent non-executive Director of Digital Domain Holdings Limited, a company listed on the Stock Exchange of Hong Kong (stock code: 0547) and the chairman of its audit committee, nomination committee and remuneration committee. Mr. Duan holds a master's degree in economics from Renmin University of China and a master's degree in business administration from the University of Chicago. He has over 20 years of experience in securities trading and the investment industry. Mr. Duan is currently the investment manager of MIE Holdings Corporation, a company listed on the Stock Exchange of Hong Kong (stock code: 1555). He joined Atlantis Investment Management as Fund Manager in 2010 and registered as a Commodity Trading Advisor (CTA) in the National Futures Association (NFA) and the Commodity Futures Trading Commission (CFTC) in 2004.

Mr. Yip Wai Ming ("Mr. Yip"), aged 55, was appointed as an independent non-executive Director, the Chairman of the Audit Committee and a member of the NCGC and the Remuneration Committee on 11 October 2018.

Mr. Yip is currently an independent non-executive Director of the following companies listed on the Stock Exchange of Hong Kong: PAX Global Technology Limited (stock code: 0327), Ju Teng International Holdings Limited (stock code: 3336), Far East Horizon Limited (stock code: 3360), Poly Culture Group Corporation Limited (stock code: 3636), Yida China Holdings Limited (stock code: 3639) and Peijia Medical Limited (stock code: 9996). Mr. Yip served as a deputy general manager at Yuzhou Properties Company Limited from February 2010 to September 2010. He also served as the Chief Financial Officer at Haier Electronics Group Co., Ltd (stock code: 1169) from year of 2004 to 2009. Mr. Yip graduated from the University of Hong Kong with a bachelor's degree in social sciences in 1987. He also holds a bachelor's degree in law from the University of London. Mr. Yip is a fellow of the Association of Chartered Certified Accountants, and a member of the Hong Kong Institute of Certified Public Accountants and the Chinese Institute of Certified Public Accountants.

Mr. Ngai Matthew Cheuk Yin ("Mr. Ngai"), aged 39, was appointed as an independent non-executive Director, the Chairman of Remuneration Committee, and a member of Audit Committee on 22 February 2019. Mr. Ngai has over 7 years of experience of civil litigation practice in areas such as commercial, company, insolvency, land and property, building management, construction, etc.. Mr. Ngai has been participating in the pro bono free legal advice for the Duty Lawyer Service and was recognised at the Home Affairs Bureau's Recognition Scheme for Provision of Pro Bono Legal Services. He was also a former member of the Panel of Film Censorship Advisers under the Office for Film, Newspaper and Article Administration.

Mr. Ngai acquired his degree of Honours Bachelor of Applied Science in Electrical Engineering from the University of Waterloo, Canada, in June 2004. He then obtained his Master of Science in International Business from the University of Nottingham, England, in December 2005. In December 2011 and July 2012, respectively, Mr. Ngai was further awarded his degree of Juris Doctor and completed Postgraduate Certificate in Laws from The Chinese University of Hong Kong. He was subsequently called to the Bar of Hong Kong in the High Court of HKSAR in March 2013. Mr. Ngai has a wide spectrum of experience in technologies, legal and engineering.

COMPANY SECRETARY

Mr. Ng Kwan Ho ("Mr. Ng"), aged 34, was appointed as the Company Secretary on 10 August 2020. Mr. Ng joined the Company in April 2020 and is currently a Corporate Finance Manager of the Company. Mr. Ng has been a member of the Hong Kong Institute of Certified Public Accountants since 2015. Mr. Ng has over 10 years of audit, corporate finance, compliance, and company secretarial experience. Mr. Ng had worked in a company listed on the Stock Exchange and was responsible for corporate finance and corporate governance matters from December 2017 to April 2020. Prior to that, Mr. Ng had worked in a corporation licensed for type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and was responsible for handling mergers and acquisitions and fund-raising activities from June 2016 to December 2017. Before that, Mr. Ng worked in an international accounting firm and provided audit service to companies listed on the Stock Exchange from December 2010 to June 2016.

SENIOR MANAGEMENT

Ms. Zhang Li ("Ms Zhang"), aged 35, was appointed as the Chief Financial Officer of the Company on 26 August 2020. From October 2009 to September 2012, she served as a senior auditor of PricewaterhouseCoopers Zhong Tian LLP during which time she had handled audit work of numerous multinational companies. From December 2012 to June 2014, she served as the senior manager of the acquisition and financing department of Guotai Junan Securities Co., Ltd. during which time she was responsible for the merger and acquisition of numerous well-established companies in the Technology, Media and Telecommunications and environmental industries. From June 2014 to August 2017, she served as the Vice President and the secretary of the board of directors of Hangzhou Shunwang Technology Co., Ltd. (300113. SZ), during which time she was responsible for the formulation of its strategic planning, capital market communications and numerous merger and acquisition deals in the gaming industry. From September 2015 to May 2019, she has also served as a director of Ci Wen Media Co., Ltd. (002343.SZ). From December 2017 to August 2020, she had been responsible for the listing of Hangzhou Canaan Creative Information Technology Co., Ltd. (CAN.Nasdaq) on Nasdaq Stock Market and had subsequently served as the Vice President of that company from March 2018 to August 2020.

Ms Zhang is a non-practicing member of the Chinese Institute of Certified Public Accountants. She graduated from the Department of Automotive Engineering of Tsinghua University in 2009 holding a bachelor's degree and a master's degree in automotive engineering. She obtained an EMBA from Peking University in July 2019.

Ms. Zhao Ruobing ("Ms. Zhao"), aged 45, was appointed as the Chief Operating Officer of the Company in October 2020. Prior to joining the Company, Ms. Zhao was the Senior Vice President of CreditEase Group (宜信集團) and in charge of China and international wealth management and asset management from 2008 to 2020. Before that, Ms. Zhao joined Bank of Nova Scotia in Canada from 2003 to 2006 and Citibank in China from 2006 to 2008. Ms. Zhao also worked as the Vice President of Private Banking in Societe Generale in 2008.

Ms. Zhao studied under the aegis of Dr. Christine Sigouin, a macroeconomist at Concordia University, Canada, and obtained a master's degree in economics before continuing her further study at the School of Economics and Management, Tsinghua University. In 2016, Ms. Zhao obtained the certification for the General Management Program (GMP) from Harvard Business School in the United States, and became an alumna of Harvard. By tapping into her comprehensive management capability in integrated finance, Ms. Zhao has accumulated nearly 20 years of professional experience in asset management/wealth management of high/ultra-high-net-worth individuals, cross-border asset allocation, international taxation planning, retirement planning, etc. Furthermore, Ms. Zhao pioneered and promoted the advancement of the industry by exploiting technologies such as big data and artificial intelligence.

Mr. Henry Woon-hoe Lim ("Mr. Lim"), aged 69, has been a Director and Chairman of Pantene Industrial Co. Limited ("Pantene Industrial"), a directly wholly-owned subsidiary of the Company, since 1 July 2010. Mr. Lim was the executive Director and Chief Executive Officer of the Company from 1 July 2010 to 10 October 2018.

Mr. Lim has over 40 years of experience in professional audit, financial accounting and international management. Prior to joining our Group, he spent 15 years with Fritz Companies, Inc., a former NASDAQ-listed company, where he was promoted to become a director of finance for international operations. He then served as the Chief Financial Officer of Morrison Express Corporation, an Asia-based global freight forwarding and logistics service provider, from February 2000 to May 2009. In September 2004, he was appointed as an independent non-executive Director of United Pacific Industries Limited ("UPI") (now known as Superactive Group Company Limited) (stock code: 0176), a company listed on the Hong Kong Stock Exchange, and subsequently became the executive director and Chief Executive Officer of UPI from June 2010 until September 2014. Mr. Lim has been the Chief Executive Officer of SNH Global Holdings Limited since October 2014.

Mr. Lim is a certified public accountant and is a fellow of the Institute of Singapore Chartered Accountants, Certified Public Accountants Australia and the Association of Chartered Certified Accountants.

Mr. Lim obtained his Bachelor of Commerce with Honours from Nanyang Technological University (formerly known as Nanyang University) of Singapore in 1974.

Mr. Wu Shupeng ("Mr. Wu"), aged 44, was appointed as the Chief Security Officer of the Company on 1 April 2019.

Prior to joining the Company, Mr. Wu was the Chief Security Consultant of Didi Chuxing from March 2016 to April 2018. Before that, Mr. Wu was the Senior Manager of PwC Risk Management Consulting focusing on risk management from November 2014 to March 2016. Mr. Wu worked as Managing Director of Zedun Data Technology (Beijing) Co., Ltd. (澤敦數據科技（北京）有限公司) from December 2013 to November 2014. Mr. Wu also worked as the Co-Director of Protiviti Consulting (Shanghai) Co., Ltd. from November 2006 to November 2013.

Mr. Wu obtained an MBA Degree from the University of Chinese Academy of Sciences. Mr. Wu has more than 21 years' professional experience in information security technology, business operations security, capital market compliance, risk management and internal control in technology and financial services etc.

Ms. Sun Yelin ("Ms. Sun"), was appointed as the Compliance Director of the Company on 1 April 2019.

Ms. Sun joined the Company in December 2018 to build and lead the compliance team. Prior to joining the Company, Ms. Sun acted as Head of Compliance in well-known financial institutions. Ms. Sun was the Head of Compliance of State Street China, Regional Compliance for State Street APAC (in Private Equity, Hedge Fund and other alternative investments) from 2012 to 2018. And Ms. Sun was the Head of Compliance, China at OCBC Bank from 2005 to 2012. Ms. Sun has extensive experience and network in global financial regulatory compliance, public policy etc.

Ms. Sun obtained a Bachelor of International Laws from East China University of Political Science and Law in 2002, obtained PRC qualified lawyer certificate in the subsequent year. And Ms. Sun obtained an MBA degree from the University of Hong Kong in 2011.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board is committed to upholding high standards of corporate governance practices and business ethics in the Company, believing that they are crucial to improving the efficiency and performance of the Group and to safeguarding the interests of the shareholders. The Chairman takes primary responsibility for ensuring that good corporate governance practices and procedures are established. The Board reviews the Company's corporate governance practices from time to time in order to meet the expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance. The principles of corporate governance as adopted by the Company during the year ended 30 September 2020 are set out below.

CORPORATE GOVERNANCE CODE

During the year ended 30 September 2020, the Company has applied the principles of and complied with all the applicable code provisions set out from time to time in the Corporate Governance Code (the "CG Code") under Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), save as and except for the deviations from code provision A.2.1 of the CG Code in which provides that the roles of chairman and Chief Executive Officer should be separate and performed by different individuals.

The Board believes that the dual roles of Mr. Li, both serving as the Chairman and the Chief Executive Officer is conducive to the future development of the Company. Since Mr. Li possesses over 10 years of experiences in corporate management, the dual role arrangement could provide strong and consistent market leadership and is critical to effective management and business development of the Group. As all major decisions have been made in consultation with the members of the Board, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board, and such dual role arrangement will not undermine the current corporate governance structure of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Specific enquiries have been made of all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out the Model Code during the year ended 30 September 2020 and up to the date of this annual report.

CORPORATE GOVERNANCE FUNCTIONS

It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

The duties of the Board in performing its corporate governance functions under the CG Code include:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations;

2. to review and monitor the training and continuous professional development of Directors and senior management of the Company;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors of the Company; and

5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

All Directors are aware of their responsibilities to the shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of the Group. Every newly appointed Director shall receive a formal, comprehensive and tailored induction to ensure that he or she has a proper understanding of the business and operations of the Group and that he or she is fully aware of his or her duties and responsibilities as a director under applicable statutory and regulatory rules and requirements.

All Directors are provided with regular updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge their duties. In addition, briefings and updates on the latest developments regarding the Listing Rules and other applicable regulatory requirements are provided to each of the Directors to ensure compliance and enhance their awareness of good corporate governance practices. Directors have participated in continuous professional development and provided a training record to the Company.

THE BOARD, ROLE AND FUNCTION

The Board is responsible for the overall leadership of the Group, overseeing the Group's strategic decisions and monitoring business and performance. The Board has delegated the authority and responsibility for the day-to-day management and operations of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee (the "NC") on 27 October 2016. The Nomination and Corporate Governance Committee (the "NCGC") was established on 25 September 2017 to replace the NC to strengthen and monitor the corporate governance of our Company. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference.

Composition

As at the date of this annual report, the Board comprised five members, consisting of two executive Directors and three independent non-executive Directors. The Directors for the year ended 30 September 2020 and up to the date of this report are as follows:

Executive Directors

Mr. Li Lin *(Chairman and Chief Executive Officer)*
Mr. Lee Chris Curl *(Chief Financial Officer) (resigned on 10 August 2020)*
Mr. Lan Jianzhong

Independent non-executive Directors

Mr. Duan Xiongfei
Mr. Yip Wai Ming
Mr. Ngai Matthew Cheuk Yin

Biographical details of the Directors of the Company are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 12 to 15 of this annual report.

Chairman and Chief Executive Officer

Pursuant to code provision A.2.1 of the CG Code, the role of chairman of the Company (the "Chairman") and chief executive officer of the Company (the "CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing.

On 10 September 2019, the Company appointed Mr. Li as the executive Director, the Chairman and the CEO with effect from the even date. The Board believes that the arrangement of Mr. Li being the Chairman while also serving as the CEO is necessary for the future development of the Company as Mr. Li possesses over 10 years of experiences in corporate management. The dual role arrangement could provide strong and consistent market leadership and is critical for effective management and business development of the Group. As all major decisions are made in consultation with the members of the Board, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board, and such dual role arrangement will not undermine the current corporate governance structure of the Group.

Appropriate director's and officer's liability insurance had been arranged for all the Directors and officers of the Company.

There was no relationship among the members of the Board during the year ended 30 September 2020.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the NCGC.

Pursuant to the code provision A.3 of the CG Code, listed issuers are required to adopt a board diversity policy. The Board has adopted a board diversity policy with a view to achieving a sustainable and balanced development of our Group. In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. This diversity policy is reviewed annually by the NCGC, and where appropriate, revisions will be made with the approval from the Board.

Board and Board Committee Meetings

The Chairman ensures that the Board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner. The Chairman is primarily responsible for drawing up and approving the agenda for each board meeting. He should take into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda. The Chairman may delegate this responsibility to a designated director or the company secretary. The company secretary of the Company (the "Company Secretary") shall assist the Chairman in drawing the agenda of each meeting and each Director may request inclusion of matters in the agenda. Generally, at least 14 days' notice of a regular Board meeting is given and the Company aims at giving reasonable notice for all other Board meetings. The Company also aims at sending the agenda and the accompanying board papers, which are prepared in such form and quality as will enable the Board to make an informed decision on matters placed before it, to all Directors at least three days before the intended date of a Board and Board committee meeting.

All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with all applicable rules and regulations. The Chairman shall ensure that all Directors are properly briefed on issues arising at Board meetings, and also is responsible for ensuring that Directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable.

The Company Secretary is responsible for taking minutes of Board and Board committee meetings. Drafts and final versions of which would be sent to Directors for comments and records respectively, in both cases within a reasonable time after each meeting. Minutes are recorded in sufficient details stating the matters considered by the Board and Board committee and decisions reached, including any concerns raised by Directors or dissenting views (if any) expressed. Minutes of the Board and Board committees' meetings are kept by the Company Secretary and are open for inspection by any Director.

Board approval is also given by circulation of resolution in writing pursuant to the memorandum and articles of association of the Company (the "Memorandum and Articles of Association") on urgent matters which require decisions in tight timeframes and hence convening a Board meeting is difficult or not practicable. In the case where a resolution in writing is circulated, sufficient information and explanatory materials will also be provided to the Directors at the same time.

If a substantial shareholder of the Company or a Director has a conflict of interest in a matter (including material transactions with connected persons) which the Board determines to be material, the Board will hold a physical meeting (as long as time is allowed to convene a Board meeting) to consider the relevant matter first before any subsequent approval is given by way of circulation of a resolution in writing. The independent non-executive Directors who, and whose close associates, have no material interest in the relevant matter, will be present at such Board meeting.

Attendance records

The attendance records of all the Directors for Board and committee meetings for the year ended 30 September 2020 are set out below:

	Number of meetings attended/Number of meetings held				
Directors	Full Board	Audit Committee	NCGC	Remuneration Committee	AGM[1]
Executive Directors					
Mr. Li Lin	3/6	N/A	N/A	N/A	1/1
Mr. Lee Chris Curl (resigned on 10 August 2020)	6/6	N/A	1/1	N/A	1/1
Mr. Lan Jianzhong	6/6	N/A	N/A	1/1	1/1
Independent non-executive Directors					
Mr. Duan Xiongfei	6/6	2/2	1/1	N/A	1/1
Mr. Yip Wai Ming	6/6	2/2	1/1	1/1	1/1
Mr. Ngai Matthew Cheuk Yin	6/6	2/2	N/A	1/1	1/1
Number of meetings held during the year	6	2	1	1	1

Note:

(1) AGM held on 20 March 2020.

N/A: not applicable

In addition, Mr. Li Lin, the chairman of the Board, held a meeting with independent non-executive directors without the presence of executive director during the year.

Access to information

The Directors may seek independent professional advice in appropriate circumstances, at the Company's expense. The Company will, upon request, provide separate independent professional advice to Directors to assist the relevant Directors to discharge their duties to the Company.

The Board or Board committee is supplied with relevant information by the Company's senior management pertaining to matters to be brought before the Board or Board committee for decision as well as reports relating to the operational and financial performance of the Group before each Board or Board committee meeting. Such information supplied shall be complete and reliable. Where any Director requires more information than is volunteered by the management, each Director has the right to separately and independently access the Company's senior management to make further enquiries, if necessary.

Directors are entitled to have access to board papers and related materials in a form and quality sufficient to enable the Board to make informal decisions on matters placed before it. Directors will receive a prompt and full response to his/her enquiry, if any is raised.

Appointments and re-election of Directors

Directors can be nominated by members of the Board during the year ended 30 September 2020 to fill casual vacancies or as an addition to the existing Board. The NCGC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the appointment of new Directors. The NCGC then nominates the most suitable candidate to be appointed to the Board.

In accordance with code provision A.4.2 of the CG Code, all Directors are subject to retirement by rotation at least once every three years. Any new Director appointed to fill a casual vacancy shall be subject to be election by shareholders at the first general meeting after appointment.

According to the Memorandum and Articles of Association of the Company (the "Memorandum and Articles of Association"), any Director so appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the next following general meeting of the Company or, in the case of an addition to their number, until the next following annual general meeting of the Company who shall then be eligible for re-election at such general meeting. Every Director is appointed for a specific term and is subject to retirement by rotation at least once every three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 30 September 2020, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, the number of which must represent at least one-third of the Board, with at least one independent non-executive Director possessing appropriate professional qualifications and accounting and related financial management expertise. The views of the independent non-executive Directors carry weight in the Board's decisions, and their participation helps the Board exercise judgement, make decisions and act objectively in the interests of the Company and its shareholders as a whole.

As at the date of this annual report, the Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Board has assessed the independence of all the independent non-executive Directors and the Company considers all of them to be independent having regard to (i) their annual confirmation on independence as required under the Listing Rules; (ii) the absence of involvement in the daily management of the Company; and (iii) the absence of any relationships or circumstances which would interfere with the exercise of their independent judgement.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors' responsibilities for the financial statements and the responsibilities of the external auditor to the shareholders are set out on pages 67 to 68 of this annual report.

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

The Company has established the NCGC with written terms of reference in compliance with code provision A.5 of the CG Code. The NCGC was set up on 25 September 2017 to replace the NC previously established on 27 October 2016.

Currently the NCGC comprises three members including both executive Director and independent non-executive Directors, namely Mr. Duan Xiongfei (Chairman of the NCGC), Mr. Yip Wai Ming and Mr. Lan Jianzhong, the majority of its members are independent non-executive Directors.

The principal duties and a summary of work done of the NCGC include, among other things:

- review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- review the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy;
- identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- assess the independence of independent non-executive Directors;
- make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors;
- develop and review the policies and practices on corporate governance of the Company and its subsidiaries and make recommendations to the Board;
- review the Company's compliance with the CG Code as set out in Appendix 14 to the Listing Rules and disclosure in the Corporate Governance Report of the Company; and
- conform to any requirement, direction and regulation that may from time to time be contained in the Memorandum and Articles of Association or imposed by the Listing Rules or applicable law.

The Board has adopted a Board diversity policy and the objectives and progress on achieving those objectives are set out on page 19 of this annual report.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee on 27 October 2016 with written terms of reference in compliance with code provision B.1 of the CG Code.

Currently, the Remuneration Committee comprised three members, namely Mr. Ngai Matthew Cheuk Yin (Chairman of the Remuneration Committee), Mr. Yip Wai Ming and Mr. Lan Jianzhong. The majority of the members of the Remuneration Committee are independent non-executive Directors which complies with Rule 3.25 of the Listing Rules.

The principal duties and a summary of work done of the Remuneration Committee include, among other things:

- consult with the Chairman of the Board and/or chief executive about their remuneration proposals for other executive Directors;
- make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

– make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

– make recommendations to the Board on the remuneration of non-executive Directors;

– consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries;

– review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

– review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct;

– ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration; and

– conform to any requirement, direction, and regulation that may from time to time be contained in the Memorandum and Articles of Association or imposed by the Listing Rules or applicable law.

The Remuneration Committee may consult with the Chairman about its proposals relating to the remuneration of other executive Directors. The Remuneration Committee takes into consideration industry practices and norms in compensation, in addition to the performance relative to the industry and the performance of the individual Directors. The Company reviews the remuneration package annually, taking into consideration market practice, competitive market position and individual performance.

For the remuneration of executive Directors of the Company, the Remuneration Committee adopted the model described in code provision B.1.2(c)(i) of the CG Code.

The remuneration of the non-executive Directors and independent non-executive Directors is determined by the Board under the recommendation of the Remuneration Committee by reference to their duties and responsibilities in the Group, time involvement and the prevailing market conditions.

AUDIT COMMITTEE

The Company has established an Audit Committee on 27 October 2016 with written terms of reference aligned with Rule 3.21 and 3.22 of the Listing Rules and code provision C.3 of the CG Code. The Audit Committee is to serve as a focal point for communication among other Directors, the external auditor, and the management as their duties relate to financial and other reporting, internal controls and the audits; and to assist the Board in fulfilling its responsibilities by providing an independent review of financial reporting, by satisfying themselves as to the effectiveness of the Company's internal controls and as to the efficiency of the audits.

Currently, the Audit Committee comprised three independent non-executive Directors, namely Mr. Yip Wai Ming (Chairman of the Audit Committee), Mr. Duan Xiongfei and Mr. Ngai Matthew Cheuk Yin.

The primary duties of and a summary of work done by the Audit Committee include:

– to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve and review the remuneration and terms of engagement of the external auditors;

- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

- to develop and implement policy on engaging external auditor to supply non-audit services;

- to monitor the integrity of financial statements and the annual report and accounts and interim report, and to review significant financial reporting judgements contained in them;

- to discuss the risk management and the internal control systems with the management of our Group to ensure that the management of our Group has performed its duty to have effective internal control systems;

- to conform to any requirement, direction and regulation that may from time to time be contained in the Memorandum and Articles of Association or imposed by the Listing Rules or applicable law; and

- to review the continuing connected transactions.

The Audit Committee has explicit authority to investigate any activity within its terms of reference and the authority to obtain outside legal or other independent professional advice if it considers necessary. It is given access to and assistance from the employees and reasonable resources to discharge its duties properly.

The Board has had no disagreement with the Audit Committee's view on the re-appointment of the external auditor.

The annual financial results of the Group for the year ended 30 September 2020 have been reviewed by Audit Committee.

AUDITOR'S REMUNERATION

The Directors acknowledge the responsibilities of preparing the financial statements of the Group which give a true and fair view. The statement of the external auditor of the Company about its reporting responsibilities for consolidated financial statements is set out in the "Independent Auditor's Report" on pages 64 to 68.

The total remuneration paid and payable to BDO Limited in respect of audit services for the year ended 30 September 2020 amounted to approximately HK$962,000.

Non-audit services provided to the Group mainly represented: the interim review and other service provided by BDO Limited of approximately HK$332,000; taxation services provided by BDO Tax Limited of approximately HK$82,000.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility for establishing, maintaining and evaluating the adequacy and effectiveness of the risk management and internal control systems of the Group on an ongoing basis.

The Board is of the opinion that sound internal control and risk management systems will contribute to the effectiveness and efficiency of the operations of the Group and to the safeguard of the Group's assets as well as the shareholders' investment.

The Company improves its business and operational activities by identifying the areas of significant business risk by means of a regular review and taking appropriate measures to control and mitigate these risks. The management of the Company reviews all significant control policies and procedures and highlights all significant matters to the Board and Audit Committee on a timely basis to ensure prompt remedial actions are taken.

The Group has set up an internal audit function during the year ended 30 September 2020 as required by code provision C.2.5 of the CG Code. The Group is committed to maintaining and upholding good corporate governance practice and internal control systems.

For FY2020, the Board conducted an annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the extent and frequency of communication with the Board in relation to risk management and internal control review; the scope and quality of management's review on risk management and internal control systems; significant failures or weakness identified and their related implications; financial controls; and states of compliance with the Listing Rules. The Board considers the risk management and internal control systems effective and adequate. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with requirements of Securities & Futures Ordinance ("SFO") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensuring that information contained in announcements is not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

COMPANY SECRETARY

The Company Secretary is responsible for facilitating the Board process, as well as communications among Board members. From 1 October 2019, Mr. Ng Gilbert Man Him and Mr. Lee Chris Curl had been the joint Company Secretaries of the Company who resigned with effect of 10 August 2020. Mr. Ng Kwan Ho has become the Company Secretary with effect from 10 August 2020. All of them are/were also employees of the Company, and have complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and understanding the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable shareholders and investors to make informed investment decisions.

To promote effective communication, the Company maintains its website at www.huobitech.com where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Latest information on the Group including annual and interim reports, announcements and press releases are updated on the Company's website and www.irasia.com/listco/hk/huobitech in a timely fashion.

The general meetings of the Company provide an opportunity for communication between the Board and the shareholders. The Chairman of the Board as well as Chairmen of the Audit Committee, Remuneration Committee and Nomination Committee and, in their absence, other members of the respective committees, will normally attend the annual general meeting and other shareholders' meetings to answer questions. The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them posted of the Company's developments.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting

Pursuant to the Memorandum and Articles of Association, any two or more shareholders holding (or any one shareholder, if it is a recognised clearing house, holding), at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

Procedures for putting forward proposals at a shareholders' meeting

Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the Group at a shareholders' meeting. Proposals shall be sent to the Board or the Company Secretary by written requisition to the Company Secretary at the Company's principal place of business in Hong Kong at Room 1404–05, 14/F, Nan Fung Tower, 88 Connaught Road Central, Hong Kong.

Procedures for nominating a person for election as director in general meeting

Pursuant to the Memorandum and Articles of Association, no person, other than a retiring Director at an annual general meeting, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been given to the Company at least seven days before the date of the general meeting.

If a shareholder (the "Proposer") of the Company wishes to propose a person (the "Nominee"), for election as a Director at a general meeting, the minimum length of the period, during which notice to the Company signed by the Proposer of the intention to propose a person for election as a Director, and during which notice to the Company signed by such Nominee confirming his willingness to be elected may be given, will be at least seven days and the period for lodgement of the notices to the Company of the intention to propose a person for election as a Director will commence no earlier than the day after the dispatch of the notice of the meeting appointed for such election and end no later than seven days prior to the date of such meeting.

Shareholders' enquiries

Shareholders may send their enquiries and concerns to the Board by addressing them to the Company Secretary or relevant personnel by mail to the Company's principal place of business in Hong Kong at Room 1404–05, 14/F, Nan Fung Tower, 88 Connaught Road Central, Hong Kong.

CONSTITUTIONAL DOCUMENTS

With effect from 11 October 2019, the Company adopted amended Memorandum and Articles of Association to reflect the change of names of the Company. For further details, please refer to the announcement of the Company dated 10 September 2019, the circular of the Company dated 19 September 2019 and the poll results announcement of the Company dated 9 October 2019.

INVESTOR RELATIONS

The Company keeps on promoting good investor relations and enhancing communication with the Shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public who may contact the Company by phone at (852) 3616 0815 during normal business hours, or by fax at (852) 3596 3011.

Directors' Report

The Directors are pleased to present this annual report and consolidated audited financial statements for the Group for the year ended 30 September 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company incorporated in the British Virgin Islands with limited liability. The principal activities of the Group are contract manufacturing, on electronic manufacturing services basis, of a wide range of power-related and electrical/electronic products and the provision of technology solution services. This business segment is the basis upon which the Group reports its primary segment information.

BUSINESS REVIEW

The business review and outlook of the Group for the year ended 30 September 2020 are set out in the section headed "Management Discussion and Analysis" on pages 5 to 11 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 September 2020 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 69 to 155 of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 30 September 2020.

SUMMARY OF FINANCIAL INFORMATION

A financial summary of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 156 in this annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 30 September 2020 are set out in notes 16 and 17 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Information on the environmental policies and performance of the Company is set out in the section headed "Environmental, Social and Governance Report" on pages 39 to 63 in this annual report.

The Group has complied with the applicable environmental laws and regulations of the places where the Group has business operations. The Group will review its environmental practices from time to time and will consider implementing further measures and practices in the Group's business operations to enhance sustainability.

The Group has always paid great attention to and has maintained a good working relationship with its suppliers of raw materials, and has been providing a satisfactory customer services for its customers. The aforementioned suppliers and customers are good working partners creating value for the Group. In addition, the Group also values the knowledge and skills of its employees, and continues to provide career development opportunities for its employees.

SHARE CAPITAL

Details of the Company's share capital are set out in note 29 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year ended 30 September 2020 are set out in the consolidated statement of changes in equity on pages 73 to 74 to the consolidated financial statements.

Details of the movement in the reserves of the Company are set out in note 44 to the consolidated financial statements.

At 30 September 2020, the Company's reserves, for distribution purposes, showed a surplus of HK$91,602,000 comprising accumulated losses of HK$144,768,000 and other reserves of HK$236,370,000.

The Directors may only declare a distribution by the Company if they are satisfied, on reasonable grounds that, the Company will, immediately after the distribution, satisfy the solvency test set out in section 57(1) of the BVI Business Companies Act. The Company satisfies the solvency test if the value of its assets exceeds its liabilities and it is able to pay its debts as they fall due.

RELATED PARTY TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

(1) Connected transaction in relation to the acquisition of the entire equity interest in Win Techno Inc. and (2) continuing connected transaction in relation to the supplemental agreement

On 19 July 2019, Huobi Investment Limited ("Huobi Investment"), a wholly-owned subsidiary of the Group entered into a Sale and Purchase Agreement with Huobi (International) Investment Limited ("Huobi Int'l"), a wholly owned entity of Mr. Li Lin, to purchase 100% of Win Techno Inc. ("Win Techno"). Upon the completion on 30 July 2019, Win Techno has become an indirectly wholly-owned subsidiary of the Group and the financial results of Win Techno will be consolidated into the financial statements of the Group (the "Acquisition").

As at 19 July 2019, Mr. Li was indirectly holding approximately 65.24% issued shares in the Group and was therefore a controlling shareholder of the Group. As such, Mr. Li was a connected person of the Group under Chapter 14A.07 of the Listing Rules. As Huobi Int'l is a wholly-owned entity of Mr. Li, Huobi Int'l is considered to be an associate of Mr. Li, and hence the Acquisition constitutes a connected transaction under the Listing Rules.

On 1 May 2019, Win Techno entered into a service agreement with Huobi Global (Seychelles), a company incorporated with limited liability under the law of Seychelles and has been indirectly controlled by Mr. Li, to provide data centre services for the term of one year. Hence, Win Techno and Huobi Global (Seychelles) entered into a supplemental agreement on 19 July 2019 for the continuation of provision of service which has come into effect upon completion of the Acquisition.

As Huobi Global (Seychelles) has been indirectly controlled by Mr. Li, it has been an associate of a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, upon completion of the Acquisition, the supplemental agreement and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Full details of the transactions were disclosed in the Company's announcement dated 19 July 2019.

Continuing connected transaction – provision of financial assistance in relation to payment agent services

On 24 December 2019, Win Techno, an indirectly wholly-owned subsidiary of the Company, has become a participant of the Amazon Web Services Partner Network. Such network allows Win Techno to provide payment agent service and other add-on services to support the usage of the Amazon Web Services ("AWS") by the end-customers of AWS Group. Win Techno has commenced to provide payment agent services to Huobi Global (Seychelles) to facilitate payment of the usage fees to AWS Group for a term of three years.

Full details of the transactions were disclosed in the Company's announcement dated 24 December 2019.

(1) Discloseable and continuing connected transactions in relation to supplemental agreement to service agreement and (2) continuing connected transactions in relation to new service agreement

On 19 March 2020, Win Techno and Huobi Global (Seychelles) entered into a supplemental agreement to the service agreement for provision of payment agent services entered into between Win Techno and Huobi Global (Seychelles) on 24 December 2019 to revise the cap of financial assistance for the period from 14 April 2020 to 23 December 2022 from HK$15.0 million to HK$30.0 million. On 19 March 2020, Win Techno and Huobi Global (Seychelles) entered into a new service agreement in relation to the provision of cloud-based software and database service, pursuant to which, the parties agreed, among others, to revise the original annual cap under the service agreement entered into between Win Techno and Huobi Global (Seychelles) on 1 May 2019 and supplemented by a supplemental agreement dated 19 July 2019 for the term commencing from 1 May 2020 to 30 April 2021, the revised caps were (1) JPY 230.5 million (equivalent to approximately HK$16,135,000) for the period from 1 October 2019 to 30 September 2020 and (2) JPY 156,100,000 (equivalent to approximately HK$10,927,000) for the period from 1 October 2020 to 30 April 2021.

Full details of the transactions were disclosed in the Company's announcement dated 19 March 2020.

During the year ended 30 September 2020, the approximate services provided/received by the Group and the annual caps of the transactions are set out below:

Nature of services transaction provided under the Supplemental Agreement	Services provider	Services recipient	Applicable annual cap(s) 1 August 2019 to 30 September 2019	Revised applicable annual cap(s) 1 October 2019 to 30 September 2020
Provision of data centre services	Win Techno	Huobi Global (Seychelles)	JPY 34 million (equivalent to approximately HK$2,380,000)	JPY 230.5 million (equivalent to approximately HK$16,135,000)

Nature of services transaction provided under the Supplemental Agreement	Services provider	Services recipient	Applicable cap(s) 24 December 2019 to 13 April 2020	Revised applicable cap(s) 14 April 2020 to 30 September 2020
Provision of financial assistance in relation to payment agent services	Win Techno	Huobi Global (Seychelles)	HK$15,000,000	HK$30,000,000

During the year ended 30 September 2020, the above continuing connected transactions were carried out within their respective annual caps. The independent non-executive Directors have reviewed and confirmed that the above continuing connected transactions were all in accordance with Rule 14A.55 of the Listing Rules, conducted and entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this annual report in accordance with Rule 14A.56 of the Listing Rules. The auditor of the Company has also confirmed to the Board in writing that the above continuing connected transactions for the year ended 30 September 2020 (i) have received the approval of the Board of Directors; (ii) have been entered into in accordance with the relevant pricing policies of the Group; (iii) have been entered into in accordance with the relevant agreements governing the transactions; and (iv) have not exceeded the annual cap. A copy of the auditor's letter has been provided by the Company to the Stock Exchange of Hong Kong.

Save as disclosed above, there were no other connected transactions or continuing connected transactions which are required to be disclosed in this annual report in accordance with the requirements of Chapter 14A of the Listing Rules.

Save as disclosed in note 39 to the consolidated financial statements, no other significant related party transactions were conducted by the Group during the year ended 30 September 2020. The Company confirms that it has complied with the disclosure requirements under chapter 14A of the Listing Rules in relation to the above mentioned related party transactions, among which some also constitute continuing connected transaction of the Group as defined in the Listing Rules.

DIRECTORS

The Directors of the Company during the year ended 30 September 2020 and up to the date of this annual report were as follows:

Executive Directors

Mr. Li Lin *(Chairman and Chief Executive Officer)*
Mr. Lee Chris Curl *(Chief Financial Officer) (resigned on 10 August 2020)*
Mr. Lan Jianzhong

Independent non-executive Directors

Mr. Duan Xiongfei
Mr. Yip Wai Ming
Mr. Ngai Matthew Cheuk Yin

In accordance with the Company's Memorandum and Articles of Association, at every AGM of the Company one-third of the Directors for the time being shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. None of the Directors proposed for re-election at the AGM has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

PERMITTED INDEMNITY PROVISION

Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, losses, damages and expenses which any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against Directors of the Company.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company up to a term of three years which may be terminated in accordance with the terms of the service contracts.

Each of the independent non-executive Directors has signed a letter of appointment with the Company up to a term of three years, which may be terminated in accordance with the terms of the service contract.

DIRECTORS' BIOGRAPHIES

The biographical details of the Directors of the Company are set out on pages 12 to 15 of this annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors of the Company and the five highest paid individuals in the Group are set out in note 13 to the consolidated financial statements.

EMOLUMENT POLICY

The Company's remuneration policy is set out by the Remuneration Committee on the basis of the employees' merit, qualifications and competence. The emoluments of the Directors are set by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market activities.

RETIREMENT BENEFIT PLANS

Particulars of retirement benefit plans of the Group as at 30 September 2020 are set out in note 27 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS, ARRANGEMENT OR TRANSACTION

Save as disclosed in the related party transactions in note 39 to the consolidated financial statements, no Director had a material interest, either directly or indirectly, in any contract, arrangement or transaction of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 30 September 2020.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 30 September 2020, and up to the date of this annual report, the Directors were not aware of any business or interest of the Directors or any substantial shareholder (as defined under the Listing Rules) of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

MANAGEMENT CONTRACTS

As at 30 September 2020, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Apart from as disclosed under "Directors' Interests and Short Positions in Shares and Underlying Shares of the Company", at no time during the year ended 30 September 2020, were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The following is a summary of the principal terms of the share option scheme (the "Scheme") adopted by way of written resolutions passed on 27 October 2016. The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

The Scheme is a share incentive scheme and has been established to recognise and acknowledge the contributions eligible participants have made to the Group. The Scheme is valid and effective for a period of ten years commencing on the date of adoption of the Scheme, unless terminated earlier by the shareholders in general meeting.

Participants of the Scheme may include: any employee (full-time or part-time), Director, consultant or adviser of our Group; any substantial shareholder of our Group; and any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, to be determined by the Board, based on their contribution or potential contribution to the development and growth of the Group.

As at the date of this report, the total number of shares available for issue under the Scheme was 30,000,000, representing around 10% of the issued share capital of the Company immediately following the commencement of dealings in the shares of the Company on the Stock Exchange of Hong Kong. The aggregate number of shares which may be issued upon exercise of all outstanding options granted and to be exercised under the Scheme and any other share options schemes of the Company, must not in aggregate exceed 10% of the Company's shares in issue. The 10% limit may be refreshed at any time by obtaining approval of the Company's shareholders in general meeting provided that the total number of the Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company, must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit.

The number of shares issued and to be issued in respect of which options granted and which may be granted to any individual in any 12-month period up to the date of the grant, shall not exceed 1% of the shares of the Company in issue. Any further grant of options in excess of this limit must be separately approved by the Company's shareholders in a general meeting with such grantee and his/her close associates abstaining from voting. Any grant of an option to a Director, chief executive or substantial shareholder of the Company (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).

Where any grant of options to a substantial shareholder of the Company or an independent non-executive Director (or any of their respective associates) will result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant representing in aggregate over 0.1% of the shares in issue and having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000, such further grant of options is required to be approved by shareholders at a general meeting of our Company, with voting to be taken by way of poll.

Upon acceptance of an option to subscribe for shares, the eligible participant shall pay HK$1.00 to the Company as consideration for the grant. The subscription price of a share subject to options granted under the Scheme shall be a price determined by the Board and notified to a participant and shall be at least the higher of:

(i) the closing price of the shares as stated in the Stock Exchange of Hong Kong's daily quotations sheet on the date of grant of the option;

(ii) the average closing price of the shares as stated in the Stock Exchange of Hong Kong's daily quotations sheets for the five trading days immediately preceding the date of grant of the option; and

(iii) the nominal value of a share on the date of grant of the option.

The details of the exercise price and number of options outstanding during the year ended 30 September 2020 which have been granted to, exercised and forfeited by the eligible participants are as follows:

	Date of grant	Exercise price	Outstanding as at 1 October 2019	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding as at 30 September 2020
		HK$	*Number*	*Number*	*Number*	*Number*	*Number*
Executive Directors							
Mr. Lee Chris Curl (resigned on 10 August 2020)	3.4.2019	3.13	2,700,000	–	(900,000)	–	1,800,000
Mr. Lan Jianzhong	3.4.2019	3.13	600,000	–	–	–	600,000
Other eligible participants	3.4.2019	3.13	2,892,000	–	(405,000)	–	2,487,000
Other eligible participants	16.10.2019	4.36	–	3,650,000	–	(3,150,000)	500,000
Other eligible participants	2.7.2020	3.28	–	880,000	–	–	880,000
			6,192,000	4,530,000	(1,305,000)	(3,150,000)	6,267,000

No options granted to the eligible participants were lapsed during the year ended 30 September 2020.

As of the year ended 30 September 2020, one-third of the options granted shall be vested on each anniversary of the first 3 years immediately after the date of grant and the outstanding options will be fully vested on 3 April 2022, 16 October 2022 and 2 July 2023 respectively.

On 17 November 2020, the Company has amended the schedule for vesting of options under the Scheme to the effect that one-fourth of the options shall be vested on each anniversary of the first 4 years from the date of grant (the "Amendments"). The Amendments have become effective from 17 November 2020 and shall not apply to the outstanding options which have already been granted but remain unexercised under the Scheme. For details, please refer to the announcements published by the Company dated 19 October 2020 and 17 November 2020 and the circular dated 22 October 2020.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Memorandum and Articles of Association or applicable laws of the British Virgin Islands where the Company was incorporated, which make the Company obliged to offer new shares on a pro-rata basis to the existing Shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the FY2020.

DONATIONS

The Group has not made any donations during the year ended 30 September 2020 (2019: HK$Nil).

Equity-Linked Agreements

No equity-linked agreements that will or may result in the Company issuing shares or that requires the Company to enter into any agreements that will or may result in the Company issuing shares was entered into by the Company, or subsisting during the year ended 30 September 2020.

Debenture, Convertible Securities, Options, Warrants or Similar Rights

Save for the share options granted as disclosed under the paragraph headed "Share Option Scheme" in the directors' report of this annual report, no other debenture, convertible securities, options, warrants or similar rights were issued or granted by the Company, or subsisting, during the year ended 30 September 2020.

Fund Raising Activities

There were no fund-raising activities conducted by the Company during the year ended 30 September 2020.

Tax Relief and Exemptions

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the date of this annual report, so far as is known to the Directors, the interests or short positions of the Directors of the Company and their associates in the ordinary shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have taken under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

(i) Long Positions in the Company's shares and underlying shares

(a) Ordinary shares of HK$0.001 each of the Company

Name of Directors	Capacity	Number of shares interested (L) Note (1)	Percentage of Shareholding
Mr. Li Lin ("Mr. Li")	Beneficial owner (Note 2)	178,514,196	58.19%
Mr. Lan Jianzhong	Beneficial owner (Note 3)	600,000	0.20%

Notes:

1. The letter "L" denotes the person's long position in the shares.

2. Mr. Li holds 100% interest in the total issued shares of Huobi Capital, 100% interest in the total issued shares of HBCapital and 89.09% interest in the total issued shares of Techwealth. Therefore, Mr. Li is deemed to be interested in the shares held by Huobi Capital, HBCapital and Techwealth for the purpose of Part XV of the SFO.

3. Pursuant to the share option scheme adopted by the Company on 27 October 2016, Mr. Lan Jianzhong is deemed to be interested in 600,000 shares as 600,000 share options have been granted to him on 3 April 2019, as at the date of this annual report, none of these share options has been exercised.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND SECURITIES OF THE COMPANY

As at 30 September 2020, the interests or short positions of those persons (other than the Director whose interests are disclosed above) in the ordinary shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO were as follows:

Name of shareholders	Capacity/Nature of interest	Number of shares interested (L)	Percentage of shareholding(*)
HBCapital Limited ("HBCapital")	Beneficial owner	29,296,701	9.59%
Huobi Capital Inc. ("Huobi Capital")	Beneficial owner	69,165,149	22.64%
Techwealth Limited ("Techwealth")	Beneficial owner	76,350,346	24.99%
Mr. Li Lin ("Mr. Li")	Interest of controlled corporation (Note 1)	178,514,196	58.19%
SC China Holding Limited	Interest of controlled corporation (Note 2)	40,216,484	13.16%
Shen Nan Peng ("Mr. Shen")	Interest of controlled corporation (Note 2)	40,216,484	13.16%
SNP China Enterprises Limited	Interest of controlled corporation (Note 2)	40,216,484	13.16%
SC China Venture IV Management, L.P.	Interest of controlled corporation (Note 2)	30,467,072	9.97%
Sequoia Capital China Venture Fund IV, L.P.	Interest of controlled corporation (Note 2)	30,467,072	9.97%
Sequoia Capital CV IV Holdco, Ltd.	Interest of controlled corporation (Note 2)	30,467,072	9.97%
Sequoia Capital CV IV Senior Holdco, Ltd.	Beneficial owner	30,467,072	9.97%

(*) The percentage has been calculated based on 306,800,000 shares in issue as at 30 September 2020.

Notes:

(1) Mr. Li holds 100% interest in the total issued shares of Huobi Capital, 100% interest in the total issued shares of HBCapital and 89.09% interest in the total issued shares of Techwealth. Therefore, Mr. Li is deemed to be interested in the shares held by Huobi Capital, HBCapital and Techwealth for the purpose of Part XV of the SFO.

(2) Sequoia Capital CV IV Holdco, Ltd. holds 30,467,072 Shares, representing approximately 9.97% of the total issued share capital of the Company. Sequoia Capital CV IV Holdco, Ltd. is a wholly-owned subsidiary of Sequoia Capital CV IV Senior Holdco, Ltd., whose sole shareholder is Sequoia Capital China Venture Fund IV, L.P.. The general partner of Sequoia Capital China Venture Fund IV, L.P. is SC China Venture IV Management, L.P., whose general partner is SC China Holding Limited ("SC China"). SC China is a wholly-owned subsidiary of SNP China Enterprises Limited ("SNP China"), a company wholly owned by Mr. Shen.

In addition, Zhen Partners Fund I, L.P. ("Zhen Partners") holds 9,749,412 Shares, representing approximately 3.19% of the total issued share capital of the Company. SC China, through several intermediate entities is interested in more than 33.3% limited partnership interest in Zhen Partners, and therefore SC China is deemed to be interested in the 9,749,412 Shares. Since SC China is wholly owned by SNP China, which is in turn wholly owned by Mr. Shen, both SNP China and Mr. Shen are deemed to be interested in such 9,749,412 Shares as well.

In light of the above, pursuant to Part XV of the SFO, Mr. Shen, SNP China and SC China are deemed to be interested in a total number of 40,216,484 Shares, representing approximately 13.16% of the total issued share capital of the Company.

Save as disclosed above, as at the date of this annual report, so far as is known to the Directors, the Company has not been notified of any other interests or short positions in the ordinary shares of the Company which had been recorded in the register required to be kept under section 336 of the SFO.

PUBLIC FLOAT

Based on information that was publicly available to the Company and to the best knowledge of the Board, as at the date of this annual report, the Directors confirm that the Company has maintained at all times during the year ended 30 September 2020 sufficient public float requirement as prescribed by the Listing Rules.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 16 to 27 of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

As at the date of this annual report, the Company has received from each of the independent non-executive Directors in writing a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent.

AUDITOR

The financial statements of the Company for the year ended 30 September 2020 were audited by BDO Limited. A resolution will be proposed at the forthcoming AGM of the Company to re-appoint BDO Limited as auditor of the Company.

There has been no change in the Company's auditor in any of the preceding three years.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year ended 30 September 2020, the Group was not aware of material non-compliance with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

On behalf of the Board

Li Lin
Chief Executive Officer
HKSAR
18 December 2020

Environmental, Social and Governance Report

INTRODUCTION, ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

This Environmental, Social and Governance Report (the "Report") summarises the environmental, social and governance ("ESG") initiatives, plans, and performances of Huobi Technology Holdings Limited (the "Company") together with its subsidiaries, (the "Group") and demonstrates its commitment to sustainable development.

As a responsible corporate, the Group understands that it has a significant responsibility to bring a positive impact to the environment and the communities in which it operates. The Group pursues its goal with satisfactory quality, takes environmental protection as its responsibility, carries out management activities with the spirit of excellence, strictly abides by environmental protection laws and regulations and customer requirements, effectively manages at source, purchases environmentally friendly materials, produces environmentally friendly products, and continuously improves and creates a green environment, thereby becoming a first-class electronics manufacturer. Our environmental policy is to abide by the law; prevent pollution; make continuous improvement; enhance satisfaction.

ESG Governance Structure

The Group has established an ESG taskforce (the "Taskforce"). The Taskforce comprises of core members from the Groups' different departments and is responsible for collecting relevant information on its ESG aspects for preparing the ESG Report. The Taskforce reports to the board of directors (the "Board"), which assists in the identification and evaluation of the Group's ESG risks and the effectiveness of the internal control mechanism. The Taskforce also examines and evaluates the Group's performances in different areas such as environment, safety production, labour standards, and product responsibilities in the ESG aspects. The Board has also set up a general direction for the Group's ESG strategies, ensuring the effectiveness in the control of ESG risks and internal control mechanism.

SCOPE OF REPORTING

The Group's core businesses include related services of electronic power supplies, battery chargers, coils, solenoids, and optical products, such as LED lights, etc. Meanwhile, by closely capitalising on the global fintech development momentum, the Group utilises the expertise and experience to explore the feasibility of business diversity in the blockchain and fintech sectors.

This Report focuses on the three offices in Hong Kong, an office and a factory in Shenzhen of the People's Republic of China (the "PRC") that operates in the manufacture and sale of electrical and electronic or electronic products, and a newly acquired office and a warehouse in Japan that provides cloud services and data centre services to enterprises operating in the blockchain.

The Group understands the importance of transparency and will expand the scope of disclosure when the Group's data collection system matures.

REPORTING FRAMEWORK

The Report has been prepared in compliance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix 27 of Rules Governing the Listing Securities on Main Board of The Stock Exchange of Hong Kong Limited ("HKEX").

For the Group's corporate governance practices, please refer to pages 16 to 27 for the section "Corporate Governance Report" contained in this annual report.

REPORTING PERIOD

The Report describes the ESG activities, challenges, and measures taken by the Group during the year ended 30 September 2020 ("FY2020").

STAKEHOLDER ENGAGEMENT

The Group values its stakeholders and their feedback regarding its businesses and ESG aspects. To understand and address their key concerns, the Group has maintained close communication with its key stakeholders, including but not limited to shareholders and investors, customers, suppliers, employees, government and regulatory authorities, non-governmental organisations ("NGOs"), industry chamber of commerce and communities.

In formulating operational and ESG strategies, the Group considers stakeholders' expectations by utilising diversified engagement methods and communication channels as shown below.

Major Stakeholders	Expectations and Concerns	Communication Channels
Shareholders and investors	• Investment returns • Corporate governance • Business compliance • Protection of the voting rights of shareholders and investors • Appointment of directors	• Annual general meeting • Financial reports • Announcements and circulars
Customers	• Quality products and services • Protection of customers rights	• Customer service hotline • Customer satisfactory surveys
Suppliers	• Selection of suppliers • Sustainable supply chain	• On-site audit management system • Supplier management meeting and events
Employees	• Improvement of the policies of manufacturing companies • Employee compensation and benefits • Training management	• Employee suggestion forms and suggestion boxes • Regular meetings and management communication (such as email and phone calls) • Intranet • Field trip • Job performance evaluation
Government and regulatory authorities	• Compliance with laws and regulations • Supporting research and development of high-tech products	• Legal advisor
NGOs, industry chamber of commerce, and communities	• Community participation • Business compliance • Environmental protection awareness	• Community investment plan • ESG reports

Through collaborating with the stakeholders, the Group strives to further improve its ESG initiatives to create greater value for the community on a continuous basis

MATERIALITY ASSESSMENT

The management and staff of the Group's respective major operations have participated in the preparation of the Report to assist the Group in reviewing its operations and identifying relevant ESG issues and assess the importance of related matters to its businesses and stakeholders. The Group had compiled questionnaires to collect information from relevant departments, business units, and stakeholders of the Group to identify key ESG issues

The Group has taken into account the feedback from relevant stakeholders in determining the significant ESG aspects covered in the Report. A summary of significant ESG issues for the Group based on relative importance is displayed below:

The ESG Reporting Guide	Material ESG Issues
Environmental	
A1. Emissions	Exhaust Gas Emissions Greenhouse Gas ("GHG") Emissions Wastes Management
A2. Use of Resources	Energy Management Water Management Use of Packaging Materials
A3. The Environment and Natural Resources	Noise Pollution
Social	
B1. Employment	Recruitment, Promotion, and Dismissal Compensation and Benefits Equal Opportunities, Diversity, and Anti-discrimination Democratic Participation
B2. Health and Safety	Safety Production Management System Fire Safety Management Preventative Measures on COVID-19
B3. Development and Training	Development and Training
B4. Labour Standards	Prevention of Child and Forced Labour
B5. Supply Chain Management	Suppliers Selection Mechanism

The ESG Reporting Guide	Material ESG Issues
B6. Product Responsibility	Product Quality and Safety Intellectual Property ("IP") Rights Customer Satisfaction
B7. Anti-corruption	Anti-corruption Whistle-blowing Mechanism
B8. Community Investment	Corporate Social Responsibility

In FY2020, the Group confirmed that it has established appropriate and effective management policies and internal control systems for ESG issues and confirmed that the disclosed contents comply with the requirements of the ESG Reporting Guide.

CONTACT US

The Group welcomes stakeholders to provide their opinions and suggestions. You can provide valuable advice in respect of this Report or the Group's performances in sustainable development by post at Room 1404–05, 14/F, Nan Fung Tower, 88 Connaught Road Central, Hong Kong.

A. ENVIRONMENTAL

A1. Emissions

The Group understands its responsibility to protect the environment and is committed to leadership, achieving low carbon and sustainable business operations by improving resource efficiency and reducing environmental pollution.

The Group also continues to focus on utilising a standardised management system to govern the environmental management of the Group. The Group has implemented the internationally recognised ISO14001:2015 environmental management system (the "EMS") in its PRC factory operations and has developed an EMS Manual (《環境管理體系手冊》). The EMS Manual clearly states that the Group must not only strictly comply with relevant environmental legislation but also systematically control and manage the identified environmental risks and opportunities in its business operations and make continuous improvements to meet the evolving long-term needs of its customers.

In FY2020, the Group was not aware of any material non-compliance with laws and regulations concerning air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes, including but not limited to the Environmental Protection Law of the PRC, Water Pollution Prevention Law of the PRC, Law of the PRC on the Prevention and Control of Atmospheric Pollution, Law of the PRC on Prevention and Control of Pollution From Environmental Noise, Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste, Air Pollution Control Ordinance of Hong Kong, Water Pollution Control Ordinance of Hong Kong, Waste Disposal Ordinance of Hong Kong, Air Pollution Control Act of Japan, Waste Management and Public Cleansing Law of Japan and Water Pollution Control Law of Japan that would have a significant impact on the Group.

Exhaust Gas Emissions

The Group is committed to minimising emissions of exhaust gas and GHG from its operations and ensuring compliance with statutory emission standards. The two main emission sources are as follows:

In the production process of the Group's products, the use of wave soldering, immersion tin, injection moulding, alcohol wiping, and sparking machines generates exhaust gases. Therefore, the Group has installed a number of ventilation systems and gas treatment plants across its production factories to ensure internal air quality is good and the generated exhaust gases are diluted in the chimney before being released into the atmosphere. The Group has also actively implemented the following emission reduction measures to meet Level 3 of the second period under the "Atmospheric Pollutant Emission Limits"《大氣污染物排放限值》(DD44/27–2001). As a result, the emission of exhaust gas arising from the production process was not significant in FY2020. The emission reduction measures within the factories are as follows:

- Equip with an airtight workshop, air hood, air ducts, activated carbon adsorption device, and 44M high exhaust pipe for high altitude discharge;
- Refill activated carbon regularly, and monitor regularly by a qualified professional body; and
- Conduct regular maintenance, repair, spot check, and record-keeping by the Production Department.

Besides, a number of vehicles are used to transport materials and products, which generates exhaust gas from the combustion of gasoline and diesel. The emission reduction measures for vehicles are as follows:

- Turn off the engine when the vehicle is not in use;
- Plan routes ahead of time to reduce route repetition and optimise fuel consumption;
- Use unleaded fuel and low-sulphur fuel according to the laws and regulations;
- Eliminate non-compliant vehicles in accordance with national emission policy regulations (national standard IV);
- Undergo maintenance service regularly to ensure optimal engine performance and fuel use; and
- Optimise operational procedures to increase efficiency and reduce vehicle idling rates.

Through these emission mitigation measures, employees' awareness of reducing emissions has been raised, the sulphur oxides ("SOx") were maintained at 0.0002 tonnes in FY2020. However, these emissions were considered immaterial to the Group.

GHG Emissions

The major sources of the Group's GHG emissions are direct GHG emissions from the combustion of gasoline and diesel for transportation (Scope 1), energy indirect GHG emissions from purchased energy (Scope 2), and other indirect GHG emissions from air travel and paper disposed into landfills (Scope 3).

Scope 1 – Direct GHG emissions

To reduce Scope 1 GHG emissions, the Group is taking the proactive measures which are described in the section headed "Exhaust Gas Emissions" of aspect A1.

Scope 2 – Energy Indirect GHG Emissions

Purchased electricity consumption accounts for the largest portion of the Group's GHG emissions. The Group has taken measures to reduce energy consumption, which are described in the section headed "Use of Resources" of aspect A2.

Scope 3 – Other Indirect GHG Emissions

Air travel and paper disposed into landfills are the main source of Scope 3 GHG emissions. The Group will only choose air travel when considered necessary. Teleconferencing and network conferencing are the Group's preferred means of communication to reduce the frequency of travel. The measures to reduce the disposal of waste paper into landfills are described in the section headed "Wastes Management" of aspect A1.

In FY2020, the Group's total GHG emissions decreased by approximately 11.98%. This was mainly due to the decrease in operating activities and the number of employees during the pandemic.

Summary of GHG emissions and its intensity performances is as follows:

Indicator[1]	Unit	FY2020	FY2019
Direct GHG emissions (Scope 1) – Gasoline and diesel consumed	tCO_2e	39.23	48.11
Energy indirect GHG emissions (Scope 2) – Purchased electricity	tCO_2e	1,805.49	2,032.38
Other indirect GHG emissions (Scope 3) – Air travel and paper disposed into landfills	tCO_2e	14.90	32.16
Total GHG emissions	**tCO_2e**	**1,859.62**	**2,112.65**
Intensity	**tCO_2e/employee[2]**	**2.99**	**3.14**
	tCO_2e/product[3] (thousand pieces)	**0.10**	**0.10**

Note:

1. GHG emission data is presented in terms of carbon dioxide equivalent and are based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs" issued by the HKEX, the latest released emission factors of China's regional power grid basis, the"Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5), CLP 2019 Sustainability Report, HK Electric Investments Sustainability Report 2019 and Environmental Index Results List issued by Japan's TEPCO Group.

2. As at 30 September 2020, the Group had 622 (FY2019: 672) full-time employees in total. The data is also used for calculating other intensity data.

3. During FY2020, the Group had produced 18,012,329 (FY2019: 21,551,521) pieces of products. The data is also used for calculating other intensity data.

Sewage Discharge

Since the Group's business activities do not consume a significant volume of water during its daily operation, therefore it did not generate a material portion of sewage. As the sewage discharged by the Group will be discharged into the municipal sewage pipe network to the regional water purification plant, the water consumed by the Group is considered as sewage discharged. The data on water consumption will be described in the section headed "Water Management" of aspect A2.

Waste Management

The Group's production process generates various industrial wastes. Hence, the Group has established the Toxic and Hazardous Waste Management Standards (《有毒有害廢物管理標準》) to regulate the management activities of toxic and hazardous wastes, to prevent their spread and leakage, and to minimise their impact on the environment.

Hazardous wastes

The toxic and hazardous wastes of the Group include but are not limited to waste oil rags, oil gloves, waste thinner, thinner, alcohol, waste cutting fluid, punching fluid, waste tin residue, oily residue, waste oil (such as printing oil, motor oil), etc. The Group's Quality System Department is responsible for identifying the toxic and hazardous wastes and classifying such waste and filling in the Toxic and Hazardous Waste List (《有毒有害廢物清單》), which will be placed in particular containers for toxic and hazardous solid wastes and toxic and hazardous liquids according to the regulations of each department. Such wastes will be collected regularly by qualified personnel commissioned by the Group in accordance with the Toxic and Hazardous Waste Management Standards (《有毒有害廢物管理標準》). In addition, the Group has prepared an "Emergency Response Plan" in case of any leakage and arranged sufficient training for its staff to ensure their safety at work.

In addition to the toxic wastes mentioned above, the Group inevitably generates wasted activated carbon during the production process, which attracts large amounts of volatile organic compounds. Such wasted activated carbon needs to be disposed of properly to avoid causing secondary pollution to the environment. As such, the Group has appointed legalised operators to carry out the recycling and treatment according to the relevant laws and regulations.

In FY2020, the Group's hazardous wastes disposal has slightly increased by about 5.44%. This was mainly due to the need to change new oil by different machines during the operation. All of these hazardous wastes were recovered by qualified collectors.

Summary of hazardous wastes disposed of and its intensity performance is as follows:

Types of hazardous wastes	**Unit**	**FY2020**	**FY2019**
Hazardous wastes	tonnes	1.55	1.47
Intensity	**tonnes/employee**	**0.002**	**0.002**
	tonnes/product (thousand pieces)	**0.00009**	**0.00007**

Non-hazardous wastes

Non-hazardous wastes such as metals, slag, plastics, paper, and general wastes are properly sorted as recyclable and non-recyclable wastes and are stored in designated collection areas. The recyclable wastes collected are then delivered to the waste collectors for regular recycling. After identifying and classifying the wastes, it is then centrally stored and disposed of. A management responsible person is appointed to handle the wastes in a timely manner and maintains the environmental hygiene of the surrounding areas.

In addition, the Group is committed to establishing an electronic and green office:

- Make full use of the online system in the offices, general transaction notification, data transmission, etc. through the network system;
- Use both sides of office paper as much as possible;
- Collect and recycle waste paper by the Administrative Department;
- Dispose of waste packaging boxes as "recyclable" waste; and
- Increase the use of recycled paper.

The Group inevitably generates waste during its operations, but with effective waste treatment strategies and policies, the Group has minimised the environmental risks and impacts caused by its wastes. In FY2020, the Group's total non-hazardous wastes disposed of has slightly increased by about 0.51%, and this results from the expansion of operating segments in Japan.

Summary of non-hazardous wastes disposed of and its intensity performance is as follows:

Types of non-hazardous wastes	**Unit**	**FY2020**	**FY2019**
Paper	tonnes	1.98	1.97
Intensity	**tonnes/employee**	**0.003**	**0.003**
	tonnes/product (thousand pieces)	**0.0001**	**0.0001**

A2. Use of Resources

The Group aims at reducing the environmental impact of its operations by identifying and adopting measures to improve energy and resource efficiency. The Group is committed to incorporating the concepts of resources conservation and environmental protection into its business operations, and to effectively utilising resources, reducing wastage, and controlling wastes generation in its business and production processes to achieve resource optimisation, to promote environmental protection, and to reduce operating costs.

The Group has established policies such as Operational Control Procedures (《運行控制程式》), Standards for Water and Power Conservation Measures (《節約水電措施標準》》) and Standards for Resource Conservation Measures (《節約資源措施標準》) to guide the management of water, power, and resources. The Group also regularly reviews these procedures to ensure that the guidelines remain applicable. All employees are formally notified of the implementation of the guidelines during induction training and when the guidelines are updated.

Energy Management

The Group actively implements the concept of energy-saving, emission reduction, and maintain efficient use of resources through following the methods and measures for energy saving. Through practicing active management control in its operations, the Group strives to prevent pollution by using environmentally friendly materials, producing green products, and implementing technological innovations.

The Group has also formulated rules and regulations to achieve electricity conservation and efficient use of electricity among a range of lighting, machinery and equipment, and air-conditioning equipment. The relevant specific measures are as follows:

- Conserve electricity and turn off unnecessary lighting power;
- Regularly clean lighting lamps or bulbs to ensure luminous efficiency and proper illumination;
- Replace damaged lamps promptly to prevent them from continuing to consume electricity when they are not illuminated;
- Turn off lights when off duty or when people leave;
- Use as much natural light as possible without interfering with work;
- Introduce the energy-efficient equipment in the time of purchase and improvement of new and expanded plants and equipment;
- Minimise energy consumption when equipment is not in production;
- Avoid premature start-up of equipment and idling of equipment;
- Keep doors, windows, and entrances closed to prevent loss of air conditioning in establishments where air-conditioning is used;
- Set the room temperature to a suitable temperature and not lower than 26 degrees Celsius;
- Prohibit the use of fans when the air conditioning is on;
- Use the timer function on demand and turn off the air conditioning when leaving the room; and
- Assure the cooling effect of air conditioning equipment by proper maintenance.

In FY2020, the Group's total energy consumption has decreased by about 11.40%. This was mainly due to the decrease in the number of employees during the pandemic.

Summary of energy consumption and its intensity performances is as follows:

Types of Energy	Unit	FY2020	FY2019
Direct energy consumption	**MWh**	**144.36**	**175.71**
Gasoline	MWh	130.16	159.01
Diesel	MWh	14.20	16.70
Indirect energy consumption	**MWh**	**3,332.97**	**3,748.84**
Purchased electricity	MWh	3,332.97	3,748.84
Total energy consumption	**MWh**	**3,477.33**	**3,924.55**
Intensity	**MWh/employee**	**5.59**	**5.84**
	MWh/product (thousand pieces)	**0.19**	**0.18**

Water Management

The Group's water use is mainly domestic water for offices and living areas. To encourage all employees to develop a habit of conscious water use, the Group had adopted rules and regulations in place, actively implementing the following emission reduction measures, attaining the Level 3 of the second period under the "Water Pollutant Discharge Limits"《水污染物排放限值》(DD44/26–2001). Specific water-saving measures are as follows:

- Post reminder slogans such as "water conservation is everyone's responsibility" on public water occasions to promote the concept of "water conservation" in the public mind;
- Instill the motto of "Water Conservation Starts with Me" into employees;
- Use induction water switches and flow restriction measures for domestic water recovery and recycling;
- Formulate specific guidelines and measures for water conservation based on the characteristics of water consumption; and
- Inspect and maintain water storage, distribution, and consumption facilities regularly, and promptly solve problems identified to prevent wastage of water resources.

In FY2020, the Group's total water consumption has decreased by about 17.87%. This was mainly due to the decrease in water consumption during the pandemic.

Summary of water consumption and its intensity performance is as follows:

Type of Water	Unit	FY2020	FY2019
Domestic water	cubic meters	14,224.31	17,319.59
Intensity	**cubic meters/employee**	**22.87**	**25.77**
	cubic meters/product (thousand pieces)	**0.79**	**0.80**

Due to the business nature of the Group, the Group did not encounter any issues in water sourcing.

Use of Packaging Materials

The Group's packaging materials are mainly carton boxes used to package the products for sale. In FY2020, the packaging material used had decreased by about 27.05%. This was mainly due to the decrease in the number of products sold.

Summary of the use of packaging material and its intensity performance is as follows:

Types of Packaging Material	Unit	FY2020	FY2019
Carton boxes	tonnes	63.65	87.25
Intensity	**tonnes/employee**	**0.10**	**0.13**
	tonnes/product (thousand pieces)	**0.004**	**0.004**

A3. The Environment and Natural Resources

The Group pursues best practices with the environment and focuses on the impact of its operations on the environment and natural resources. The Group has also integrated the concept of environmental protection into its internal management and daily operation activities and is committed to achieving the goal of environmental sustainability.

The main resources used by the Group in its daily operations are electricity and automobile gasoline and diesel, which have been described in the section headed "Use of Resources" of aspect A2. Apart from that, the Group will not use other natural resources in large quantities.

The Group's environmental impact and the use of natural resources have always been highly valued and it hopes to identify and mitigate the impact by considering sustainable development in all of its affairs. The Group assesses the potential environmental impacts to understand the footprint identification and measurement management at the frontline level. The production facilities of the Group have implemented rigorous procedures to prevent chemical spills or spills to the environment. The Group conducts emergency planning and exercises to reduce the risk of accidents and maintain its business continuity.

Noise Pollution

In addition to complying with environmental regulations and international standards and appropriately protecting the natural environment, the Group has also established the Noise Pollution Control Standards (《噪音污染控制標準》) to effectively control noise pollution, safeguard the health of employees, and reduce the negative impact on the environment and surrounding communities in accordance with the National Noise Control Standards (《國家噪聲控制標準》).

- Design facilities with strong sound insulation and shock absorption effects;
- Conduct proper maintenance of equipment in a timely manner to reduce noise at the sound source; and
- Require employees working in noise-intensive environments, such as metalworkers and ultrasonic welding machine operators, to wear earplugs or earmuffs.

B. SOCIAL

B1. Employment

The Group believes that employees are the greatest and most valuable asset and the key to maintaining its competitive advantage, providing the Group with a driving force for continuous innovation. The Group respects the principle of “equality for all” and adheres to the people-oriented principle. At the same time, the Group strives to ensure the occupational health and safety of its employees, strengthen democratic management, safeguard the interests of its employees, fully respect and value the motivation, initiative, and creativity of its employees, and strives to build a harmonious labour relationship.

The Group has formulated human resources management policies such as Human Resources Management Procedures (《人力資源管理程式》) and Employee Handbook (《員工手冊》) to serve as guidelines for employees in their daily work, to regulate human resources management and to respect and protect the legitimate rights and interests of each employee.

In FY2020, the Group was not aware of any material non-compliance with the labour laws and regulations, including but not limited to the Labour Law of the PRC, Labour Contract Law of the PRC, Employment Ordinance of Hong Kong, and Labour Standards Act of Japan that would have a significant impact on the Group.

Recruitment, Promotion, and Dismissal

The Group’s employees are recruited through a sound, transparent, and fair recruitment process to meet the current and future needs of the Group. The Group actively implements the strategies to strengthen the Group’s human resources, and continuously establishes and improves its talent recruitment and selection process. The recruitment process is governed by the recruitment procedures and principles, and the Group adheres to the principle of appointing people of high moral character, knowledge, ability, experience, and physical fitness for the positions they hold, as well as the principles of fairness, equity, equality, and openness, to continuously attract and recruit outstanding talents.

The Group has clearly defined the basis and process for the management of promotion, transfer, and demotion of employees to protect the interests of both the employees and the Group. The promotion of employees depends on their performances, working ability, intrinsic potential, and the needs of the company, and can only be carried out with the appropriate approval.

When an employee is leaving the Group, the Group arranges an exit interview to understand the reason behind and continuously optimise the Group’s operation mechanism. The Group also executes staff termination procedures following its internal operating procedures and relevant national regulations.

Compensation and Benefits

The Group has established a fair, equitable, reasonable, and competitive remuneration system to remunerate its employees. The remuneration of the Group’s employees is determined on the basis of their job position, work experience, relevant expertise, and performance consists of post salary and performance bonus, and the Group adjusts salary based on its operations, performances, market data, and the current salary status of its employees.

The Group is required by law to provide its employees with relevant social insurance, such as "five social insurance and one housing fund", namely pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance, and housing provident fund, to ensure that employees enjoy social insurance benefits. The Group has drawn up an Employee Handbook (《員工手冊》) in accordance with relevant laws and regulations, which stipulates the working hours and holidays of employees. In addition to basic statutory holidays and festivals, employees are also entitled to paid annual leave, marriage leave, maternity leave, paternity leave, and sick leave, etc. The Group emphasises work efficiency and does not encourage employees to work overtime under normal circumstances but they are allowed to work overtime according to work requirements.

In FY2020, the Group held various corporate events, such as New Year's Eve dinner and Mid-Autumn Festival dinner, which provided a good opportunity for all staff to relax, communicate and enjoy the festive season. The Group also organised a staff lucky draw to reward the staff for their contribution to the Company in FY2020.

Equal Opportunities, Diversity, and Anti-discrimination

The Group's sustainable growth depends on the diversity of its people. The Group is committed to creating and maintaining an inclusive, collaborative, and cooperative workplace culture in which all can thrive. The Group is committed to providing equal opportunities in all aspects of employment and to maintaining a workplace free from discrimination, physical or verbal harassment of any person on the basis of race, religion, colour, sex, physical or mental disability, age, place of origin, marital status and sexual orientation. The Group does not tolerate any forms of sexual harassment or abuse in the workplace.

Democratic Participation

The Group also attaches great importance to employee opinions and suggestions. The Group conducts an employee satisfaction survey annually to understand the level of satisfaction of employees at all levels with regard to management strategy, business objectives, product quality, training opportunities, safety, remuneration packages, working conditions, and any other aspects related to the Group. Based on the survey results, the Group analysed the aspects that employees expressed dissatisfaction and reported to the top management. Corrective and preventive plans will then be carried out to address and improve the areas of these findings.

B2. Health and Safety

The Group shoulders the responsibility of maintaining a healthy and safe working environment for all employees and is committed to instilling the concept of "safety first" to all its work teams. The Group has developed comprehensive safety work policies and management procedures to protect employees from occupational hazards and maintain a healthy and safe working environment.

The Group was not aware of any material non-compliance with health and safety-related laws and regulations, including but not limited to the Labour Law of the PRC, Law of the PRC on Safe Production, Law of the PRC on the Prevention and Control of Occupational Diseases, Fire Services Law of the PRC, Occupational Safety and Health Ordinance of Hong Kong, Employees Compensation Ordinance of Hong Kong, Industrial Safety and Health Act of Japan, Order for Industrial Safety and Health Act of Japan and Employment Insurance Act of Japan that would have a significant impact on the Group.

In FY2020, the total number of working days lost of the Group due to work-related injuries was 8 (FY2019: 5) days. The Group has not recorded any other incidents that caused death or serious bodily injury, no claims or compensation for its employees due to such incidents, and no significant violations of laws and regulations relating to employees' health and safety matters.

Safety Production Management System

To strengthen the Group's commitment to safety management, the Group has implemented 5S Management in its manufacturing facilities – "Seir, Seiton, Seiso, Seiketsu, and Shitsuke". 5S Management intends to promote safe and efficient workplaces, minimise the risk of occupational injuries or accidents, and increase employee productivity, performance, and morale. Regular inspections are carried out to ensure that the Group's production operations are fully covered and properly implemented, and any problems encountered will be corrected immediately to prevent accidents.

Safety facilities such as exhaust ventilation systems are installed at its job sites, and first aid kits and emergency medicines are available. Employees working under potential occupational hazards must also wear protective equipment such as masks and earplugs.

The Group provides regular occupational safety education and training to enhance employees' safety awareness and will provide special training for workers on special occasions when deemed necessary. The Group assesses the employees' relevant safety knowledge (such as safe work and knowledge of handling emergencies) before allowing workers to start work. Besides, the Group also provides production workers with Production and Service Operation Procedures (《生產和服務運作程序》) and Production Process Management Procedures (《生產過程管理程序》) to guide their work.

Fire Safety Management

In addition to safety training, the Group also conducts fire and other emergency drills occasionally to minimise accidents and maintain zero casualties. The Group designs the offices in accordance with the National Engineering Building Fire Control Standards (《國家工程建築火災控制標準》), formulates fire safety work methods, and establishes a fire control system. Various fire-fighting facilities have been installed in the offices, including fire sprinkler systems, fire extinguishers, fire hoses, etc., and are regularly maintained by external professional teams to reduce fire hazards and improve the fire prevention awareness of all employees.

Preventative Measures on COVID-19

In view of the outbreak of COVID-19, the Group has taken measures to safeguard its employees, internal safety of the Group, and business continuity. In response to the public health measures of the PRC government, the Group has promptly set up a crisis management team in its PRC manufacturing factory to coordinate and arrange for the provision of services to maintain normal operations. In addition to the blockade period in the PRC, the Group has enhanced the environmental hygiene in its working areas upon resumption of operations to ensure a healthy and safe working environment, such as providing adequate protective gears and surgical masks to its employees and conducting stringent temperature checks on its employees and suppliers before entering the premises. The Group has also issued guidelines to its staff to advise on measures to respond to COVID-19 outbreaks among its staff and relevant family members.

B3. Development and Training

The Group believes that appropriate and adequate training opportunities enable its employees to enrich their expertise and skills, enhance their work and product quality, motivate their potential, and develop their work teams. To assist the Group in coordinating with its operational policies and organisational development needs, all staff members will receive appropriate and necessary training, enrich their professional knowledge and skills, and enhance their work quality and work ability. Such practice stimulates the potential of work, improve work efficiency, and improve the overall quality and environment of the Group and cultivate the Company's human resources.

The Group is also committed to providing employees with a wide range of training activities, combining internal training, external training, and new personnel education and training to improve the professional skills of employees and promote their career development.

Training Management and Courses

The Group complies with the Training Operating Procedures (《培訓作業程序》) and designs training development plans based on the training requirements and business strategies proposed by various departments on an annual basis. Various training programs (including internal and external training) will be tailored to employees based on the plan. After achieving the training plan, the Group evaluates the quality and effectiveness of the plan and records the evaluation results so as to further make continuous improvements.

The internal training of the Group includes manual soldering training, tooling equipment manufacturing training, and electronic component awareness. External training refers to hiring external teachers to the factory or sending personnel to external institutions for training. Should there be no internal resources to support special education and training, the Group will seek relevant external institutional training.

All newly recruited employees are required to participate in induction training with the Group's business philosophy, product quality policies and objectives, safety precautions, occupational health, ISO9001 standard, and ISO14001 standard to help them get used to the new working environment. At the Group's manufacturing facilities, all workers are trained with the necessary skills and knowledge before starting the work. The Group also carries out rehabilitation training programs to ensure that workers are aware of the latest practices.

The Group also attaches great importance to safety production training to protect employees' safety. The relevant policies have been described in the section headed "Safety Production Management" of aspect B2.

Focus on Employee Development

Team spirit is one of the core values of the Group. To foster the relationship among employees and promote a work-life balance, the Group also arranges a series of corporate and social activities for its employees, enhancing their senses of corporate culture and belonging.

The Group has established the Training Operation Management Program (《培訓作業管理程序》) according to the requirements of ISO9001:2015, IATF16949:2016, and ISO14001:2015 standards, and based on it to execute the induction for all new employees of the Company regarding corporate culture, safety production, occupational health, environmental protection, and vocational skills. Over 80% (FY2019: over 80%) of the employees of different levels (such as senior managers, middle management, on-site grassroots management, etc.) have participated in internal and external training and the average training hours through attending courses or self-studying for factory management personnel exceed 32 (FY2019: 32) hours.

B4. Labour Standards

In accordance with laws and regulations and the Group's existing Anti-Slavery Regulations (《反奴隸制規定》), child labour and forced labour are strictly prohibited in the recruitment process. The Group strictly abides by local laws and will not employ children under the legal working age as defined by relevant laws and regulations. Personal information, such as identity cards, will be collected during the recruitment process to verify the identity of candidates to ensure that applicants are over the legally authorized working age as defined by local labour laws. In case of non-compliance, the Group will deal with the case as appropriate.

To avoid forced labour practices, the human resources management function ensures that employees are given sufficient rest days and duly approval for overtime work by the Human Resources Management Department. The Group will not force any of its employees to work overtime against their will or under other forms of physical punishment or duress of any kind related to their work.

In FY2020, the Group was not aware of any material non-compliance with the laws and regulations relating to child and forced labour, including but not limited to the Labour Law of the PRC, Labour Contract Law of the PRC, Employment Ordinance of Hong Kong and Labour Standard Act of Japan that would have a significant impact on the Group.

Prevention of Child Labour

The Group strictly prohibits the use of any child labour and forced labour in its businesses located in Hong Kong, the PRC, and Japan. The Group's recruitment requirements stipulate that only employees over the age of 18 are recruited and all new employees are required to provide certified true copies of the personal information. The Human Resources Management Department rigorously verifies their information, including physical examination results, academic credentials, ID cards, and account information. The Human Resources Management Department also screens out candidates who are under the age of 18. Besides, the Group conducts child labour inspections every year to verify the true age of employees.

Prevention of Forced Labour

The Group has a well-developed recruitment process that includes reviewing the candidate's background and a formal reporting process to address any particular circumstances. The Group also conducts regular reviews and inspections to prevent any child labour or forced labour in the operation. The Group complies with relevant laws on labour standards, such as the content of mandatory labour in the International Labour Organization framework. The Group respects human rights and promises that all employees should be protected by the Group and that no employees of any category should be forced to work.

In addition, on the basis of voluntary overtime work, the Group promises not to force employees to work overtime to avoid violating the labour standards and depriving of employees' rights. The Group will not collect deposits or seizure identity documents from new employees. The Human Resources Management Department also regularly checks the attendance records and investigates any overwork. The Group prohibits punitive measures, management methods, and behaviours for any reason, such as abuse, corporal punishment, violence, mental stress, sexual harassment (inappropriate language, posture and physical contact), sexual abuse, etc.

B5. Supply Chain Management

As a manufacturer of various electronic and electrical products, the Group relies on the support of a wide various suppliers and contractors who support a wide range of raw materials, components, and sub-components to support our product offerings and business operations. Therefore, the choice of suppliers and contractors is extremely important as it will directly affect the quality of our products and services. To maintain an efficient operation and a sustainable supply chain, the Group has deployed an effective supplier management system to properly assess the qualifications and performance of our suppliers. The Group is committed to cooperating with suppliers who are technically capable, reliable, and socially responsible in the provision of raw materials or services.

Supply Chain Management Structure

The Group complies with its Supplier Qualification Management Guidelines (《供應商資格管理指引》) and the Supplier Competency Assessment Form (《供應商能力評核表》), inviting all new suppliers to complete the prequalification file of suppliers to assess their technical capabilities, quality management performance and compliance on safety and environment matters. These suppliers are also required to submit product samples together with violations of applicable international and national standards (such as the Directive on Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment ("RoHS") and the Registration, Evaluation, and Authorization and Restrictions ("REACH") about the relevant declarations of the use of dangerous goods, to protect the environment and the well-being of end-users. This helps us evaluate potential candidates objectively and fairly and choose the right suppliers to support the Group's operations. Only those suppliers who meet the Group's requirements can become its approved materials or service providers.

The Group believes that continuous improvement is critical to its daily operations. The Group conducts supplier performance evaluations of existing suppliers and contractors on a quarterly basis and continuously evaluate their performance. If the supplier fails to meet the Group's performance standards, the Group will issue a corrective action plan to the supplier for improvement (if applicable). Besides, to encourage suppliers to pursue sustainable development in their operations, the Group maintains close communication with its suppliers and provides training to share the latest knowledge on quality, safety, and good environmental practices. The Group also provides the necessary guidance on how to implement environmental practices throughout the supply chain.

Fair and Open Procurement

The Group's procurement process strictly implements the relevant provisions of "Shop Around Three" and is conducted in an open, fair, and impartial manner. It does not discriminate against any supplier, and employees and other individuals who have an interest in the relevant suppliers will not be allowed to participate in related procurement activities.

Business Ethics

The Group also focuses on the integrity of its suppliers and partners. The Group will only select suppliers and partners who have a good track record in the past and who do not have any serious violations or business ethics. The Group has zero tolerance for bribery and corruption, and it is strictly forbidden for suppliers and partners to obtain procurement contracts or partnerships through any forms of transfer of benefits.

B6. Product Responsibility

The Group has implemented several management systems in its operation. The Quality Manual (《質量手冊》) has been prepared in accordance with the requirements of ISO9001:2015 and IATF16949:2016 and the actual situation of the Group. It aims to continuously improve the Group's quality control system and improve the comprehensive management level of product manufacturing, continue to meet customer requirements and related laws, regulations, and related policies.

In FY2020, the Group was not aware of any material non-compliance with any laws and regulations in relation to privacy issues and compensation regarding health and safety, advertisement, labelling, and products and service provided, including but not limited to the Law of the PRC on Protection of Consumer Rights and Interests, Patent Law of the PRC, Sale of Goods Ordinance of Hong Kong, Copyright Ordinance of Hong Kong and Personal Data (Privacy) Ordinance of Hong Kong, Trademark Act of Japan, Copyright Act of Japan, Patent Act of Japan and Act on the Protection of Personal Information of Japan that would have a significant impact on the Group.

Quality Control

Through effective implementation of the quality management system, the Group effectively manages and resolves product safety and quality assurance issues throughout the production cycle (i.e. from product design, material selection and procurement, and product manufacturing to product delivery), which helps prevent the Group from having serious product flaws in the manufacturing process. The production process management plan is based on the specific needs of the customer and the compliance regulations in applicable laws and regulations (especially product safety regulations) for overall quality control and monitoring of our production operations. The Quality Assurance Department conducts routine quality checks to ensure that manufactured products meet the specified product drawings, specifications, and predetermined quality standards. Besides, the Group conducts an annual assessment to determine if there are any non-conforming products, analyse the root causes of non-conformity, and determine the correct solution to avoid repeating such cases.

All employees of the Group must strictly implement the provisions of Quality Manual (《質量手冊》) and other quality control system to ensure continuous improvement of the quality control system, quality, technology and cost and has the following responsibilities:

- Actively participate in the activities of the quality control system, implement quality policies in their work, and strive to achieve the company's quality objectives, continuously improve the effectiveness of the quality system, and product quality, process capability, and performance;

- Focus on customers, meet customer requirements, improve customer satisfaction, and exceed customer expectations;

- Strictly implement the system file to prevent any inconsistency with the requirements of the quality control system; and

- Encourage and support the innovative spirit of the employees. Any improvement opportunities and other issues discovered by employees regarding the quality control system shall be promptly submitted to the Company through the prescribed channels.

Customer Services

Apart from the Quality Manual (《質量手冊》), the Group has also established the Customer-Related Process Procedures (《與顧客相關的過程程序》) and Information Exchange Procedures (《資訊交流程式》) to effectively communicate with customers in the following aspects:

- Pre-sales service: providing product information to customers promptly, so that customers can understand and use the Company's products with confidence;
- In-sales service: handling and revision of contracts/orders;
- After-sales service: handling customer's feedback on the product after delivery, including customer complaints;
- The use of hazardous substances, the possibility of contamination, the incorporation of processes or products, and the changes affecting the characteristics of the product;
- Disposal of or control of customer property; and
- Development of specific requirements for emergency measures when the relationship is significant.

In addition to the above, the Group shall communicate in a written or verbal form in the language agreed by the customer. The Group shall be capable of communicating the necessary information in the language and form specified by the customer, including information in the computer language and format specified by the customer (e.g. electronic data exchange, etc.).

Privacy Protection

The Group has established the Personal Information Management Manual (《個人信息管理手冊》) to provide guidance to its employees to regulate the use of personal information, safeguard confidential information and avoid leakage of customers' and suppliers' privacy. Detailed procedures with regards to the purpose of collecting and using personal information, restrictions on the use of personal information and the handling of sensitive information, etc., are stated in the Manual to protect consumer data and privacy.

To further ensure proper handling of customers' and suppliers' personal information, the Data Security Policy (《數據安全政策》) is established. Amongst many policies that employees must follow when managing data to avoid leakage, the Group has also appointed a information safety officer to oversee proper management in the company. The Group also conducts regular training, to raise employee awareness on data security.

Advertising and Labelling

According to the nature of the business of the Group, the Group only conducts limited publicity activities. Therefore, the Group's business operations do not involve significant advertising and label related risks.

B7. Anti-corruption

The Group promotes honesty, fairness, and transparency in all business activities. At the same time, the Group is committed to creating a fair, honest, open, transparent, and standardised internal management atmosphere, requiring employees, especially management, to be honest and trustworthy as the most basic code of conduct. The Group's risk management department has also been established to ensure thorough compliance to relevant laws and regulations, by establishing the Compliance Manual (《合規手冊》).

In FY2020, the Group was not aware of any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud, and money laundering, including but not limited to the Company Law of the PRC, Anti-Unfair Competition Law of the PRC, Prevention of Bribery Ordinance of Hong Kong, and Unfair Competition Prevention Act of Japan that would have a significant impact on the Group. Based on our awareness, there are no concluded legal cases regarding corruption practices brought against the Group or its employees.

Anti-corruption

To ensure that all employees can perform their duties with high ethical standards and professionalism, the Group has established an Anti-corruption Policy and the Code of Prevention of Bribery and Confidentiality that requires employees to follow in any business transactions. All employees are required to sign an agreement to comply with the requirements and code of conduct under the Code of Prevention of Bribery and Confidentiality. For example, it is strictly forbidden for all employees to seek or receive any benefit, directly or indirectly, in the form of money, gifts, hospitality, or personal benefits. Violators will be punished. At the same time, the Group used its rich compliance knowledge and industry experiences to offer suggestions to relevant regulatory authorities and participate in the discussion and formulation of laws and regulations. During FY2020, the Group's compliance director had attended the FATF Private Sector Consultative Forum.

Besides, the Group is committed to strengthening compliance training and has encouraged employees to actively learn about the latest development and future trends of global anti-money laundering. During FY2020, the Group had organized several related training within the Group and for other companies. Several executives had also participated in industry summits to share industry insights with the public.

Similarly, to provide a fair and competitive commercial environment as well as maintain long-term business partnerships with suppliers and contractors, the Group requires all suppliers and contractors to sign and strictly abide by the Abolition of Corruption and Rebate Agreement, which prohibit employees from providing benefits (such as gifts and rebates) in return. Should the Group discover any supplier and contractor who have failed to comply with the rules under the agreement, it will terminate its business relationship with the supplier or contractor.

Whistle-blowing Mechanism

The Group forbids any misconduct such as bribery, extortion, fraud, and money laundering. Suppliers can report to the senior management of the Group for any suspected misconduct with full details and supporting evidence. The management will conduct investigations against any suspicious or illegal behaviour to protect the Group's interests. The Group advocates a confidentiality mechanism to protect the whistle-blowers against unfair dismissal or victimisation. When criminality is suspected, a report will be made to the relevant regulators or law enforcement authorities when the management considers it necessary.

B8. Community Investment

Corporate Social Responsibility

The Group believes that enterprises are the cells of society and would grow up because of the fostering of the social mother. At the same time, the Group also shoulder the responsibility of returning to society. The Group has been working hard to build a healthy community and hopes to cultivate employees' sense of social responsibility. Therefore, the Group always encourages employees to participate in social welfare activities during their work and spare time, and make greater contributions to society.

In FY2020, the Group sponsored the annual dinner of one of its suppliers to support its employees with care and contribution to its efforts. In response to the shortage of epidemic-related supplies, the Group collaborated with Huobi Charity from the related company Huobi Group to donate 15,000 masks to Pei Ho (Ming Gor) Charity Foundation Limited and the Lok Sin Tong Benevolent Society Kowloon to help those in need in Hong Kong.

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to Exhaust Gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes.	Emissions
KPI A1.1 ("comply or explain")	The types of emissions and respective emissions data.	Emissions – Exhaust Gas Emissions, GHG Emissions, Sewage Discharge, Wastes Management
KPI A1.2 ("comply or explain")	GHG emissions in total (in tonnes) and intensity.	Emissions – GHG Emissions
KPI A1.3 ("comply or explain")	Total hazardous wastes produced (in tonnes) and intensity.	Emissions – Wastes Management
KPI A1.4 ("comply or explain")	Total non-hazardous wastes produced (in tonnes) and intensity.	Emissions – Wastes Management

Aspects, General Disclosures and KPIs	Description	Section/Declaration
KPI A1.5 ("comply or explain")	Description of reduction initiatives and results achieved.	Emissions -Sewage Discharge, Wastes Management
KPI A1.6 ("comply or explain")	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions – Wastes Management
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1 ("comply or explain")	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources -Electricity Management
KPI A2.2 ("comply or explain")	Water consumption in total and intensity.	Use of Resources – Water Management
KPI A2.3 ("comply or explain")	Description of energy use efficiency initiatives and results achieved.	Use of Resources – Electricity Management
KPI A2.4 ("comply or explain")	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources – Water Consumption
KPI A2.5 ("comply or explain")	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Use of Packaging Materials

Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1 ("comply or explain")	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources – Noise Pollution
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.2 ("recommended disclosure")	Lost days due to work injury.	Health and Safety
KPI B2.3 ("recommended disclosure")	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety

Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPI B4.1 ("recommended disclosure")	Description of measures to review employment practices to avoid child and forced labour	Labour Standards
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.4 ("recommended disclosure")	Description of quality assurance process and recall procedures.	Product Responsibility

Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1 (“recommended disclosure”)	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2 (“recommended disclosure”)	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities’ interests.	Community Investment

Independent Auditor's Report

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TO THE SHAREHOLDERS OF HUOBI TECHNOLOGY HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Huobi Technology Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 69 to 155, which comprise the consolidated statement of financial position as at 30 September 2020, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 September 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

BDO Limited
香港立信德豪會計師事務所有限公司

BDO Limited, a Hong Kong limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Adoption of HKFRS 16 – Leases

Refer to notes 2(a)(i), 4 and 26 to the consolidated financial statements and the accounting policies in note 3 to the consolidated financial statements.

The Group adopted HKFRS 16 – Leases ("HKFRS 16") on 1 October 2019 and elected to apply the new standard using cumulative effect approach which did not require the restatement of comparative information. The reclassification and the adjustments arising from the new standard were recognised in the opening consolidated statement of financial position on 1 October 2019. As at 1 October 2019, the Group recognised lease liabilities and right-of-use assets of HK$45,422,000 and HK$45,673,000 respectively. As at 30 September 2020, the net carrying amounts of the Group's lease liabilities and right-of-use assets were HK$42,923,000 and HK$41,098,000 respectively.

We identified the identification and measurement of lease liabilities and right-of-use assets as a key audit matter due to the significance of the balances to the consolidated statement of financial position and significant judgements and estimates involved by management to determine the appropriate discount rates and lease terms.

Our response:

Our procedures in relation to management's judgements and estimates used in the recognition of lease liabilities and right-of-use assets included:

- obtaining an understanding of the management's processes and controls in respect of the application of HKFRS 16;

- assessing the appropriateness of management's assessments on the identification of leases based on the contractual agreements and our knowledge of the business;

- obtaining a summary of leases from management, and testing, on a sample basis, the key terms of each lease including lease terms and lease payments by tracing such information to the underlying lease contracts;

- assessing the judgements and estimates involved in determining the discount rates and the lease terms based on the contractual terms, nature and condition of the assets and our knowledge of the business; and

- testing, on a sample basis, the mathematical calculation of lease liabilities and right-of-use assets based on lease payments, the discount rates and the expected lease terms.

Impairment assessment of trade receivables

Refer to notes 4 and 20 to the consolidated financial statements and the accounting policies in note 3 to the consolidated financial statements.

As at 30 September 2020, the carrying amount of the Group's trade receivables was HK$52,076,000. The assessment of recoverability of trade receivables required management to make significant judgements based on the current creditworthiness of each customer, the past collection history of each customer and ageing analysis of the trade receivables. Based on management's assessment, the Group recognised no impairment loss on trade receivables during the year.

We identified the impairment of trade receivables as a key audit matter due to the significance of the balance to the consolidated statement of financial position and significant judgements involved by management to estimate the expected credit losses ("ECLs") on trade receivables.

Our response:

Our procedures in relation to management's impairment assessment of trade receivables included:

– obtaining an understanding of the basis of the estimation of the ECLs on trade receivables;

– testing the accuracy of ageing analysis of trade receivables, on a sample basis, to the related sales invoices and goods delivery documents;

– obtaining and evaluating management's assessment on the ECLs with reference to the collectability and ageing of the receivables, the creditworthiness and past collection history of these customers and the Group's current and expected future business relationship with these customers; and

– testing the settlements of trade receivables subsequent to the end of reporting period by, on a sample basis, checking to the related sales invoices and bank records.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Chiu Wing Cheung Ringo
Practising Certificate no. P04434

Hong Kong, 18 December 2020

Consolidated Statement of Profit or Loss

For the year ended 30 September

	Notes	2020 HK$'000	2019 HK$'000
Revenue	6	**276,555**	312,341
Cost of sales and services		**(198,697)**	(254,526)
Gross profit		**77,858**	57,815
Other income	7	**6,544**	8,193
Interest income	8	**2,861**	576
Selling and distribution expenses		**(4,225)**	(5,800)
Administrative expenses		**(98,722)**	(46,556)
Finance costs	9	**(16,902)**	(5,536)
(Loss)/profit before income tax	10	**(32,586)**	8,692
Income tax credit/(expense)	12	**4**	(14,768)
Loss for the year		**(32,582)**	(6,076)
Loss for the year attributable to owners of the Company		**(32,582)**	(6,076)

		2020 HK cents	2019 HK cents
Losses per share	15		
– Basic		**(10.6580)**	(1.9889)
– Diluted		**(10.6580)**	(1.9889)

Consolidated Statement of Other Comprehensive Income

For the year ended 30 September

	2020 HK$'000	2019 HK$'000
Loss for the year	**(32,582)**	(6,076)
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on the translation of financial statements of foreign operations	**1,699**	(2,842)
Other comprehensive income for the year, net of tax	**1,699**	(2,842)
Total comprehensive income for the year attributable to owners of the Company	**(30,883)**	(8,918)

Consolidated Statement of Financial Position

As at 30 September

	Notes	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	40,888	47,371
Prepaid land lease payments under operating leases	17	–	251
Right-of-use assets	26(a)	41,098	–
Goodwill	18	174	174
		82,160	47,796
Current assets			
Inventories	19	25,231	26,609
Trade and other receivables	20	86,802	54,682
Intangible asset	21	–	78,394
Pledged bank deposit	22	7,758	7,851
Cash and bank balances	22	403,684	474,683
		523,475	642,219
Current liabilities			
Trade and other payables	23	97,231	47,162
Contract liabilities	24	4,261	4,540
Bank and other borrowings	25	101,856	9,362
Lease liabilities	26(b)	10,646	–
Tax payable		8,145	12,493
		222,139	73,557
Net current assets		301,336	568,662
Total assets less current liabilities		383,496	616,458
Non-current liabilities			
Bank and other borrowings	25	213,924	461,321
Lease liabilities	26(b)	32,277	–
Deferred tax liabilities	28	7,764	8,392
		253,965	469,713
Net assets		129,531	146,745

Consolidated Statement of Financial Position

As at 30 September

	Notes	2020 HK$'000	2019 HK$'000
EQUITY			
Share capital	29	**307**	305
Reserves	32	**129,224**	146,440
Total equity attributable to owners of the Company		**129,531**	146,745

The consolidated financial statements on pages 69 to 155 were approved and authorised for issue by the Board of Directors on 18 December 2020 and are signed on its behalf by:

Li Lin	**Lan Jianzhong**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 30 September

	Share capital HK$'000	Share premium* HK$'000	Share option reserve* HK$'000	Other reserve* HK$'000	Statutory reserve* HK$'000	Translation reserve* HK$'000	Retained profits/ (Accumulated loss)* HK$'000	Total HK$'000
At 1 October 2019	305	96,237	2,602	27,287	7,956	(12,702)	25,060	146,745
Issue of shares upon exercise of share options (notes 29(i) and 30(i))	2	5,317	(1,233)	–	–	–	–	4,086
Equity-settled share-based compensation expenses (note 31)	–	–	4,305	–	–	–	–	4,305
Gain on loan modification from a related company, net of deferred tax# (note 25)	–	–	–	5,278	–	–	–	5,278
Transactions with owners	2	5,317	3,072	5,278	–	–	–	13,669
Loss for the year	–	–	–	–	–	–	(32,582)	(32,582)
Other comprehensive income								
Exchange differences arising on the translation of financial statements of foreign operations	–	–	–	–	–	1,699	–	1,699
Total comprehensive income for the year	–	–	–	–	–	1,699	(32,582)	(30,883)
At 30 September 2020	307	101,554	5,674	32,565	7,956	(11,003)	(7,522)	129,531

* The total of reserves as at 30 September 2020 is HK$129,224,000 (2019: HK$146,440,000).

comprising a HK$6,322,000 fair value gain on the modifications of the loan from a related company less related deferred tax of HK$1,044,000 during the year ended 30 September 2020 (note 25).

Consolidated Statement of Changes in Equity

For the year ended 30 September

	Share capital HK$'000	Share premium* HK$'000	Share option reserve* HK$'000	Other reserve* HK$'000	Statutory reserve* HK$'000	Translation reserve* HK$'000	Retained profits* HK$'000	Total HK$'000
At 1 October 2018	305	96,237	295	9,113	6,375	(9,860)	32,422	134,887
Cancellation of share options (note 31)	–	–	(295)	–	–	–	295	–
Equity-settled share-based compensation expenses (note 31)	–	–	2,602	–	–	–	–	2,602
Fair value gain on loan from the immediate holding company measured at fair value on inception, net of deferred tax# (note 25)	–	–	–	18,174	–	–	–	18,174
Transactions with owners	–	–	2,307	18,174	–	–	295	20,776
Loss for the year	–	–	–	–	–	–	(6,076)	(6,076)
Other comprehensive income								
Exchange differences arising on the translation of financial statements of foreign operations	–	–	–	–	–	(2,842)	–	(2,842)
Total comprehensive income for the year	–	–	–	–	–	(2,842)	(6,076)	(8,918)
Appropriation of statutory reserve	–	–	–	–	1,581	–	(1,581)	–
At 30 September 2019	305	96,237	2,602	27,287	7,956	(12,702)	25,060	146,745

comprising a HK$21,765,000 fair value gain on the HK$391,970,000 interest-free loan less related deferred tax of HK$3,591,000 during the year ended 30 September 2019 (note 25).

Consolidated Statement of Cash Flows

For the year ended 30 September

	Notes	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
(Loss)/profit before income tax		(32,586)	8,692
Adjustments for:			
Amortisation of prepaid land lease payments under operating leases	10	–	36
Depreciation of property, plant and equipment	10	7,721	4,691
Depreciation of right-of-use assets	26(a)	20,252	–
Equity-settled share-based compensation expenses	11	4,305	2,602
Gain on conversion of intangible asset	21	(51)	–
Loss/(gain) on disposal of property, plant and equipment	10	3,352	(20)
Gain on lease modification		(128)	–
Imputed interest expense on other loan from a related company (2019: the immediate holding company)	9	8,890	150
Imputed interest expense on other loan from a non-controlling shareholder	9	4,654	4,428
Interest expenses on bank borrowings	9	349	958
Interest expenses on lease liabilities	9	3,009	–
Interest income	8	(2,861)	(576)
Reversal of impairment loss on inventories	10	(275)	(1,510)
Sundry income	26(b) & 39	(303)	–
Operating profit before working capital changes		16,328	19,451
Decrease in inventories		1,653	14,181
(Increase)/decrease in trade and other receivables		(33,192)	12,936
Increase/(decrease) in trade and other payables		50,069	(21,038)
(Decrease)/increase in contract liabilities		(279)	4,540
Cash generated from operations		34,579	30,070
Income tax paid		(4,775)	(12,493)
Net cash generated from operating activities		29,804	17,577
Cash flows from investing activities			
Purchase of property, plant and equipment	16	(2,698)	(2,628)
Proceeds from disposal of property, plant and equipment		55	307
Decrease/(increase) in pledged bank deposit		93	(7,851)
Interest received on bank deposits and balances		2,861	576
Acquisition of a subsidiary, net of cash acquired	43	–	(5,851)
Net cash generated from/(used in) investing activities		311	(15,447)

For the year ended 30 September

	Notes	2020 HK$'000	2019 HK$'000
Cash flows from financing activities			
Net cash outflow in trust receipts and export loans		(3,127)	(241)
Proceeds from invoice discounting facility		–	112,618
Repayments of invoice discounting facility		–	(145,325)
Repayment of principal portion of lease liabilities		(18,094)	–
Repayment of interest portion of lease liabilities		(3,009)	–
Repayments of other loan from a related company		(159,000)	–
Interest paid on bank borrowings		(349)	(958)
Repayments of term loan		–	(13,187)
Proceeds from other loan from the immediate holding company	25	–	313,576
Proceeds from conversion of intangible asset	21	78,445	–
Issue of shares on exercise of share options		4,086	–
Net cash (used in)/generated from financing activities		(101,048)	266,483
Net (decrease)/increase in cash and cash equivalents	33	(70,933)	268,613
Effect of foreign exchange rate changes		(66)	75
Cash and cash equivalents at beginning of the year		474,683	205,995
Cash and cash equivalents at end of the year		403,684	474,683
Analysis of the balance of cash and cash equivalents			
Cash and bank balances	22	403,684	474,683

MAJOR NON-CASH TRANSACTIONS

During the year ended 30 September 2020, the Group had non-cash additions to right-of-assets and lease liabilities of HK$24,160,000 and HK$24,160,000 respectively, in respect of the lease arrangements for the leased office properties and office equipment.

During the year ended 30 September 2019, as part of the shareholder's facility, the Group had drawn down US$10,000,000 or HK$78,394,000 worth of United States Dollar Tether, a blockchain-based cryptocurrency (note 25).

1. GENERAL INFORMATION

Huobi Technology Holdings Limited (the "Company") was incorporated in the British Virgin Islands (the "BVI") as a limited liability company on 27 December 1990 and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange of Hong Kong") on 21 November 2016. The address of the Company's registered office is Newhaven Corporate Services (BVI) Limited, 3rd Floor, J&C Building, P.O. Box 362, Road Town, Tortola, the BVI and its principal place of business is Room 1404–5, 14/F, Nan Fung Tower, 88 Connaught Road Central, Hong Kong.

Pursuant to a special resolution duly passed at the extraordinary general meeting of the Company held on 9 October 2019, the English name of the Company was changed from "Pantronics Holdings Limited" to "Huobi Technology Holdings Limited", and the Chinese name of the Company was changed from "桐成控股有限公司" to "火币科技控股有限公司", with effect from 11 October 2019.

The Company is an investment holding company and its subsidiaries (collectively, referred to as the "Group") are principally engaged in the contract manufacturing, on electronic manufacturing services basis, of a wide range of power-related and electrical/electronic products, and the provision of technology solution services. These business segments are the basis upon which the Group reports its primary segment information.

Up until 13 May 2020, the immediate holding company of the Company was Huobi Global Limited ("Huobi Global (Cayman)"), a company incorporated in the Cayman Islands with limited liability, and the Directors of the Company considered the ultimate holding company to be Huobi Universal Inc. ("Huobi Universal"), a company incorporated in the Cayman Islands with limited liability. The ultimate controlling party was Mr. Li Lin (李林)("Mr. Li").

As disclosed in the announcement of the Company dated 27 April 2020, Huobi Global (Cayman) entered into a sale and purchase agreement with Huobi Capital Inc., HBCapital Limited, Techwealth Limited and other purchasers (collectively, the "Purchasers"), pursuant to which Huobi Global (Cayman) has agreed to sell and the Purchasers have agreed to purchase the 228,503,269 shares in the Company (the "Transfer"), representing approximately 74.80% voting rights in the Company (the "Controlling Block"). The Transfer was completed on 13 May 2020.

The purpose of the Transfer is to remove Huobi Global (Cayman) and Huobi Universal as intermediate holding companies such that the direct shareholders of Huobi Universal (or in certain cases, their ultimate beneficial owners), being the Purchasers, will directly hold shares in the Controlling Block in proportion to their then current respective attributable interest in the Company. After the Transfer, the ultimate controlling party of the Company continues to be Mr. Li.

The consolidated financial statements on pages 69 to 155 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong.

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company. All values are rounded to the nearest thousand ("HK$'000"), unless otherwise stated.

2. ADOPTION OF NEW OR AMENDED HKFRSs

(a) Adoption of new or amended HKFRSs – effective from 1 October 2019

The Group has applied the following amendments to HKFRSs issued by the HKICPA, which are relevant to the Group's financial statements, and applied by the Group for the first time during the year ended 30 September 2020.

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	Annual Improvements to HKFRSs 2015–2017 Cycle

The impact of the adoption of HKFRS 16 "Leases" has been summarised below. The other new or amended HKFRSs that are effective from 1 October 2019 did not have any significant impact on the Group's accounting policies.

HKFRS 16 – Leases

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 "Leases" ("HKAS 17"), HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease" ("HK(IFRIC) – Int 4"), HK(SIC) – Int 15 "Operating Leases – Incentives" and HK(SIC) – Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (iv) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

2. ADOPTION OF NEW OR AMENDED HKFRSs – *continued*

(a) Adoption of new or amended HKFRSs – effective from 1 October 2019 – *continued*

HKFRS 16 – Leases – continued

(i) Impact of the adoption of HKFRS 16 – *continued*

The following table summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as at 30 September 2019 to that as at 1 October 2019 as follows:

	Carrying amount at 30 September 2019	Capitalisation of operating lease contracts under HKFRS 16	Carrying amount at 1 October 2019
	HK$'000	HK$'000	HK$'000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Prepaid land lease payments under operating leases	251	(251)	–
Right-of-use assets	–	45,673	45,673
Total non-current assets	47,796	45,422	93,218
Lease liabilities – current portion	–	(8,115)	(8,115)
Total current liabilities	(73,557)	(8,115)	(81,672)
Lease liabilities – non-current portion	–	(37,307)	(37,307)
Total non-current liabilities	(469,713)	(37,307)	(507,020)

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 30 September 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the statement of financial position as at 1 October 2019:

	HK$'000
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitment as at 30 September 2019 (note 38)	57,979
Less: Short-term leases for which lease terms end within 30 September 2020	(3,110)
Less: Future interest expenses	(9,447)
Total lease liabilities as at 1 October 2019	45,422
Representing:	
Current portion	8,115
Non-current portion	37,307
	45,422

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 October 2019 is 6.37%.

2. ADOPTION OF NEW OR AMENDED HKFRSs – *continued*

(a) Adoption of new or amended HKFRSs – effective from 1 October 2019 – *continued*

HKFRS 16 – Leases – continued

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified assets; and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee applies the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of whether they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on a straight-line basis over the lease term.

The Group recognises a right-of-use asset and a lease liability at the commencement date of a lease.

2. ADOPTION OF NEW OR AMENDED HKFRSs – *continued*

(a) Adoption of new or amended HKFRSs – effective from 1 October 2019 – *continued*

HKFRS 16 – Leases – continued

(iii) Accounting as a lessee – *continued*

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying the cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of the lease liability. The right-of-use asset is depreciated over the shorter of the asset's estimated useful life and the lease term on a straight-line basis.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application (1 October 2019). The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 October 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 October 2019.

2. ADOPTION OF NEW OR AMENDED HKFRSs – *continued*

(a) Adoption of new or amended HKFRSs – effective from 1 October 2019 – *continued*

HKFRS 16 – Leases – continued

(iv) Transition – *continued*

The Group has elected to recognise all the right-of-use assets at 1 October 2019 for leases previously classified as operating leases under HKAS 17 at an amount equal to the amount recognised for the remaining lease liabilities adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognised in the consolidated statement of financial position as at 30 September 2019. For all these right-of-use assets, the Group has applied HKAS 36 "Impairment of Assets" at 1 October 2019 to assess if there was any impairment on that date.

The Group has also applied the following practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with terms that will end within 12 months of the date of initial application (1 October 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 October 2019; and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4; and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC) – Int 4.

HK(IFRIC) – Int 23 – Uncertainty over Income Tax Treatments

The interpretation supports the requirements of HKAS 12 "Income Taxes" by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met, instead of at fair value through profit or loss.

2. ADOPTION OF NEW OR AMENDED HKFRSs – *continued*

(a) Adoption of new or amended HKFRSs – effective from 1 October 2019 – *continued*

Amendment to HKFRS 16 – COVID-19-Related Rent Concessions

The Group has early adopted Amendment to HKFRS 16 – COVID-19-Related Rent Concessions retrospectively from 1 October 2019. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) any reduction in lease payments affects only payments due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions totalling HK$15,000 have been accounted for as negative variable lease payments and recognised as sundry income in "other income" in the consolidated statement of profit or loss for the year ended 30 September 2020, with a corresponding adjustment to the lease liabilities (note 26(b)).

Annual Improvements to HKFRSs 2015–2017 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarify that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015–2017 Cycle – Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition-date fair value.

Annual Improvements to HKFRSs 2015–2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

2. ADOPTION OF NEW OR AMENDED HKFRSs – *continued*

(a) Adoption of new or amended HKFRSs – effective from 1 October 2019 – *continued*

Annual Improvements to HKFRSs 2015–2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarify that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

(b) New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs that have been issued but are not yet effective and have not been early adopted by the Group, in the preparation of the financial statements.

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Annual Improvements to HKFRSs 2018–2020 Cycle	HKFRS 1 "First-time Adoption of Hong Kong Financial Reporting Standards"[2]
Annual Improvements to HKFRSs 2018–2020 Cycle	HKFRS 9 "Financial Instruments"[2]
Annual Improvements to HKFRSs 2018–2020 Cycle	Illustrative Examples accompanying HKFRS 16 "Leases"[2]

1 Effective for annual periods beginning on or after 1 January 2020.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after 1 January 2023.
4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

2. ADOPTION OF NEW OR AMENDED HKFRSs – *continued*

(b) New or revised HKFRSs that have been issued but are not yet effective – *continued*

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions. An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKFRS 3 – Reference to the Conceptual Framework

The amendments update a reference in HKFRS 3 to the Conceptual Framework for Financial Reporting issued in 2018. The amendments also add to HKFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying HKFRS 3 should instead refer to HKAS 37. The exception has been added to avoid an unintended consequence of updating the reference.

Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current

The amendments clarify how to classify debt and other liabilities as current or non-current.

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

The amendments clarify, not change, existing requirements, and so are not expected to affect companies' financial statements significantly. However, they could result in companies reclassifying some liabilities from current to non-current, and vice versa; this could affect a company's loan covenants.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

2. ADOPTION OF NEW OR AMENDED HKFRSs – *continued*

(b) New or revised HKFRSs that have been issued but are not yet effective – *continued*

HKFRS 17 – Insurance Contracts

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Amendments to HKAS 16 – Property, Plant and Equipment – Proceeds before Intended Use

The amendments clarify the accounting requirements for proceeds received by an entity from selling items produced while testing an item of property, plant or equipment before it is used for its intended purpose. An entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss and measures the cost of those items applying the measurement requirements of HKAS 2.

Amendments to HKAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Annual Improvements to HKFRSs 2018–2020 – HKFRS 1 "First-time Adoption of Hong Kong Financial Reporting Standards"

The amendment permits a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

Annual Improvements to HKFRSs 2018–2020 – HKFRS 9 "Financial Instruments"

The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

2. ADOPTION OF NEW OR AMENDED HKFRSs – *continued*

(b) New or revised HKFRSs that have been issued but are not yet effective – *continued*

Annual Improvements to HKFRSs 2018–2020 – Illustrative Examples accompanying HKFRS 16 "Leases"

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The above new and amendments to existing standards are not expected to have a material impact on the consolidated financial statements of the Group. The Group will adopt the new and amended HKFRSs to existing standards when they become effective.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all of the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 2.

The consolidated financial statements have been prepared under the historical cost basis. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in the preparation of the financial statements. Although these estimates and assumptions are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Business combination and basis of consolidation – *continued*

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of a non-controlling interest is the amount of that interest at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Subsidiaries

A subsidiary is an investee over which the Group is able to exercise control. The Group controls an investee if all three of the following elements are present: power over the investee; exposure, or rights, to variable returns from the investee; and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, interests in subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the end of the reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) Sales of power-related and electrical/electronic products

Customers obtain control of the products when the goods are delivered to and have been accepted. Revenue is thus recognised when the customer accepts the products. There is generally only one performance obligation. Revenue from sales of goods is recognised at a point in time. Invoices are usually payable within 30–100 days.

Some of the Group's contracts with customers from the sale of product provides standard warranty service for defective goods to assure that the product sold complies with the agreed-upon specifications within approximately 1 year following the date of delivery. The warranty gives rise to a separate performance obligation if a warranty provides a customer with a service in addition to the assurance that the product complies with agreed-upon specifications. Therefore, an entity shall allocate the transaction price to the product and the service. However, the Group has assessed the one year warranty it provides to customers on these products are customary in this industry and is there to ensure the product complies with agreed-upon specification only. Accordingly this warranty does not constitutes an additional performance obligation and no allocation of the transaction price for this service is necessary.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue recognition – *continued*

(ii) Provision of data centre services, cloud services and service income

Revenue is recognised over time as those services are provided. Invoices for provision of services are issued on a monthly basis and are usually payable within 30 days.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer. When the Group acts as a principal, it recognises revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred. The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party and revenue is recognised on a net basis.

Indicators taken into account by management of the Group to determine whether the Group acts as a principal or an agent include, but are not limited to, the following:

(a) whether the entity is primarily responsible for fulfilling the promise to provide the specified good or service;

(b) whether the entity has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer (for example, if the customer has a right of return); and

(c) whether the entity has discretion in establishing the price for the specified good or service, indicating that the entity has the ability to direct the use of that good or service and obtain substantially all of the remaining benefits.

Contract liabilities

A contract liability represents the Group's obligations to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(iii) Other income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend is recognised when the right to receive payment is established.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Goodwill

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

Intangible assets

Cryptocurrencies

Cryptocurrencies are open-source software-based online payment system where payments are recorded in a public ledger using its own unit of account. The Group considers cryptocurrencies as a type of intangible asset and measures cryptocurrencies held by the Group at cost less impairment. An impairment assessment is carried out at the end of the reporting period to determine whether the recoverable amounts of the cryptocurrencies are higher than their carrying amounts. An impairment loss is recognised as an expense immediately when the recoverable amount is below the carrying amount. The recoverable amounts of the cryptocurrencies are determined as the higher of their fair values less costs of disposal and value in use. Fair values are estimated using the assumptions that market participants would use when pricing the cryptocurrencies, assuming that market participants act in their economic best interest.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment net of expected residual value over their estimated useful lives, using the straight-line method, at the following rates per annum:

Land and buildings	Over the remaining unexpired lease term or 50 years, whichever is the shorter
Leasehold improvements	10% – 20%
Furniture, fixtures and equipment	10% – 25%
Motor vehicles	20% – 25%
Plant and machinery	10% – 33 1/3%

The estimated useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of the reporting period.

For owner-occupied leasehold land and buildings, where the allocation between the land and building elements cannot be made reliably, the leasehold interests in land and buildings are accounted for as property, plant and equipment and measured using the cost model, as appropriate.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

(i) Financial assets – continued

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The measurement category into which the Group classifies its debt instruments is as follows:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade and other receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases:

(1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

(ii) Impairment loss on financial assets – continued

The Group considers a financial asset to be credit-impaired when: (1) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash in hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle that obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Impairment of assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount unless the relevant asset is carried at a revalued amount under the Group's accounting policy. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflect current market assessment of time value of money and the risk specific to the asset. An impairment loss is recognised as an expense immediately.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately.

Taxation

Taxation represents the sum of the tax paid or currently payable and deferred tax. The tax currently paid and payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes income statement items that are never taxable or deductible.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Taxation – *continued*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred income tax is provided on temporary differences arising on interests in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

Foreign currencies

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (HK$) at the rate of exchange prevailing at that date, and their income and expenses are translated at the average monthly exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of other comprehensive income (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of. Goodwill and fair value adjustments arising on the acquisition of a foreign operation have been treated as assets and liabilities of the foreign operation and translated at the closing rates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Leases (accounting policies applied from 1 October 2019)

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on a straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying the cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. The right-of-use asset is depreciated over the shorter of the asset's estimated useful life and the lease term on a straight-line basis.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Leases (accounting policies applied until 30 September 2019)

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Prepaid land lease payments under operating leases

Leasehold interests in land are up-front payments to acquire the land use rights. The payments are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis to write off the up-front payments over the lease terms.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Equity-settled share-based payment transactions

Share options granted to Directors, employees or other eligible participants of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity as share option reserve.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the share option reserve.

At the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the grant is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Retirement benefits costs

Payments to the defined contribution retirement plans are charged as expenses when employees have rendered service entitling them to contributions.

The Group operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme"), for employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The employees of the Group's subsidiary which operates in Japan are required to participate in the employee's welfare pension insurance programme operated by the local government institution. Under the programme, the employer and employees are each required to make contributions at rates specified in the rules. The subsidiary has no further payment obligations once the contributions have been paid. The contributions are charged to profit or loss when they become payable.

The employees of Group's subsidiary which operates in Singapore are required to participate in the post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are charged to profit or loss when they become payable.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimation of incremental borrowing rate for lease liabilities

The Group cannot readily determine the interest rate implicit in a lease, and accordingly, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Impairment of trade receivables

The Group uses provision matrix to calculate impairment of trade receivables. The ECL rates are based on the past collection history as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At the end of the reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for impairment individually. Where the expectation is different from the original estimate, such differences will affect the carrying amount of receivables and thus the impairment loss in the period in which such estimate is changed.

Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are assessed at the end of the reporting period to identify indications that they may be impaired. If any such indication exists, the recoverable amount of the assets is estimated. The recoverable amount of the assets is based on value-in-use calculations. These calculations are determined based on cash flow projections with reasonable assumptions that represent management's best estimate of the range of economic conditions over the remaining useful life of the assets. Changes in facts and circumstances may result in revisions to whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future years.

Impairment of inventories

Inventories are measured at the lower of cost and net realisable value. The management of the Group reviews the carrying amount of the inventories at the end of each reporting period and makes allowance for any inventory items identified to be carried at a recoverable value that is lower than cost through estimation of the expected selling prices under current market conditions.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – *continued*

Estimates of current tax and deferred tax

The Group is required to recognise a provision for income taxes based upon the taxable income and temporary differences for each of the tax jurisdictions in which it operates and for all discrete reportable income streams within those jurisdictions. Significant judgement is required in determining the amount of the taxation provision and the timing of the payment thereon. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Valuation of equity-settled share-based payment transactions

The fair value of share options has been calculated using the Binomial Option Pricing Model and the Black-Scholes Option Pricing Model which require the input of highly subjective assumptions, including the expected volatility of the share price. Because changes in subjective assumptions can materially affect the fair value estimate, in the opinion of the Directors, the existing model may not always necessarily produce a reliable single measure of the fair value of the share options. Details of the assumptions used are set out in note 31 to the consolidated financial statements.

5. SEGMENT INFORMATION

The Group has determined its operating segments and prepared segmental information based on regular internal financial information reported to the chief operating decision makers, i.e. the Executive Directors of the Company, who are responsible for making strategic decisions. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources and have determined the operating segments based on these reports. The Group's reportable and operating segments during the year ended 30 September 2020 are as follows:

(i) Contract manufacturing; and

(ii) Provision of technology solution services.

Each of these operating segments is managed separately as each of them requires different resources.

The chief operating decision makers assess the performance of the operating segments based on a measure of operating profit. The measurement policies used by the Group for reporting segment results are consistent with those used in its financial statements prepared under HKFRSs, except for income tax expense and corporate income and expenses which are not directly attributable to the business activities of any operating segment and are not included in arriving at the operating results of the operating segment.

Segment assets include all assets other than unallocated corporate assets (mainly comprising certain property, plant and equipment, right-of-use assets, other receivables and cash and bank balances).

Segment liabilities include all liabilities other than unallocated corporate liabilities (mainly comprising certain other payables, tax payable, other borrowings, lease liabilities and deferred tax liabilities).

5. SEGMENT INFORMATION – *continued*

Information regarding the Group's reportable segments is set out below:

For the year ended 30 September 2020

	Contract manufacturing HK$'000	Provision of technology solution services HK$'000	Total HK$'000
Revenue from external customers	242,338	34,217	276,555
Segment results	17,937	7,580	25,517
Unallocated corporate income			
Interest income			1,810
Sundry income			546
Unallocated corporate expenses			
Administrative expenses			(51,351)
Finance costs			(9,108)
Loss before income tax			(32,586)

There were no inter-segment transactions during the year ended 30 September 2020.

Unallocated corporate expenses mainly comprise legal and professional fees, share-based compensation expenses, exchange losses and salaries and allowances.

5. SEGMENT INFORMATION – *continued*

As at 30 September 2020

	Contract manufacturing HK$'000	Provision of technology solution services HK$'000	Total HK$'000
Segment assets	265,940	74,555	340,495
Unallocated corporate assets			
Property, plant and equipment			1,748
Right-of-use assets			3,840
Other receivables			1,597
Cash and bank balances			257,955
Total assets			605,635
Segment liabilities	196,533	53,365	249,898
Unallocated corporate liabilities			
Other payables			4,190
Tax payable			990
Other borrowings			213,924
Lease liabilities			3,958
Deferred tax liabilities			3,144
Total liabilities			476,104

Other segment information

For the year ended 30 September 2020

	Contract manufacturing HK$'000	Provision of technology solution services HK$'000	Total HK$'000
Depreciation of property, plant and equipment	5,027	2,199	7,226
Depreciation of right-of-use assets	8,745	9,388	18,133
Capital expenditure	1,688	133	1,821
Loss on disposal of property, plant and equipment	24	3,328	3,352
Interest expenses	7,321	473	7,794
Income tax expense	3,098	112	3,210

During the year ended 30 September 2019, the Group's operation was solely attributable to the contract manufacturing and accordingly, the Group presented only one single operating segment and no further operating segment analysis thereof was presented.

5. SEGMENT INFORMATION – *continued*

Geographical information

The Group's operations are mainly located in the People's Republic of China (including Hong Kong Special Administration Region ("HKSAR")), the United Kingdom (the "UK"), the United States of America (the "USA") and Japan. The following provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods or services:

	2020 HK$'000	2019 HK$'000
The People's Republic of China (the "PRC")		
– Mainland China	35,396	33,142
– HKSAR (place of domicile)	4,867	5,018
USA	99,518	148,419
UK	26,830	35,742
Rest of Europe	10,774	14,630
Japan	62,965	42,017
Others	36,205	33,373
	276,555	312,341

The revenue information above is based on the location of the customers.

"Others" above, represents sales to various countries which, individually represent less than 10% of the total revenue of the Group.

Revenue from major customers, each of them accounting for 10% or more of the Group's revenue for the year, is set out below:

	2020 HK$'000	2019 HK$'000
Customer A	101,847	148,583
Customer B	45,993	41,808

The following is an analysis of the carrying amount of non-current assets analysed by the geographical areas in which the assets are located:

	2020 HK$'000	2019 HK$'000
HKSAR	8,675	1,997
Mainland China	65,215	34,423
Japan	8,270	11,375
Others	–	1
	82,160	47,796

6. REVENUE

Revenue includes sale of power-related and electrical/electronic products and the provision of technology solution services for the year.

The Group's disaggregated revenue from its major products and service lines are as follows:

	2020 HK$'000	2019 HK$'000
Sales of:		
Solenoid coils	110,214	162,143
Power tool chargers	25,875	39,442
Printed circuit board assembly	52,081	49,153
Parts assembly	21,664	27,349
Others	32,504	31,788
Revenue recognised at a point in time	242,338	309,875
Provision of data centre services	16,621	2,461
Provision of cloud services	16,860	5
Provision of service income	736	–
Revenue recognised over time	34,217	2,466
Total revenue	276,555	312,341

The Group has applied the practical expedient to its sales contracts for provision of data centre services, cloud services and service income and therefore, the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts that had an original expected duration of one year or less.

7. OTHER INCOME

	2020 HK$'000	2019 HK$'000
Gain on disposal of property, plant and equipment	–	20
Government grants	2,656	4,834
Sales of raw materials	1,489	1,489
Sundry income	2,399	1,850
	6,544	8,193

The government grants in 2020 mainly represent the subsidy from the PRC Government to overcome the difficulties caused by the China-US trade friction and the subsidy amounting to HK$815,000 under the Employment Support Scheme provided by the HKSAR Government, of which HK$170,000 has been recognised as other receivable as at 30 September 2020 in relation to salary costs for September 2020. In 2019, the government grants represented subsidies from the PRC Government to compensate manufacturing enhancement costs incurred by the Company's wholly-owned PRC-based subsidiary. There are no unfulfilled conditions relating to the grants.

8. INTEREST INCOME

	2020 HK$'000	2019 HK$'000
Interest earned on bank deposits and balances	2,861	576

9. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on bank borrowings	349	958
Imputed interest on other loan from a related company (2019: the immediate holding company) (note 25)	8,890	150
Imputed interest on other loan from a non-controlling shareholder (note 25)	4,654	4,428
Interest expenses on lease liabilities (note 26(b))	3,009	–
	16,902	5,536

10. (LOSS)/PROFIT BEFORE INCOME TAX

	2020 HK$'000	2019 HK$'000
(Loss)/profit before income tax is arrived at after charging/ (crediting):		
Amortisation of prepaid land lease payments under operating leases (note 17)	–	36
Auditors' remuneration		
– audit service	962	830
– review service	300	275
– other services	120	18
Cost of inventories recognised as expenses	189,994	252,885
Depreciation of property, plant and equipment (note 16)	7,721	4,691
Depreciation of right-of-use assets (note 26(a))	20,252	–
Exchange loss/(gain), net	7,282	(241)
Low-value assets lease expenses	10	–
Short-term lease expenses (note 26(a))	695	–
Minimum lease payments in respect of rented premises	–	8,887
Reversal of impairment loss on inventories (note 19)	(275)	(1,510)
Loss/(gain) on disposal of property, plant and equipment	3,352	(20)
Employee benefit expenses (note 11)	91,361	81,715

11. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2020 HK$'000	2019 HK$'000
Staff salaries, allowances and welfare	59,513	41,955
Provident fund contributions (note 27)	2,833	4,325
Mandatory provident fund obligations (note 27)	544	703
Direct labour costs	24,166	32,130
Share-based compensation expenses (note 31)	4,305	2,602
	91,361	81,715

12. INCOME TAX (CREDIT)/EXPENSE

The income tax (credit)/expense for the year comprises:

	2020 HK$'000	2019 HK$'000
Current income tax – HKSAR:		
Provision for the year	2,264	3,292
Over provision in respect of prior years	(3,567)	–
	(1,303)	3,292
Current income tax – Overseas:		
Provision for the year:		
Japan	112	–
Mainland China	2,985	10,636
USA	23	27
	3,120	10,663
(Over)/under provision in respect of prior years – Overseas	(30)	70
	3,090	10,733
Deferred tax (note 28)	(1,791)	743
Income tax (credit)/expense	(4)	14,768

Hong Kong profits tax is calculated at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the year, except for the first HK$2,000,000 of a qualified entity's assessable profit which is calculated at 8.25%, in accordance with the new two-tiered tax rate regime with effect from the year of assessment 2018/2019.

A subsidiary of the Group received an enquiry for information from the Hong Kong Inland Revenue Department (the "IRD") in April 2015 due to a tax audit by the IRD on that subsidiary's profits tax affairs and received assessments for Hong Kong profits tax for prior years in March 2015, February 2016, December 2016, March 2018, February 2019 and March 2020. The Group had subsequently objected to the assessments made. In addition, in July 2016, May 2017, November 2017, December 2017 and August 2018, the same subsidiary received additional enquiries for information from the IRD. Based on the available information, the Group had made a provision in regards of the tax audit. The Directors believed the provision was adequate to reflect the potential tax liability at the respective year end dates. In April 2019 and January 2020, the subsidiary received the draft settlement and the revised draft settlement from the IRD for discussion respectively. During the year ended 30 September 2020, the Group has concluded the final amount of additional tax, penalty and interest with the IRD, according to which an additional tax of HK$1,953,000 and interest of HK$81,000 have been settled before the reporting date and the Group has recognised over-provision of income tax in relation to the tax audit of HK$2,060,000 in the year. The penalty of HK$1,300,000 has been subsequently settled after the reporting date.

12. INCOME TAX (CREDIT)/EXPENSE – *continued*

The PRC corporate income tax charge of HK$2,985,000 (2019: HK$10,636,000) was determined in accordance with the relevant laws and regulations in mainland China, and was assessed at a rate of 25% (2019: 25%). The income tax charge for the year ended 30 September 2019 included an Enterprise Income Tax expense of HK$6,922,000 arising from the one-time transfer of certain land use rights and buildings from one PRC wholly-owned subsidiary to another as part of an internal restructuring/reorganisation of the Group.

Taxation arising in other jurisdictions is provided on the estimated taxable profits arising in those jurisdictions at the prevailing local rates.

The Group considers that, as it is probable that its operating subsidiary in the PRC will continue to distribute earnings in the foreseeable future, a deferred tax provision of HK$3,898,000 (2019: HK$3,335,000) has been established at the end of the reporting period in relation to withholding tax based on 5% of post 1 January 2008 unremitted earnings (note 28). Remaining amounts of the deferred tax were attributable to remeasurement of loans from a non-controlling shareholder and a related company to fair values at recognition.

The reconciliation between income tax (credit)/expense and accounting (loss)/profit at applicable tax rates is as follows:

	2020 HK$'000	2019 HK$'000
(Loss)/profit before income tax	(32,586)	8,692
Tax thereon at domestic rates applicable to profits or losses in the jurisdictions concerned	(4,750)	3,954
Tax effect of non-deductible expenses	4,734	1,136
Tax effect of non-taxable income	(1,657)	(523)
Tax effect of temporary differences arising from withholding tax on undistributed profits	444	1,499
Tax effect of one-time transfer of certain land use rights and buildings	–	6,922
Tax effect of temporary differences not recognised	218	(1,666)
Tax effect of tax losses not recognised	4,478	2,795
(Over)/under provision in respect of prior years	(1,537)	70
Over provision in relation to the tax audit of a subsidiary	(2,060)	–
Others	126	581
Income tax (credit)/expense	(4)	14,768

13. DIRECTORS' EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments of the Directors for the year are set out below:

	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Discretionary bonuses HK$'000	Retirement benefits scheme contribution HK$'000	Share-based compensation expenses HK$'000	Total HK$'000
Year ended 30 September 2020						
Executive Directors						
Mr. Li Lin	–	3,000	100	–	–	3,100
Mr. Lee Chris Curl (resigned on 10 August 2020)	–	1,311	–	17	1,466	2,794
Mr. Lan Jianzhong	–	1,200	100	18	338	1,656
Non-executive Directors						
Mr. Duan Xiongfei*	240	–	20	–	–	260
Mr. Yip Wai Ming*	240	–	20	–	–	260
Mr. Ngai Matthew Cheuk Yin*	240	–	20	–	–	260
Total	720	5,511	260	35	1,804	8,330

* Independent non-executive Directors

13. DIRECTORS' EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS – *continued*

(a) Directors' emoluments – *continued*

	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Discretionary bonuses HK$'000	Retirement benefits scheme contribution HK$'000	Share-based compensation expenses HK$'000	Total HK$'000
Year ended 30 September 2019						
Executive Directors						
Mr. Li Lin (appointed on 10 September 2019)	–	181	100	–	–	281
Mr. Lee Chris Curl	–	1,460	100	18	1,004	2,582
Mr. Lan Jianzhong (appointed on 22 February 2019)	–	725	100	12	223	1,060
Mr. Huo Li (resigned on 22 February 2019)	–	459	–	7	–	466
Mr. Henry Woon-hoe Lim (resigned on 11 October 2018)	–	117	–	–	–	117
Mr. Ho Hon Ching (resigned on 11 October 2018)	–	–	–	–	–	–
Non-executive Directors						
Mr. Duan Xiongfei* (appointed on 11 October 2018)	234	–	20	–	–	254
Mr. Yip Wai Ming* (appointed on 11 October 2018)	234	–	20	–	–	254
Mr. Ngai Matthew Cheuk Yin* (appointed on 22 February 2019)	145	–	20	–	–	165
Mr. Zhou Guohua* (appointed on 11 October 2018 and resigned on 22 February 2019)	89	–	–	–	–	89
Mr. Simon Nai-cheng Hsu (resigned on 11 October 2018)	8	–	–	–	–	8
Mr. Pochin Christopher Lu* (resigned on 11 October 2018)	6	–	–	–	–	6
Mr. Danny J Lay* (resigned on 11 October 2018)	6	–	–	–	–	6
Ms. Hui Leung Ching Patricia* (resigned on 11 October 2018)	6	–	–	–	–	6
Total	728	2,942	360	37	1,227	5,294

* Independent non-executive Directors

During the year, none of the Directors waived or agreed to waive any emoluments and there were no emoluments paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office (2019: HK$Nil).

13. DIRECTORS' EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS – *continued*

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2019: one) are Directors of the Company whose emoluments are included in note 13(a) above. The emoluments of the remaining three (2019: four) individuals are as follows:

	2020 HK$'000	2019 HK$'000
Salaries, allowances and other benefits	7,535	8,207
Retirement benefit scheme contribution	36	54
Share-based compensation expenses	–	–
	7,571	8,261

Their emoluments were within the following bands:

	2020 Number of individuals	2019 Number of individuals
Nil to HK$1,000,000	–	–
HK$1,000,001 to HK$1,500,000	–	1
HK$1,500,001 to HK$2,000,000	2	2
HK$2,000,001 to HK$2,500,000	–	–
HK$2,500,001 to HK$3,000,000	–	–
HK$3,000,001 to HK$3,500,000	–	–
HK$3,500,001 to HK$4,000,000	1	1

During the year, none of the five highest paid individuals waived or agreed to waive any emoluments and there were no emoluments paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office (2019: HK$Nil).

(c) Senior management's emoluments

Emoluments paid or payable to members of senior management who are not directors were within the following bands:

	2020 Number of individuals	2019 Number of individuals
Nil to HK$1,000,000	1	2
HK$1,000,001 to HK$1,500,000	–	–
HK$1,500,001 to HK$2,000,000	–	–
HK$2,000,001 to HK$2,500,000	–	–
HK$2,500,001 to HK$3,000,000	–	–
HK$3,000,001 to HK$3,500,000	–	–
HK$3,500,001 to HK$4,000,000	1	1

14. DIVIDENDS

There was no interim dividend for the years ended 30 September 2020 and 30 September 2019.

The Directors do not recommend the payment of a final dividend for the years ended 30 September 2020 and 30 September 2019.

15. LOSSES PER SHARE

Basic losses per share

The calculation of basic losses per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares of 305,705,945 (2019: 305,495,000) in issue during the year.

	2020 HK$'000	2019 HK$'000
Loss attributable to owners of the Company	(32,582)	(6,076)
Weighted average number of ordinary shares for the purpose of basic losses per share	305,705,945	305,495,000
	HK cents	HK cents
Basic losses per share	(10.6580)	(1.9889)

Diluted losses per share

Diluted losses per share is calculated by adjusting the weighted average number of ordinary shares outstanding on the assumption of the conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company relate to the share options under the Company's share option scheme.

There are no diluted losses per share for both years as the exercise of share options would result in a reduction in loss per share for the years ended 30 September 2020 and 2019. Accordingly, the diluted losses per share was the same as the basic losses per share for the years ended 30 September 2020 and 2019.

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
Cost						
At 1 October 2018	18,996	10,208	35,621	3,352	51,475	119,652
Additions	–	1,536	265	–	827	2,628
Disposals	–	(334)	(80)	–	–	(414)
Arising from business combination (note 43)	–	4,578	7,529	–	–	12,107
Currency realignment	(1,287)	(305)	(165)	(45)	(2,273)	(4,075)
At 30 September 2019 and 1 October 2019	17,709	15,683	43,170	3,307	50,029	129,898
Additions	–	676	1,162	707	153	2,698
Disposals	–	(4,580)	(120)	–	(2,302)	(7,002)
Currency realignment	671	(3)	579	47	1,276	2,570
At 30 September 2020	18,380	11,776	44,791	4,061	49,156	128,164
Accumulated depreciation						
At 1 October 2018	9,453	1,221	33,868	3,205	32,284	80,031
Provided for the year	357	1,453	769	72	2,040	4,691
Disposals	–	(47)	(80)	–	–	(127)
Currency realignment	(1,568)	(24)	(133)	(41)	(302)	(2,068)
At 30 September 2019 and 1 October 2019	8,242	2,603	34,424	3,236	34,022	82,527
Provided for the year	1,199	2,026	2,379	97	2,020	7,721
Disposals	–	(1,197)	(113)	–	(2,285)	(3,595)
Currency realignment	51	(628)	309	46	845	623
At 30 September 2020	9,492	2,804	36,999	3,379	34,602	87,276
Carrying values						
At 30 September 2020	8,888	8,972	7,792	682	14,554	40,888
At 30 September 2019	9,467	13,080	8,746	71	16,007	47,371

17. PREPAID LAND LEASE PAYMENTS UNDER OPERATING LEASES

The Group's interest in leasehold land and land use rights represents prepaid operating lease payments. The movements in their net carrying values are as follows:

	2020 HK$'000	2019 HK$'000
At 1 October	251	287
Amortisation (note 10)	–	(36)
Transferred to right-of-use assets upon the initial application of HKFRS 16 (note 2(a)(i))	(251)	–
At 30 September	–	251

18. GOODWILL

The net carrying amount of goodwill is analysed as follows:

	2020 HK$'000	2019 HK$'000
Cost		
At 1 October	174	–
Acquisition through business combination (note 43)	–	174
At 30 September	174	174
Accumulated impairment		
At 1 October and 30 September	–	–
Net carrying amount		
At 30 September	174	174

The Company's Directors consider that there was no impairment on the goodwill arising from the acquisition of a subsidiary, Win Techno Inc. at 30 September 2020 (2019: HK$Nil).

19. INVENTORIES

	2020 HK$'000	2019 HK$'000
Raw materials	9,127	8,193
Work-in-progress	3,648	2,886
Finished goods	12,456	15,530
	25,231	26,609

At 30 September 2020, the carrying amount of inventories carried at the lower of cost and net realisable value amounted to HK$25,231,000 (2019: HK$26,609,000), after provision for impairment of HK$4,109,000 (2019: HK$4,329,000). During the year, reversal of previously provided for impairment losses of HK$275,000 (2019: HK$1,510,000) have been recognised in the consolidated statement of profit or loss due to the subsequent sale of inventories (note 10).

20. TRADE AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	52,076	43,898
Less: Impairment provisions	–	–
Trade receivables – net	52,076	43,898
Prepayments and other receivables	34,726	10,784
	86,802	54,682

Included in trade receivables was an amount due from a related company amounting to HK$1,637,000 (2019: a fellow subsidiary of HK$1,234,000) in which Mr. Li Lin, a Director of the Company, has beneficial interests. The amount is unsecured, interest-free and trade in nature.

Included in other receivables was an amount due from a related company amounting to HK$24,251,000 (2019: HK$Nil) in which Mr. Li Lin, a Director of the Company, has beneficial interests. The amount is unsecured, interest-free and repayable in 30 days.

The Group operates an asset-backed lending facility based on certain of its trade receivables. The discounting transactions are with recourse and accordingly, do not meet the requirements in HKFRS 9 for de-recognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the discounted trade receivables. At 30 September 2020, trade receivables of HK$6,563,000 (2019: HK$9,855,000) continue to be recognised in the consolidated statement of financial position even though they have been legally transferred to the financial institutions. The proceeds of the discounting transactions are included in borrowings as asset-backed financing until the trade receivables are collected or the Group settles any losses suffered by the financial institutions. At 30 September 2020, the asset-backed lending liabilities amounted to HK$6,235,000 (2019: HK$9,362,000) (note 25).

20. TRADE AND OTHER RECEIVABLES – *continued*

At the reporting date, the aged analysis of trade receivables, based on invoice date, is as follows:

	2020 HK$'000	2019 HK$'000
0 – 60 days	40,691	36,850
61 – 90 days	4,951	4,848
91 – 120 days	6,429	2,197
More than 120 days	5	3
	52,076	43,898

Trade receivables that were neither past due nor impaired related to a large number of customers for whom there has been no recent history of default.

The Group allows credit periods ranging from 30 to 100 days (2019: 20 to 100 days) to its trade customers depending on their credit status and geographical location during the year. The Directors of the Company consider that the carrying amounts of trade and other receivables approximate to their fair values.

The aged analysis of the Group's trade receivables, based on due date, that were past due as at the reporting date but not impaired, is as follows:

	2020 HK$'000	2019 HK$'000
Neither past due nor impaired	45,909	39,117
0 – 60 days past due	6,162	4,759
61 – 90 days past due	–	19
91 – 120 days past due	–	–
Over 120 days past due	5	3
	52,076	43,898

Trade receivables that were neither past due nor impaired related to a large number of customers for whom there has been no recent history of default. Based on past experience, the Directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality.

21. INTANGIBLE ASSET

	2020 HK$'000	2019 HK$'000
At 1 October	78,394	–
Addition	–	78,394
Less: Conversion into fiat currency	(78,394)	–
At 30 September	–	78,394
Representing:		
United States Dollar Tether ("USDT")	–	78,394

During the year ended 30 September 2020, cryptocurrencies as at 30 September 2019 amounting to US$10,000,000 or HK$78,394,000, in the form of United States Dollar Tether (note 25), were converted into fiat currency of HK$78,445,000 and a gain on conversion of HK$51,000 has been included in sundry income.

As at 30 September 2019, the Group estimated the recoverable amounts of the intangible asset held by the Group, in form of cryptocurrencies, which were determined based on their estimated fair values arrived at using available information for the reference prices in the relevant cryptocurrencies markets. The recoverable amounts were categorised under Level 1 fair value hierarchy as the fair values were based on a quoted (unadjusted) market price in active markets for identical assets. The Directors of the Company considered that the carrying amounts of cryptocurrencies approximated to their fair values.

22. PLEDGED BANK DEPOSIT AND CASH AND BANK BALANCES

	2020 HK$'000	2019 HK$'000
Pledged bank deposit	7,758	7,851
Time deposits	42,552	22,700
Cash at banks and in hand	361,132	451,983
Cash and cash equivalents	403,684	474,683

The Group's deposit of HK$7,758,000 (2019: HK$7,851,000) has been pledged with a bank to secure banking facilities granted to a subsidiary of the Group (note 34), which will be released upon the settlement of the relevant borrowings.

22. PLEDGED BANK DEPOSIT AND CASH AND BANK BALANCES – *continued*

Time deposits are made for periods depending on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates. The Directors consider that the fair values of the short-term deposits are not materially different from their carrying amounts because of the short maturity period. As at 30 September 2020, the Group had time deposits of HK$42,552,000 (2019: HK$22,700,000) placed with banks with original maturity period of three months or less (2019: three months or less) and earned interest at the respective time deposit rates. The time deposits bore interest rates ranging from 0.44% to 2.45% per annum (2019: 1.59% to 2.45% per annum) which are close to the market interest rates.

Included in cash and bank balances of the Group at the reporting date are bank balances denominated in Renminbi ("RMB") of HK$42,143,000 (2019: HK$12,730,000) placed with banks in mainland China. RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

23. TRADE AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Trade payables	22,391	17,714
Other payables and accruals	74,840	29,448
	97,231	47,162

At the reporting date, the aged analysis of trade payables, based on invoice date, is as follows:

	2020 HK$'000	2019 HK$'000
0 – 60 days	19,248	13,183
61 – 90 days	2,386	3,434
More than 90 days	757	1,097
	22,391	17,714

As at 30 September 2019, amounts due to fellow subsidiaries of HK$3,554,000, which were included in other payables and accruals, were unsecured, interest-free and repayable on demand.

The Directors of the Company consider that the carrying amounts of trade and other payables approximate to their fair values.

24. CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000
Contract liabilities arising from:		
Contract manufacturing, on electronic manufacturing services basis, of a wide range of power-related and electrical/ electronic products	**4,261**	4,540

The deposits are the Group receives on sales of power-related and electrical/electronic products remain as contract liabilities until they are recognised as revenue when control of goods is transferred to the customers. Typical payment terms which impact on the amount of contract liabilities are set out in note 3.

Movements in contract liabilities are as follows:

	2020 HK$'000	2019 HK$'000
Balance as at 1 October	**4,540**	5,973
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(4,540)**	(5,973)
Increase in contract liabilities as a result of receipts in advance on sale of goods	**4,261**	4,540
Balance at 30 September	**4,261**	4,540

The contract liabilities as at 30 September 2020 and 2019 were expected to be recognised as revenue in the next 12 months. As permitted under HKFRS 15, the transaction price allocated to the unsatisfied contract which has an original expected duration of one year or less is not disclosed.

25. BANK AND OTHER BORROWINGS

	Notes	2020 HK$'000	2019 HK$'000
Bank borrowings (secured) comprise:			
Asset-backed lending	33	6,235	9,362
Other borrowings (unsecured) comprise:			
Loan from a non-controlling shareholder	33	95,621	90,967
Loan from a related company (2019: immediate holding company)	33	213,924	370,354
		315,780	470,683
Secured		6,235	9,362
Unsecured		309,545	461,321
		315,780	470,683
Bank and other borrowings are repayable as follows:			
Within one year or on demand		101,856	9,362
More than one year but not exceeding two years		–	90,967
More than two years but not exceeding five years		213,924	370,354
		315,780	470,683
Less: Amounts shown under current liabilities		(101,856)	(9,362)
Amounts shown under non-current liabilities		213,924	461,321

Bank borrowings

The asset-backed lending represents the amount of financing obtained in factoring transactions which do not meet the de-recognition requirements under HKFRS 9. The corresponding financial assets are included in trade receivables (note 20).

Bank borrowings are denominated in HK$ and US Dollars ("US$"), carry variable interest rates linked to the relevant prime rates and fixed interest rates applicable to the jurisdiction in which the facility has been taken out. The effective interest rates on the Group's floating rate borrowings range from 2.2% to 4.0% per annum (2019: 4.0% to 5.5% per annum).

The fair values of the Group's bank borrowings, determined as the present value of the estimated future cash flows, discounted using the prevailing market rate at the reporting date, approximate to their carrying values.

Refer to note 34 for details of pledged assets.

25. BANK AND OTHER BORROWINGS – *continued*

Other borrowings

Loan from a non-controlling shareholder

On 21 August 2018, as part of the sale and purchase agreement in relation to the sale and purchase of an aggregate of 215,576,000 sale shares, representing approximately 71.67% of the entire issued share capital of the Company originally owned by New Wave Capital Limited ("NWC"), a company owned by Mr. Simon Nai-cheng Hsu, NWC agreed to provide Pantene Industrial Co. Limited, a wholly-owned subsidiary of the Group, a three-year interest-free and unsecured loan of HK$100,000,000 with maturity date of 24 August 2021. The borrower is entitled to early repay a portion or all of this loan without giving prior notice.

The HK$100,000,000 loan received was initially recognised at a fair value of HK$86,098,000 which was estimated by discounting the nominal value of the loan at an effective interest rate of 5.0% per annum and as a result, a fair value gain of HK$11,608,000 (net of deferred tax of HK$2,294,000) was credited to the other reserve for the year ended 30 September 2018. For the year ended 30 September 2020, imputed interest of HK$4,654,000 (with related deferred tax credit of HK$768,000) (2019: HK$4,428,000 (with related deferred tax credit of HK$731,000)) has been charged to the consolidated statement of profit or loss (notes 9 and 28).

Loan from a related company (2019: immediate holding company)

On 26 September 2019, the Company entered into a facility agreement with Huobi Global (Cayman) pursuant to which Huobi Global (Cayman) agreed to make available to the Company an unsecured revolving facility up to the maximum aggregate amount of HK$471,000,000 (the "Shareholder's Facility") for two years from 26 September 2019 to 25 September 2021. The Shareholder's Facility does not bear any interest and will be utilised by the Company for the purpose of general working capital and business development. As at 30 September 2019, the Company had drawn down approximately US$50,000,000 or HK$391,970,000, comprising US$40,000,000 or HK$313,576,000 being transferred from Huobi Global (Cayman) as cash and US$10,000,000 or HK$78,394,000 in the form of USDT, a blockchain-based cryptocurrency (being the fair value of the USDT units received at the date of drawdown) (note 21).

The HK$391,970,000 loan received was initially recognised at a fair value of HK$370,205,000 which was estimated by discounting the nominal value of the loan at an effective interest rate of 2.86% per annum and as a result, a fair value gain of HK$18,174,000 (net of deferred tax of HK$3,591,000) was credited to the other reserve for the year ended 30 September 2019 (note 32). For the year ended 30 September 2020, imputed interest of HK$8,890,000 (with related deferred tax credit of HK$1,467,000) (2019: HK$150,000 (with related deferred tax credit of HK$25,000)) has been charged to the consolidated statement of profit or loss (notes 9 and 28).

During the year ended 30 September 2020, the Group made partial repayments of HK$159,000,000. As the Shareholder's Facility did not contain any terms for early repayment and any violation to be imposed for early repayment, the partial repayments were a result of renegotiation of the terms and did not constitute the breach of the Shareholder's Facility. The Directors of the Company considered that such early repayments did not represent a substantial modification of the Shareholder's Facility and accordingly, the early repayments did not result in the extinguishment of the financial liabilities.

25. BANK AND OTHER BORROWINGS – *continued*

Other borrowings – *continued*

Loan from a related company (2019: immediate holding company) – continued

On 25 September 2020, the Group and Huobi Global (Cayman) mutually agreed to extend the Shareholder's Facility until September 2023. As the Shareholder's Facility did not contain any terms for extension, the extension was a result of renegotiation of the terms and did not constitute the breach of the Shareholder's Facility. The Directors of the Company considered that such extension did not represent a substantial modification of the Shareholder's Facility and accordingly, the extension did not result in the extinguishment of the financial liabilities.

Accordingly, the Group recognised a gain arising from modifications of the Shareholder's Facility of HK$5,278,000 (note 32) (net of deferred tax of HK$1,044,000 (note 28)) in other reserve for the year.

26. LEASES

The Group leases certain leasehold land, office properties, factories and office equipment. The leases run for an initial period of 3 months to 6 years without contingent rentals. As discussed in note 2(a), the Group has initially applied HKFRS 16 using the cumulative effect approach to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17.

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year:

(a) Right-of-use assets

	Leasehold land HK$'000	Office properties HK$'000	Factories HK$'000	Office equipment HK$'000	Total HK$'000
At 1 October 2019	251	5,936	38,730	756	45,673
Additions	–	22,939	–	1,221	24,160
Depreciation	(35)	(12,986)	(6,225)	(1,006)	(20,252)
Written off	–	(9,566)	–	–	(9,566)
Currency realignment	–	1	1,082	–	1,083
At 30 September 2020	**216**	**6,324**	**33,587**	**971**	**41,098**

The Group recognised rental expenses from short-term leases of HK$695,000 (note 10) in profit or loss for the year ended 30 September 2020.

26. LEASES – *continued*

(b) Lease liabilities

	HK$'000
At 1 October 2019	45,422
Additions	24,160
Interest expenses (note 9)	3,009
Lease payments	(21,103)
Lease modification	(9,694)
COVID-19-related rent concessions (note 2(a))	(15)
Currency realignment	1,144
At 30 September 2020	**42,923**
Analysed as:	
Current liabilities	10,646
Non-current liabilities	32,277
	42,923

Future lease payments are due as follows:

	At 30 September 2020		
	Total minimum lease payments HK$'000	**Interest of the minimum lease payments HK$'000**	**Present value of the minimum lease payments HK$'000**
Within one year	**13,099**	**2,453**	**10,646**
More than one year but not exceeding two years	**9,292**	**1,915**	**7,377**
More than two years but not exceeding five years	**25,677**	**2,921**	**22,756**
More than five years	**2,168**	**24**	**2,144**
Total	**50,236**	**7,313**	**42,923**

26. LEASES – *continued*

(b) Lease liabilities – *continued*

	At 1 October 2019		
	Total minimum lease payments HK$'000	Interest of the minimum lease payments HK$'000	Present value of the minimum lease payments HK$'000
Within one year	10,584	2,469	8,115
More than one year but not exceeding two years	9,156	2,277	6,879
More than two years but not exceeding five years	24,625	4,242	20,383
More than five years	10,504	459	10,045
Total	54,869	9,447	45,422

27. DEFINED CONTRIBUTION PENSION PLANS

HKSAR

The Group joined a Mandatory Provident Fund Scheme (the "MPF Scheme") for all employees in HKSAR. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. During the year, the retirement benefit scheme contributions charged to the consolidated statement of profit or loss amounted to HK$544,000 (2019: HK$703,000) (note 11), representing contributions payable to the fund by the Group at rates specified in the rules of the MPF Scheme.

Mainland China

The employees of the Group's subsidiaries in mainland China are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiaries are required to contribute 8% or 15% of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. The total contribution made for the year was HK$2,364,000 (2019: HK$4,313,000) (note 11). No forfeited contributions may be used by the employer to reduce the existing level of contributions.

Japan

The employees of Group's subsidiary in Japan are required to participate in the employee's welfare pension insurance programme operated by the local government institution. Under the programme, the employer and employees are each required to make contributions at rates specified in the rules. The Group has no further payment obligations once the contributions have been paid. The total contribution made for the year was HK$274,000 (2019: HK$12,000) (note 11).

27. DEFINED CONTRIBUTION PENSION PLANS – *continued*

Singapore

The employees of Group's subsidiary in Singapore are required to participate in the post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The total contribution made for the year was HK$195,000 (2019: HK$Nil) (note 11).

28. DEFERRED TAX LIABILITIES

The following is the deferred tax liabilities recognised and the movements thereon in the current and prior years.

	In respect of withholding tax on undistributed profits of a subsidiary HK$'000	Loan from a non-controlling shareholder measured at fair value HK$'000	Loan from a related company (2019: the immediate holding company) measured at fair value HK$'000	Total HK$'000
At 1 October 2018	1,945	2,221	–	4,166
Deferred tax impact of loan from the immediate holding company measured at fair value (note 25)	–	–	3,591	3,591
Charged/(credited) to the consolidated statement of profit or loss (notes 12 and 25)	1,499	(731)	(25)	743
Currency realignment	(109)	–	1	(108)
Carrying amount at 30 September 2019 and 1 October 2019	3,335	1,490	3,567	8,392
Charged/(credited) to the consolidated statement of profit or loss (notes 12 and 25)	444	(768)	(1,467)	(1,791)
Charged to other reserve in the consolidated statement of changes in equity (note 25)	–	–	1,044	1,044
Currency realignment	119	–	–	119
Carrying amount at 30 September 2020	**3,898**	**722**	**3,144**	**7,764**

28. DEFERRED TAX LIABILITIES – *continued*

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investment enterprises established in mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate (5%) may be applied if there is a tax treaty between mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by its subsidiary established in mainland China in respect of earnings generated from 1 January 2008. During the year ended 30 September 2020, a provision of HK$444,000 (2019: HK$1,499,000) has been charged to the consolidated statement of profit or loss representing 5% unremitted earnings incurred in the year.

At the reporting date, based on the estimation of future profit streams, the Group has unrecognised gross deferred tax assets (before applying tax rates prevailing in the respective jurisdictions) in respect of unused tax losses and other temporary differences available for offset against future profits, analysed as follows:

	2020 HK$'000	2019 HK$'000
Unused tax losses	132,784	103,550
Other temporary differences	4,977	3,710
	137,761	107,260

The Group records deferred tax assets in respect of tax losses and other tax credits only where there is a reasonable expectation that these tax losses and credits will be utilised in the foreseeable future. Based on forecast income streams and having considered potential future earnings volatility, the Group does not anticipate the utilisation of any significant proportion of these unrecognised tax losses and other tax credits or the material reversal of the other deferred tax temporary differences in the foreseeable future. The tax losses and other tax credits arising from subsidiaries incorporated in HKSAR will not expire under current tax legislation and can be carried forward indefinitely.

The tax losses arising from the subsidiaries established in mainland China of approximately HK$4,250,000 (2019: HK$1,646,000) will be expired if they are not utilised to set off against the taxable profits within five years from the year in which they arose under the current tax legislation in mainland China.

29. SHARE CAPITAL

	Number of ordinary shares of HK$0.001 each	Amount HK$
Authorised:		
At 1 October 2018, 30 September 2019 and 30 September 2020	500,000,000	500,000
Issued and fully paid:		
At 1 October 2018 and 30 September 2019	305,495,000	305,495
Issue of shares upon exercise of share options (note (i))	1,305,000	1,305
At 30 September 2020	**306,800,000**	**306,800**

Notes:

(i) In August 2020, the subscription rights attaching to 1,305,000 share options were exercised at a subscription price of HK$3.13 per share, resulting in the issue of 1,305,000 new shares at par value of HK$0.001 each for a total cash consideration of HK$4,086,000. HK$4,084,000 representing the difference between the subscription price and the par value was added to share premium. In addition, HK$1,233,000 representing that portion of the share option reserve in relation to the exercise of the share options during the year ended 30 September 2020, was transferred from the share option reserve to share premium account.

(ii) All the shares issued during the reporting period ranked pari passu in all respects with the then existing shares in issue.

30. SHARE PREMIUM

	HK$'000
At 1 October 2018 and 30 September 2019	96,237
Arising from issue of shares on exercise of share options (note (i))	5,317
At 30 September 2020	**101,554**

Note:

(i) As detailed in note 29(i) above, in August 2020, the subscription rights attaching to 1,305,000 share options were exercised at a subscription price of HK$3.13 per share, resulting in the issue of 1,305,000 new shares at par value of HK$0.001 each for a total cash consideration of HK$4,086,000. HK$4,084,000 representing the difference between the subscription price and the par value was added to share premium. In addition, HK$1,233,000 representing that portion of the share option reserve in relation to the exercise of the share options during the year ended 30 September 2020, was transferred from the share option reserve to share premium account.

31. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

The Company has a share option scheme for eligible participants of the Group. Participants may include: any employee (full time or part-time), Director, consultant or adviser of the Group; any substantial shareholder of the Group; and any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, to be determined by the Board, based on their contribution or potential contribution to the development and growth of the Group.

As at 30 September 2020, the total number of shares available for issue under the scheme was 30,000,000 (2019: 30,000,000) representing 10% of the issued share capital of the Company immediately following the commencement of dealings in the shares of the Company on the Stock Exchange of Hong Kong. The aggregate number of shares which may be issued upon exercise of all outstanding options granted and to be exercised under the scheme and any other share option scheme of the Company, must not in aggregate exceed 10% of the Company's shares in issue as at the listing date. The 10% limit may be refreshed at any time by obtaining approval of the Company's shareholders in general meeting provided that the total number of the Company's shares which may be issued upon exercise of all options to be granted under the scheme and any other share option scheme of the Company, must not exceed 10% of the Company's shares in issue as at the date of the approval of the refreshed limit.

The number of shares issued and to be issued in respect of which options granted and which may be granted to any individual in any 12-month period up to the date of the grant, shall not exceed 1% of the shares of the Company in issue. Any further grant of options in excess of this limit must be separately approved by the Company's shareholders in a general meeting with such grantee and his/her close associates abstaining from voting. Any grant of an option to a Director, chief executive or substantial shareholder of the Company (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).

Where any grant of options to a substantial shareholder of the Company or an independent non-executive Director (or any of their respective associates) will result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the scheme and any other share option scheme of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to an including the date of grant representing in aggregate over 0.1% of the shares in issue and having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000, such further grant of options is required to be approved by shareholders at a general meeting of the Company, with voting to be taken by way of a poll.

Upon acceptance of an option to subscribe for shares, the eligible participant shall pay HK$1 to the Company as consideration for the grant. The subscription price of a share subject to options granted under the scheme shall be a price determined by the Board and notified to a participant and shall be at least the higher of:

(i) the closing price of the shares as stated in the Stock Exchange of Hong Kong's daily quotations sheet on the date of the grant of the option;

(ii) the average closing price of the shares as stated in the Stock Exchange of Hong Kong's daily quotations sheets for the five trading days immediately preceding the date of the grant of the option; and

(iii) the nominal value of a share on the date of the grant of the option.

31. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS – *continued*

On 3 April 2017, the Company granted 7,000,000 share options to Directors, employees and other eligible participants with an exercise price of HK$1.50 per share. The share options vest over a period of three years starting from the date of the grant by one-third each anniversary and are fully vested on 3 April 2020. The share options granted are exercisable after one year but not exceeding ten years from the date of the grant.

On 21 August 2018, Huobi Global Limited (the "Offeror"), a company incorporated in the Cayman Islands with limited liability and Trinity Gate Limited, a company incorporated in the BVI with limited liability, NWC and Mr. Simon Nai-cheng Hsu, entered into the sale and purchase agreement in relation to the sale and purchase of an aggregate of 215,576,000 sale shares, representing approximately 71.67% of the then entire issued share capital of the Company, completion of which took place on the same date.

On 1 October 2018, the Company had 600,000 outstanding share options.

On 5 October 2018, as part of the mandatory unconditional cash offer following the sale and purchase agreement whereby an option offer was made by the Offeror for the cancellation of the outstanding share options of the Company, the Offeror received valid acceptances in respect of the 600,000 outstanding share options and these share options were cancelled and accordingly, HK$295,000, representing the relevant portion of the share option reserve, was transferred to retained profits.

On 3 April 2019, the Company granted 6,192,000 share options to Directors, employees and other eligible participants with an exercise price of HK$3.13 per share. The share options vest over a period of three years starting from the date of the grant by one-third each anniversary and are fully vested on 3 April 2022. The share options granted are exercisable after one year but not exceeding ten years from the date of the grant.

The fair value of the options granted on 3 April 2019 was calculated by an external valuer using the Binomial Option Pricing Model. The assumptions used were as follows:

	Granted on 3 April 2019
Grant date share price	HK$3.03
Exercise price	HK$3.13
Expected volatility	55.66%
Contractual option life	10 years
Risk-free rate	1.543%
Expected dividend yield	0%

The expected volatility is based on historical price volatility of similar listed companies in the past few years. The risk-free rate is the yields of Hong Kong government bonds and treasury bills as extracted from Bloomberg as at 3 April 2019. At the date the options were granted on 3 April 2019, this was determined to be 1.543%. The dividend yield of the Company of 0% was adopted.

31. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS – *continued*

Based on the fair values derived from the above pricing model, the fair value of the share options granted on 3 April 2019 was approximately HK$8,854,000 (HK$1.4299 each). For the year ended 30 September 2020, the Company recognised a share-based compensation charge of HK$3,818,000 (2019: HK$2,602,000) to profit or loss in respect of these options.

The assumptions used in computing the fair value of the share options are based on management's best estimate. The valuation of options is dependent upon a number of variables using subjective assumptions. Any changes in the variables may materially affect the estimation of the fair value of an option.

There was no market vesting condition or non-market performance condition associated with the options granted.

On 16 October 2019, the Company granted 3,650,000 share options to certain employees with an exercise price of HK$4.36 per share. The share options vest over a period of three years starting from the date of the grant by one-third each anniversary and will be fully vested on 16 October 2022. The share options granted are exercisable after one year but not exceeding ten years from the date of the grant.

The fair value of the options granted on 16 October 2019 has been calculated by an external valuer using the Black-Scholes Option Pricing Model. The assumptions used were as follows:

	Granted on 16 October 2019
Grant date share price	HK$4.18
Exercise price	HK$4.36
Expected volatility	34.73%
Contractual option life	10 years
Risk-free rate	1.427%
Expected dividend yield	0%

The expected volatility is based on historical price volatility of similar listed companies in the past few years. The risk-free rate is the yields of Hong Kong government bonds and treasury bills as extracted from Bloomberg as at 16 October 2019. At the date the options were granted on 16 October 2019, this was determined to be 1.427%. The dividend yield of the Company of 0% has been adopted.

Based on the fair values derived from the above pricing model, the fair value of the share options granted on 16 October 2019 was approximately HK$6,190,000 (HK$1.6959 each), of which HK$306,000 have been charged as share-based compensation expenses to profit or loss for the year ended 30 September 2020.

The assumptions used in computing the fair value of the share options are based on management's best estimate. The valuation of options is dependent upon a number of variables using subjective assumptions. Any changes in the variables may materially affect the estimation of the fair value of an option.

There was no market vesting condition or non-market performance condition associated with the options granted.

31. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS – *continued*

On 2 July 2020, the Company granted 880,000 share options to certain employees with an exercise price of HK$3.28 per share. The share options vest over a period of three years starting from the date of the grant by one-third each anniversary and will be fully vested on 2 July 2023. The share options granted are exercisable after one year but not exceeding ten years from the date of the grant.

The fair value of the options granted on 2 July 2020 has been calculated by an external valuer using the Black-Scholes Option Pricing Model. The assumptions used were as follows:

	Granted on 2 July 2020
Grant date share price	HK$3.28
Exercise price	HK$3.28
Expected volatility	36.68%
Contractual option life	10 years
Risk-free rate	0.643%
Expected dividend yield	0%

The expected volatility is based on historical price volatility of similar listed companies in the past few years. The risk-free rate is the yields of Hong Kong government bonds and treasury bills as extracted from Bloomberg as at 2 July 2020. At the date the options were granted on 2 July 2020, this was determined to be 0.643%. The dividend yield of the Company of 0% has been adopted.

Based on the fair values derived from the above pricing model, the fair value of the share options granted on 2 July 2020 was approximately HK$1,204,000 (HK$1.3687 each), of which HK$181,000 have been charged as share-based compensation expenses to profit or loss for the year ended 30 September 2020.

The assumptions used in computing the fair value of the share options are based on management's best estimate. The valuation of options is dependent upon a number of variables using subjective assumptions. Any changes in the variables may materially affect the estimation of the fair value of an option.

There was no market vesting condition or non-market performance condition associated with the options granted.

31. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS – *continued*

The movement in the number of share options under the share options scheme are as follows:

For the year ended 30 September 2020

	Date of grant	Exercise price HK$	Outstanding at 1 October 2019	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 30 September 2020
Executive Directors							
Mr. Lee Chris Curl*	3.4.2019	3.13	2,700,000	–	(900,000)	–	1,800,000
Mr. Lan Jianzhong	3.4.2019	3.13	600,000	–	–	–	600,000
Other eligible participants	3.4.2019	3.13	2,892,000	–	(405,000)	–	2,487,000
Other eligible participants	16.10.2019	4.36	–	3,650,000	–	(3,150,000)	500,000
Other eligible participants	2.7.2020	3.28	–	880,000	–	–	880,000
			6,192,000	4,530,000	(1,305,000)	(3,150,000)	6,267,000
Weighted average exercise price			HK$3.13	HK$4.15	HK$3.13	HK$4.36	HK$3.25

* Resigned as the director of the Company on 10 August 2020.

Note:

The weighted average share price at the dates of exercise of options during the year was HK$4.70 (2019: HK$Nil).

31. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS – *continued*

For the year ended 30 September 2019

	Date of grant	Exercise price HK$	Outstanding at 1 October 2018	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 30 September 2019
Executive Directors							
Mr. Lee Chris Curl	3.4.2019	3.13	–	2,700,000	–	–	2,700,000
Mr. Lan Jianzhong	3.4.2019	3.13	–	600,000	–	–	600,000
Independent non-executive Directors							
Mr. Pochin Christopher Lu*	3.4.2017	1.50	300,000	–	–	(300,000)	–
Mr. Danny J Lay*	3.4.2017	1.50	300,000	–	–	(300,000)	–
Other eligible participants	3.4.2019	3.13	–	2,892,000	–	–	2,892,000
			600,000	6,192,000	–	(600,000)	6,192,000
Weighted average exercise price			HK$1.50	HK$3.13	–	HK$1.50	HK$3.13

* Resigned as the directors of the Company on 11 October 2018.

As at 30 September 2020, the total number of share options outstanding were 6,267,000 (2019: 6,192,000).

For the share options outstanding as at 30 September 2020, the weighted average remaining contractual life was 3,187 days (2019: 3,472 days).

Total share-based compensation expenses of HK$4,305,000 (2019: HK$2,602,000), have been charged to the consolidated statement of profit or loss for the year (note 11).

32. RESERVES

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity on pages 73 to 74 of the financial statements.

Share premium

The share premium comprises the excess of the proceeds received over the par value of the shares of the Company issued at a premium, less the amount of expenses incurred in connection with the issue of the shares and on exercise of share options, the amount previously recognised in the share option reserve is transferred to share premium.

32. RESERVES – *continued*

Share option reserve

The fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in the share option reserve. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest and the impact of the revision of these estimates, if any, is recognised in the statement of profit or loss over the remaining vesting period, with a corresponding adjustment to the share option reserve.

At the time when the options are exercised, the amount previously recognised in the share option reserve is transferred to the share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in the share option reserve is transferred to retained profits/(accumulated losses).

Other reserve

The other reserve includes the waiver of: (i) amount due from the former ultimate holding company amounting to HK$5,640,000 during the year ended 30 September 2013; (ii) amounts payable to a fellow subsidiary amounting to HK$4,911,000 during the year ended 30 September 2015; (iii) amounts receivable from a fellow subsidiary amounting to HK$1,766,000 during the year ended 30 September 2015; and (iv) a fair value gain of HK$11,608,000, net of deferred tax, arising from the re-measurement of the HK$100,000,000 loan from a non-controlling shareholder during the year ended 30 September 2018.

During the year ended 30 September 2019, the US$50,000,000 or HK$391,970,000 loan from immediate holding company was measured at fair value on inception resulting in a fair value gain of HK$18,174,000, net of deferred tax, which was credited to the other reserve (note 25).

During the year ended 30 September 2020, the US$50,000,000 or HK$391,970,000 loan from a related company was modified resulting in a gain of HK$5,278,000, net of deferred tax, which has been credited to the other reserve (note 25).

Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the PRC subsidiaries are required to appropriate 10% of its profit after tax, prepared in accordance with the accounting regulation in the PRC, to the statutory reserve fund until the statutory reserve balance reaches 50% of the registered capital. Such reserve may be used to reduce any losses incurred or to increase capital.

Translation reserve

The translation reserve comprises the exchange differences arising on the translation of the financial statements of foreign operations.

33. RECONCILIATION OF THE NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS TO THE MOVEMENT IN NET CASH

	Notes	2020 HK$'000	2019 HK$'000
Net (decrease)/increase in cash and cash equivalents		(70,933)	268,613
Effect of foreign exchange rate changes		(66)	75
Net movement in cash and cash equivalents		(70,999)	268,688
Bank borrowings repaid		3,127	46,135
Repayments of other loan from a related company		159,000	–
Gain on modification of loan from a related company		6,322	–
Other loan from the immediate holding company measured at fair value on inception	25	–	(370,205)
Imputed interest on other loan from a related company (2019: the immediate holding company)	9	(8,890)	(150)
Imputed interest on other loan from a non-controlling shareholder	9	(4,654)	(4,428)
Effect of foreign exchange rates on borrowings		(2)	308
Net cash at 1 October		4,000	63,652
Net cash at 30 September		87,904	4,000
Represented by:			
Cash and cash equivalents	22	403,684	474,683
Interest-bearing bank borrowings – amount due within one year	25	(6,235)	(9,362)
Other borrowings – amounts due within one year	25	(95,621)	–
Other borrowings – amounts due more than one year	25	(213,924)	(461,321)
		87,904	4,000

34. PLEDGE OF ASSETS

At 30 September 2020, the banking facilities of the Company's wholly-owned subsidiaries based in mainland China and HKSAR, amounted to approximately HK$23,250,000, (2019: HK$31,365,000) comprising asset-backed lending facility. The facilities are secured against certain bank deposit (note 22), corporate guarantees from the Company and in the case of the asset-backed lending facility, an assignment over specific trade receivables. At 30 September 2020, the amount drawn down under the asset-backed lending facility was HK$6,235,000 (2019: HK$9,362,000) (note 25).

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings HK$'000	Other loans HK$'000	Lease liabilities HK$'000	Total HK$'000
Balance at 1 October 2019 as originally presented	9,362	461,321	–	470,683
Initial application of HKFRS 16 (note 2(a)(i))	–	–	45,422	45,422
Restated balance at 1 October 2019	9,362	461,321	45,422	516,105
Changes from financing cash flows:				
Net outflow in trust receipts and export loans	(3,127)	–	–	(3,127)
Interest paid	(349)	–	(3,009)	(3,358)
Repayments of principal portion of lease liabilities	–	–	(18,094)	(18,094)
Repayments of other loan from a related company (note 25)	–	(159,000)	–	(159,000)
Total changes from financing cash flows	(3,476)	(159,000)	(21,103)	(183,579)
Other changes:				
Capitalisation of new leases	–	–	24,160	24,160
Interest expenses	349	13,544	3,009	16,902
Gain on modification of other loan from a related company (note 25)	–	(6,322)	–	(6,322)
Lease modification (note 26(b))	–	–	(9,694)	(9,694)
COVID-19-related rent concessions (note 26(b))	–	–	(15)	(15)
Effect of foreign exchange rates	–	2	1,144	1,146
Total other changes	349	7,224	18,604	26,177
At 30 September 2020	**6,235**	**309,545**	**42,923**	**358,703**

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES – *continued*

	Bank borrowings HK$'000	Other loans HK$'000	Total HK$'000
At 1 October 2018	55,803	86,540	142,343
Changes from financing cash flows:			
Net outflow in trust receipts and export loans	(241)	–	(241)
Proceeds from invoice discounting facility	112,618	–	112,618
Repayments of invoice discounting facility	(145,325)	–	(145,325)
Repayments of term loan	(13,187)	–	(13,187)
Interest paid	(958)	–	(958)
Proceeds from other loan from the immediate holding company (note 25)	–	313,576	313,576
Total changes from financing cash flows	(47,093)	313,576	266,483
Other changes:			
Interest expenses	958	4,578	5,536
Non-cash proceeds from other loan from the immediate holding company (note 25)	–	78,394	78,394
Fair value gain on loan from the immediate holding company measured at fair value on inception (note 25)	–	(21,765)	(21,765)
Effect of foreign exchange rates	(306)	(2)	(308)
Total other changes	652	61,205	61,857
At 30 September 2019	9,362	461,321	470,683

36. CAPITAL COMMITMENTS

	2020 HK$'000	2019 HK$'000
Contracted but not provided for:		
Property, plant and equipment	–	817

37. CONTINGENT LIABILITIES

As at 30 September 2020, the Group did not have any material contingent liabilities (2019: HK$Nil).

38. OPERATING LEASE COMMITMENTS

The Group as lessee

At 30 September 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 30 September 2019		
	Premises*	Office equipment*	Total
	HK$'000	HK$'000	HK$'000
Operating leases which expire:			
Within one year	11,086	10	11,096
In the second to fifth years inclusive	35,290	11	35,301
Over five years	11,582	–	11,582
	57,958	21	57,979

* The amount only represented the operating lease commitment under HKAS 17 as at 30 September 2019.

Operating lease payments represented rentals payable by the Group for certain of its office properties, factories and office equipment. The leases ran for an initial period of 3 months to 6 years. None of the leases contained contingent rentals.

39. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the financial statements, the Group entered into the following significant transactions with related parties during the year.

On 28 October 2019, the Company was granted to use the trademark as the Group's logo from Huobi Global Limited, a company incorporated with limited liability under the law of Seychelles ("Huobi Global (Seychelles)") and is indirectly controlled by Mr. Li Lin, a Director of the Company, with a nominal consideration of HK$1. The licensed period shall be three years and renewable. On the same date, the Company was assigned to use the domain name "www.huobitech.com" from Mr. Lan Jianzhong, a Director of the Company, with a nominal consideration of HK$1.

On 16 February 2020, the Group and a key management personnel of the holding companies entered into a sale and purchase agreement for the acquisition of 100% of the equity interests in FEU International Pte Ltd, at a consideration of SG$1 which has been settled by cash. The assets acquired did not constitute a business combination as defined in HKFRS 3 "Business Combinations" and accordingly, the acquisition was accounted for as assets acquisition. As a result, the Group recognised a gain arising from the acquisition of assets of HK$288,000 as sundry income for the year ended 30 September 2020.

The consideration of the above-mentioned transactions are determined and agreed by both parties.

During the year ended 30 September 2020, the Group received services fee in relation to the provision of data centre services from Huobi Global (Seychelles), a related company of the Company in which Mr. Li Lin, a Director of the Company, has beneficial interests, amounting to JPY230,500,000 or HK$16,621,000 (2019: from a fellow subsidiary of the Company amounting to JPY34,000,000 or HK$2,461,000).

During the year ended 30 September 2020, the Group provided financial assistance to Huobi Global (Seychelles), a related company of the Company in which Mr. Li Lin, a Director of the Company, has beneficial interests, in relation to payment agent services in total amounts of HK$142,638,000 (2019: HK$Nil).

39. RELATED PARTY TRANSACTIONS – *continued*

The key management personnel are the Directors and the five highest paid individuals of the Company. The details of the emoluments paid to them are set out in note 13.

Except as disclosed above, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

40. FINANCIAL RISK MANAGEMENT AND POLICIES

The Group is exposed to a variety of financial risks: market risk (including foreign currency risk), interest rate risk, fair value risk, credit risk and liquidity risk. The Group's overall risk management focuses on unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the Board of Directors (the "Board"). The Group does not have written risk management policies. However, the Board meets regularly and co-operates closely with key management to identify and evaluate risks and to formulate strategies to manage financial risks.

Foreign currency risk

Foreign currency risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's principal operating subsidiaries carry out their operations in the PRC (including HKSAR) and Japan. Entities in the Group regularly transact in currencies other than their respective functional currencies with regard to the selling and purchase of products. As a consequence of the various trading activities, certain trade receivables and borrowings of the Group are denominated in foreign currencies. While the Group has no formal hedging policy, it does seek to manage its foreign currency exposures by constructing natural hedges as well as entering into certain forward foreign exchange contracts to minimise any currency exposure risks.

The Group's foreign currency risk is mainly concentrated on the fluctuation of the US$ against the RMB.

	2020 HK$'000	2019 HK$'000
Trade receivables	39,622	38,328
Cash and cash equivalents	63,507	43,675
Trade payables	(4,446)	(3,466)
Borrowings	(6,235)	(9,362)
Gross exposure arising from recognised financial assets and liabilities	92,448	69,175

40. FINANCIAL RISK MANAGEMENT AND POLICIES – *continued*

Foreign currency risk – *continued*

Assuming sensitivity to a 5% increase where the RMB strengthens against the US$ there would be an increase in profit of approximately HK$4.6 million (2019: HK$3.5 million) for the year. For a 5% weakening of the currency there would be an equal and opposite impact on profit or loss. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the reporting date for a 5% change in foreign currency rates.

Interest rate risk

The Group's exposure to interest rate risk relates principally to its borrowings. The borrowings have floating and fixed interest rates and in the main are denominated in HK$, RMB and US$. The interest rates and terms of repayment of borrowings of the Group are disclosed in note 25. At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations. However, the Group will constantly review the economic situation and its interest rate profile and will consider appropriate hedging measures in the future which may be necessary.

The net interest expense experienced by the Group is HK$14,041,000 (2019: HK$4,960,000) for the year. If there were a 1% increase/(decrease), the net interest would increase/(decrease) by approximately HK$1,043,000 (2019: HK$2,321,000) for the year.

Fair value risk

The fair values of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial assets and liabilities.

The fair values of non-current financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's credit risk primarily relates to the Group's time deposits and bank balances, trade receivables and other receivables. The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at end of the financial period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position. In order to minimise the risk, the Board closely monitors overdue debts. The recoverable amount of each individual debt is reviewed at each reporting period and adequate allowance for doubtful debts has been made for irrecoverable amounts. In this regard, the Board considers that credit risk associated with the Group's trade receivables and other receivables is significantly reduced.

(i) Time deposits and bank balances

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and reputable banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

40. FINANCIAL RISK MANAGEMENT AND POLICIES – *continued*

Credit risk – *continued*

(ii) Trade receivables

The Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9, which permits the use of the lifetime ECL provision for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECLs also incorporate forward-looking information.

As at 30 September 2020, trade receivables of HK$30,977,000 (2019: HK$27,122,000) were contributed by the top five customers. The Group has monitoring procedures to ensure that follow up action is taken to recover overdue debts. The Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9, which permits the use of the lifetime ECL provision for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECLs also incorporate forward-looking information. The Group has identified the GDP and the unemployment rate of the countries in which it sells the goods and renders the services to be the most relevant factors, and accordingly adjusts the ECL rates based on expected changes in these factors. The ECL rate of collectively assessed trade receivables that were neither past due nor impaired is 0.04% (2019: 0.05%), past due between 0 to 60 days is 0.21% (2019: 0.25%) and past due more than 60 days is 20% (2019: 5.26%). The Directors consider that there are no significant credit risk on trade receivables due to the past payment history and taking into account of the sound financial performance and position of the debtors to meet contractual cash flow obligations in the near term. Accordingly, the ECL on trade receivables was assessed to be minimal and no provision was made for the year (2019: HK$Nil).

(iii) Other receivables

The Group has adopted general approach to measure ECLs on financial assets included in prepayments and other receivables, and other financial assets at amortised cost. Under the general approach, the Group applies the “3-stage” impairment model for ECLs measurement based on change in credit risk since initial recognition as follows:

Stage 1: If the credit risk of the financial instrument has not increased significantly since initial recognition, the financial instrument is included in Stage 1.

Stage 2: If the credit risk of the financial instrument has increased significantly since its initial recognition but is not deemed to be credit-impaired, the financial instrument is included in Stage 2.

Stage 3: If the financial instrument is credit-impaired, the financial instrument is included in Stage 3.

The ECLs for financial instruments in Stage 1 are measured at an amount equivalent to 12-month ECLs whereas the ECLs for financial instruments in Stage 2 or Stage 3 are measured at an amount equivalent to lifetime ECLs.

40. FINANCIAL RISK MANAGEMENT AND POLICIES – *continued*

Credit risk – *continued*

(iii) Other receivables – continued

When determining whether the risk of default has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit risk assessment and including forward-looking information.

Having regard to industry practice and relevant regulation, as well as the background and behaviour of the debtors/counterparties, the Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due unless the Group has reasonable and supportable information that demonstrates otherwise. In addition, the Group considers that a financial asset to be in default when: (i) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is more than 90 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate.

At the end of the reporting period, the Group assesses whether a financial asset is credit-impaired. A financial asset is considered as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the debtor;

(b) a breach of contract, such as a default or past due event;

(c) granting a concession to the debtors that the debtor would not otherwise consider for economic or contractual reasons relating to the debtor's financial difficulty; or

(d) it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

The Group makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience as well as ECL assessment. The Directors believe that there is no material credit risk inherent in the Group's outstanding balance of deposits and other receivables. Accordingly, the ECL rate on deposits and other receivables was assessed to be minimal and no provision was recognised for the year (2019: HK$Nil).

40. FINANCIAL RISK MANAGEMENT AND POLICIES – *continued*

Liquidity risk

The Group's objective is to ensure that adequate funds are available to meet commitments associated with its financial liabilities.

The Group manages its liquidity needs by carefully monitoring short-term and long-term cash outflows on a regular basis. The Group mainly utilises cash to meet its liquidity requirements for periods up to 30 days. Funding for long-term liquidity needs will be considered when liquidity requirements in the long term are identified.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities and the earliest date the Group can be required to pay.

As at 30 September 2020

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	More than 1 year but not exceeding 2 years HK$'000	More than 2 years but not exceeding 5 years HK$'000	More than 5 years HK$'000
Non-derivative financial liabilities:						
Trade and other payables	97,231	97,231	97,231	–	–	–
Bank borrowings	6,235	6,235	6,235	–	–	–
Other borrowings	309,545	332,971	100,000	–	232,971	–
Lease liabilities	42,923	50,236	13,099	9,292	25,677	2,168
	455,934	486,673	216,565	9,292	258,648	2,168

As at 30 September 2019

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	More than 1 year but not exceeding 2 years HK$'000	More than 2 years but not exceeding 5 years HK$'000
Non-derivative financial liabilities:					
Trade and other payables	47,162	47,162	47,162	–	–
Bank borrowings	9,362	9,362	9,362	–	–
Other borrowings	461,321	491,970	–	100,000	391,970
	517,845	548,494	56,524	100,000	391,970

40. FINANCIAL RISK MANAGEMENT AND POLICIES – *continued*

Summary of financial assets and liabilities by category

The carrying amounts of financial assets and liabilities presented in the consolidated statement of financial position relate to the following categories:

Financial assets:

	2020 HK$'000	2019 HK$'000
Financial assets measured at amortised cost:		
Trade and other receivables*	85,378	53,679
Pledged bank deposit	7,758	7,851
Cash and bank balances	403,684	474,683
	496,820	536,213

* Excluded from trade and other receivables as disclosed in the consolidated statement of financial position of HK$86,802,000 as at 30 September 2020 (2019: HK$54,682,000), is an amount of HK$1,424,000 representing prepayments (2019: HK$1,003,000).

Financial liabilities:

	2020 HK$'000	2019 HK$'000
Financial liabilities measured at amortised cost:		
Trade and other payables	97,231	47,162
Bank borrowings	6,235	9,362
Other borrowings	309,545	461,321
Lease liabilities	43,923	–
	455,934	517,845

41. CAPITAL MANAGEMENT POLICIES AND RISK

The Group's objectives are: to provide returns for its shareholders; to safeguard the Group's ability to continue as a going concern so that it continues to provide returns and benefits for its stakeholders; to support the Group's stability and growth; and to provide capital for the purpose of strengthening the Group's risk management capability.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to its shareholders and issue new shares to reduce its debt level.

Consistent with other industries, the Group monitors capital on the basis of the debt to equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total interest-bearing bank borrowings and other borrowings less cash and bank balances. Total capital represents total equity, as shown in the consolidated statement of financial position.

	2020 **HK$'000**	2019 HK$'000
Total net cash (note 33)	**87,904**	4,000
Total capital	**129,531**	146,745
Debt to equity ratio	**N/A**	N/A

42. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 30 September 2020 are as follows:

Name of company	Place of incorporation or establishment and type of legal entity	Issued and fully paid shares	Effective interest held by the Company 2020	Effective interest held by the Company 2019	Principal activities
Interest held directly					
Pantene Industrial Co. Limited	HKSAR/Limited liability company	100 shares of HK$10,000	100%	100%	Sale and distribution of power-related and electrical/electronic products
Pantronics International Holdings Limited	HKSAR/Limited liability company	10 shares of HK$10	100%	100%	Investment holding
Panjet Service Company Limited	HKSAR/Limited liability company	2 shares of HK$2	100%	100%	Investment holding
Grace Harvest Corporation Limited	HKSAR/Limited liability company	1 share of HK$1	100%	100%	Inactive
Panjet (Int'l) Limited	British Virgin Islands ("BVI")/ Limited liability company	1 share of US$1	100%	100%	Inactive
Pantronics (Int'l) Limited	BVI/Limited liability company	1 share of US$1	100%	100%	Inactive
Huobi Hong Kong Limited	HKSAR/Limited liability company	10,000 shares of HK$10,000	100%	100%	Provision of management services
Huobi APAC Limited	HKSAR/Limited liability company	10,000 shares of HK$10,000	100%	100%	Investment holding
Huobi Investment Limited	HKSAR/Limited liability company	10,000 shares of HK$10,000	100%	100%	Investment holding
Huobi International Limited	HKSAR/Limited liability company	10,000 shares of HK$10,000	100%	100%	Investment holding
Huobi Digital Limited	HKSAR/Limited liability company	10,000 shares of HK$10,000	100%	100%	Investment holding
Huobi Solutions Limited	HKSAR/Limited liability company	10,000 shares of HK$10,000	100%	N/A	Inactive

42. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES – *continued*

Name of company	Place of incorporation or establishment and type of legal entity	Issued and fully paid shares	Effective interest held by the Company		Principal activities
			2020	2019	
Interest held indirectly					
Pin Xin International Limited	HKSAR/Limited liability company	10,000 shares of HK$10,000	100%	100%	Inactive
Pan Electrium Industrial Company Limited	HKSAR/Limited liability company	5,000,000 shares of HK$5,000,000	100%	100%	Inactive
Shenzhen Pantai Electronic Co., Ltd.*	The People's Republic of China (the "PRC")/Wholly foreign-owned enterprise	Registered capital US$1,700,000	100%	100%	Manufacture and sale of power-related and electrical/electronic products
Pan Guang Limited	BVI/Limited liability company	10,000 shares of US$10,000	100%	100%	Investment holding
Pan Ming Limited	BVI/Limited liability company	10,000 shares of US$10,000	100%	100%	Inactive
Pantene Electronics North America, Inc.	United States of America (the "USA")/Limited liability company	25,000 shares of US$25,000	100%	100%	After-sales support
Win Techno Inc.	Japan/Limited liability company	JPY100,000,000	100%	100%	Provision of data centre services and cloud services
深圳市品光企業管理咨詢有限公司*	PRC/Wholly foreign-owned enterprise	Registered capital RMB26,285,630	100%	100%	Consulting/Property holding
海南火動科技有限公司*	PRC/Wholly foreign-owned enterprise	Registered capital US$1,000,000	100%	100%	Network technical support, technical consultant, information technical service etc.
海南火鏈網路科技有限公司*	PRC/Wholly foreign-owned enterprise	Registered capital US$1,000,000	100%	100%	Network technical support, technical consultant, information technical service etc.
北京港易軟件服務有限公司*	PRC/Wholly foreign-owned enterprise	Registered capital US$1,000,000	100%	N/A	Network technical support, technical consultant, information technical service etc.

42. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES – *continued*

Name of company	Place of incorporation or establishment and type of legal entity	Issued and fully paid shares	Effective interest held by the Company 2020	Effective interest held by the Company 2019	Principal activities
Interest held indirectly – continued					
Huobi Nevada Inc.	USA/Limited liability company	75,000,000 shares of US$75,000	100%	N/A	Investment holding
Huobi Asset Management (Hong Kong) Limited	HKSAR/Limited liability company	6,010,000 shares of HK$6,010,000	100%	N/A	Asset management
Huobi Services Limited	HKSAR/Limited liability company	10,000 shares of HK$10,000	100%	N/A	Inactive
Huobi Wallet Hong Kong Limited	HKSAR/Limited liability company	10,000 shares of HK$10,000	100%	N/A	Inactive
Huobi Securities Inc.	USA/Limited liability company	100 shares of US$0.001	100%	N/A	Investment holding
FEU International Pte Ltd	Singapore/Limited liability company	1,350,000 shares of SG$1,350,000	100%	N/A	Management consultancy service

* Established in the mainland China as a wholly foreign-owned enterprise.

Unless otherwise specified under "Principal activities", the above subsidiaries operate principally in their respective places of incorporation or registration.

The above list includes the subsidiaries of the Company which, in the opinion of the Company's Directors, principally affected the results for the year or formed a substantial portion of the assets and liabilities of the Group. To give details of all the other subsidiaries would, in the opinion of the Company's Directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the reporting period or at any time during both years.

43. BUSINESS COMBINATION

On 19 July 2019, the Group entered into a sale and purchase agreement for the acquisition of 100% of the equity interests in Win Techno Inc., which is principally engaged in the provision of data centre services and cloud services, at a consideration of HK$6,000,000 which was settled by cash. The acquisition was made with the aim to explore new business opportunities and achieve long-term return to the shareholders.

Acquisition-related costs were excluded from the consideration transferred. The costs were HK$111,000 and were expensed and were included in "administrative expenses" in the consolidated statement of profit or loss for the year ended 30 September 2019.

43. BUSINESS COMBINATION – *continued*

The fair values of identifiable assets and liabilities of the subsidiary as at 30 July 2019 (date of completion) and the goodwill arising therefrom were as follows:

	Fair value recognised at 30 July 2019 HK$'000	Carrying value recognised at 30 July 2019 HK$'000
Property, plant and equipment (note 16)	12,107	12,107
Trade and other receivables	1,669	1,669
Cash and bank balances	149	149
Accruals and other payables	(8,099)	(8,099)
Total identifiable net assets and liabilities acquired	5,826	5,826
Goodwill (note 18)	174	
Consideration satisfied by cash	6,000	

The fair value of assets acquired and liabilities assumed approximated the gross contractual amounts. The goodwill arose in the above acquisition because the consideration included business potential in Japan where the Group continued to look for business opportunities. None of the goodwill arising on the acquisition was expected to be deductible for tax purposes.

An analysis of the cash flows in respect of the acquisition was as follows:

	HK$'000
Cash consideration paid	(6,000)
Cash and bank balances	149
Net cash outflow	(5,851)

Since the acquisition, the acquired business contributed revenue of approximately HK$2,466,000 and loss of approximately HK$329,000 to the Group's consolidated loss for the year ended 30 September 2019.

The Group's revenue and loss would have been increased by approximately HK$6,177,000 and HK$2,853,000 for the year if the acquisition had been completed on 1 October 2018. This pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 October 2018 nor is it intended for projection of future results.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	129	230
Interests in subsidiaries	110,833	110,823
Deferred tax assets	–	31
	110,962	111,084
Current assets		
Prepayments and other receivables	271	318
Amounts due from subsidiaries	92,627	408,072
Loan to a subsidiary	8,000	7,814
Cash and bank balances	202,773	60,638
	303,671	476,842
Current liabilities		
Accruals and other payables	1,863	1,519
Other borrowings	76,480	–
Amount due to a subsidiary	25,744	25,725
Tax payable	990	990
	105,077	28,234
Net current assets	198,594	448,608
Total assets less current liabilities	309,556	559,692
Non-current liabilities		
Other borrowings	213,924	443,102
Deferred tax liabilities	3,723	4,763
	217,647	447,865
Net assets	91,909	111,827
EQUITY		
Share capital	307	305
Reserves (note (i))	91,602	111,522
Total equity	91,909	111,827

The statement of financial position of the Company was approved by the Board of Directors on 18 December 2020 and is signed on its behalf by:

Li Lin	**Lan Jianzhong**
Director	*Director*

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY – *continued*

Note:

(I) MOVEMENTS IN RESERVES

	Share premium HK$'000	Share option reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 30 September 2018	96,237	295	99,023	(100,116)	95,439
Cancellation of share options (note 31)	–	(295)	–	295	–
Equity-settled share-based compensation expenses (note 31)	–	2,602	–	–	2,602
Fair value gain on loan from the immediate holding company measured at fair value on inception, net of deferred tax (note 25)	–	–	18,174	–	18,174
Fair value gain on loans from a subsidiary measured at fair value on inception, net of deferred tax	–	–	6,667	–	6,667
Loss for the year	–	–	–	(11,360)	(11,360)
At 30 September 2019	**96,237**	**2,602**	**123,864**	**(111,181)**	**111,522**
Issue of shares upon exercise of share options (note 30(i))	**5,317**	**(1,233)**	**–**	**–**	**4,084**
Equity-settled share-based compensation expenses (note 31)	**–**	**4,305**	**–**	**–**	**4,305**
Gain on loan modification from a related company, net of deferred tax (note 25)	**–**	**–**	**5,278**	**–**	**5,278**
Loss for the year	**–**	**–**	**–**	**(33,587)**	**(33,587)**
At 30 September 2020	**101,554**	**5,674**	**129,142**	**(144,768)**	**91,602**

Other reserve

The other reserve represents a transaction arising from a Group reorganisation of HK$93,383,000 and the waiver of an amount due from the former ultimate holding company amounting to HK$5,640,000 during the year ended 30 September 2013.

During the year ended 30 September 2019, the US$50,000,000 (approximately HK$391,970,000) loan from the immediate holding company was measured at fair value on inception resulting in a fair value gain of HK$18,174,000, net of deferred tax, which was credited to the other reserve.

During the year ended 30 September 2019, the HK$80,000,000 loans from a subsidiary was measured at fair value on inception resulting in a fair value gain of HK$6,667,000, net of deferred tax, which was credited to the other reserve.

During the year ended 30 September 2020, the US$50,000,000 (approximately HK$391,970,000) loan from a related company was modified resulting in a gain of HK$5,278,000, net of deferred tax, which has been credited to the other reserve.

Details of the share premium and the share option reserve are set out in notes 30 and 32 respectively.

45. NOVEL CORONAVIRUS OUTBREAK

Since the outbreak of Novel Coronavirus ("COVID-19") pandemic in early 2020, a series of precautionary and control measures have been undertaken by the PRC central government and various provincial or municipal governments, including but not limited to implementation of travel restrictions and extension of the Chinese New Year holiday. As a result, the Group's business and operations in mainland China had been temporarily disrupted which resulted in a drop in the revenue of the Group for the year ended 30 September 2020 as compared to that for the same period in 2019. The Group's manufacturing activities had been fully resumed in the second half of the financial year. However, as COVID-19 continues to evolve, depending on future development and spread of COVID-19, it may have significant impact on the Group performance. The Group will continue to pay close attention to the development of COVID-19 and evaluate its impact arising.

46. EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 30 September 2020:

On 14 October 2020, 1,534,000 share options with an exercise price of HK$4.68 per share to subscribe for 1,534,000 ordinary shares at par value of HK$0.001 each in the Company were granted to the employees and other eligible participants. The Company adopted a share option scheme (the "Scheme") with effect from 27 October 2016. The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The main purpose of the Scheme is to recognise and acknowledge the contributions eligible participants have made to the Group.

Details of the share options granted had been disclosed in the Company's announcement dated 14 October 2020.

On 17 November 2020, the Company has amended the schedule for vesting of options under the Scheme to the effect that one-fourth of the options shall be vested on each anniversary of the first 4 years from the date of grant (the "Amendments"). The Amendments have become effective from 17 November 2020 and shall not apply to the outstanding options which have already been granted but remain unexercised under the Scheme. Details are set out in the announcements published by the Company dated 19 October 2020 and 17 November 2020 and the circular dated 22 October 2020.

Five Years Financial Summary

For the year ended 30 September

	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Results					
Revenue	**276,555**	312,341	345,411	306,422	289,002
(Loss)/profit before income tax	**(32,586)**	8,692	10,860	10,034	23,423
Income tax credit/(expense)	**4**	(14,768)	(4,269)	(4,840)	(8,759)
(Loss)/profit for the year	**(32,582)**	(6,076)	6,591	5,194	14,664
Attributable to:					
Owners of the Company	**(32,582)**	(6,076)	6,591	5,194	14,664

	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Assets and liabilities					
Total assets	**605,635**	690,015	351,132	240,689	175,917
Total liabilities	**(476,104)**	(543,270)	(216,245)	(132,093)	(144,944)
Net assets	**129,531**	146,745	134,887	108,596	30,973
Equity attributable to owners of the Company	**129,531**	146,745	134,887	108,596	30,973

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