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)

2021
ANNUAL REPORT

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Non-executive Director

Mr. Li Lin *(Chairman)*

Executive Directors

Mr. Wu Shupeng *(Chief Executive Officer)*
Ms. Zhang Li

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. Yip Wai Ming
Mr. Duan Xiongfei

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

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

REGISTERED OFFICE

3rd Floor, J&C Building
PO Box 362
Road Town, Tortola
BVI VG 1110

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1404–05
14/F, Nan Fung Tower
88 Connaught Road Central Hong Kong
Tel: (852) 3616 0815, Fax: (852) 3596 3011
Websites: www.huobitech.com
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
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman
KY1–1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54 Hopewell Centre
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. Ng Kwan Ho

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 2021.

MACROECONOMIC CONDITIONS

The year 2021 was hopeful and challenging. Countries and regions around the world actively studied and explored how to transit from restart of economy in the post-pandemic era to normalized development of economy. Supportive monetary policy, fiscal policy and accelerated rollout of the vaccine programme introduced during the Year continued to contribute to the global economic recovery.

However, there remains the pressure of inflation and debt risk at global level amid the resurgence of COVID-19, constraints of global supply chain and inequality of vaccine distribution. In October 2021, the consumer price index (CPI) in the United States reached its peak with a year-on-year increase of 6.2%, breaking through the threshold for the past 30 years, and the CPI in the euro zone reached a 13-year record high with a year-on-year increase of 4.1%, both of which indicated that the problems of high commodity prices and mismatch between supply and demand are to be solved. Divergence was seen among economies in Asia-Pacific region as a result of different vaccination rates, and there is uncertainty in development of the region. Furthermore, there are certain challenges in the further development of the global economy as Federal Reserve is expected to begin tapering and interest rate may rise in 2022, which may lead to an increase in global and regional financing costs and debt pressure.

BUSINESS OVERVIEW

The year 2021 is an important year for the Group to implement its strategic planning and accelerate its development. Although the disruption of global supply chain and the rise of commodity prices have had a certain impact on various industries during the year, the Group recorded a total revenue of HK$611 million during the reporting period, representing a year-on-year increase of 120.8%, which was attributable to our efforts in accelerating business diversification and expansion through lean management, cost control and efficiency improvement.

After the outbreak of COVID-19, the Group fully resumed production to safeguard its manufacturing business, and customers and market demands recovered, thanks to which we maintained orderly operation and steady growth of the manufacturing business during the reporting period.

At the same time, the Group has always maintained strategic thinking on technological innovation. In the context of virtual assets continuing its strong performance globally, the Group seized the opportunity of the times by continuing to actively provide technical services related to virtual assets for customers in innovative technology fields such as blockchain, fintech and big data, and made outstanding achievements in cloud services, data center services and SaaS business.

Globally, the pattern of virtual assets supervision is gradually becoming clear, and the application of blockchain technology is constantly changing. We believe that the compliance and mainstreaming of virtual asset market will be an irreversible trend and the accelerated entry of traditional financial institutions will push the whole industry to another dimension. As a part of its efforts to implement the strategy of "Hong Kong-based with global perspective", the Group constantly diversified development of virtual asset ecosystem, steadily promoted the provision of licensed compliance services, and actively extended its presence to several markets around the world by successively entering into cooperation with local institutions in Kyrgyz Republic, Switzerland and other countries, with a view to further meet the market demands. As of the date of the report, the Group has carried on and provided services including asset-management, trust and custody. The subsidiaries of the Group have achieved gratifying results: Huobi Asset Management (Hong Kong) Limited, which holds Type 4 (advising on securities) and Type 9 (asset management) licenses issued by Hong Kong Securities and Futures Commission ("Hong Kong SFC"), was authorised by Hong Kong SFC to manage the investment portfolio of 100% virtual assets on 3 March 2021, and successfully launched five virtual asset fund products in April 2021 with professional investors (as defined in the Securities and Futures Ordinance and Securities and Futures (Professional Investors) Rules) as its target customers, and those products were highly welcomed in the market; Huobi Trust US, which holds the Trust Company License issued by the Development of Business and Industry in Nevada, the United States, officially became the custodian of USD-backed compliant stable currency coin HUSD in June 2021; and Huobi Trust HK, which holds the Trust or Company Service Provider (TCSP) license, successfully registered for carrying on business during the reporting period, and by the end of September of the same year, the assets under its custody has exceeded USD2 billion. In view of our outstanding performance in capital market and business, the Company was added as a constituent to MSCI Global Micro Index during the period.

In addition, the Group is actively developing compliant virtual asset trading platform business in Asian financial centres such as Hong Kong SAR and Singapore. Huobi Singapore has submitted an application for "Major Payment Institution License" to Monetary Authority of Singapore in accordance with the Payment Services Act; and we also maintain close communication with Hong Kong regulators as we plan to submit an application to the Hong Kong SFC for licenses to engage in Type 1 and Type 7 regulated activities under the Securities and Futures Ordinance in Hong Kong as a virtual asset trading platform.

The Group will continue to develop itself into a "world-leading one-stop virtual asset service platform". In the future, we will continue to apply for licenses related to virtual assets and finance around the world to provide investors with professional, safe and compliant virtual asset financial services.

MACROCOSMIC VIEWPOINT

The year 2021 is significant for the development of blockchain and virtual assets. The market capitalization of virtual assets increased rapidly that it exceeded USD3 trillion during the Year. In terms of the application ecology of blockchain also started unprecedented high-speed development: non-fungible tokens (NFT), GameFi and Metaverse, all of which have become high-profile investment tracks. Boom of the industry is backed by the increasingly clear international regulatory pattern and the presence of large institutions. Global regulators have successively introduced virtual asset compliance licenses and policy frameworks. El Salvador has even become the first country in the world to make bitcoin legal tender. The first fund linked to bitcoin future on Wall Street debuted on the New York Stock Exchange in October, becoming a positive catalyst for the development of virtual asset ecosystem. At the same time, Citibank, DBS Bank, BlackRock, Fidelity and other traditional financial institutions have also engaged in virtual asset services. There are great underlying opportunities through specialization and compliance in the field of virtual assets.

Finance brings about development of technology, and technology in turn empowers finance. The application of digitalization is imperative as it has gradually penetrated into the economic base and superstructure of human society, and has become the key research area of countries and governments. According to the data of the Bank for International Settlements, about 86% of the world's central banks are actively studying the central bank digital currency (CBDC), and about 60% of them have started the technical trials.

We believe that technological change will shape the future, especially with the gradual formation of global regulatory pattern, the development of blockchain and virtual asset industry will eventually usher in the era of mainstreaming and compliance.

On behalf of the Board,

Li Lin
Chairman

HKSAR
20 December 2021

Management Discussion and Analysis

MATERIAL EVENTS

Amendment to the share option scheme

A share option scheme was adopted by the Company on 27 October 2016 (the "Share Option Scheme") to recognise, motivate and provide incentives to those who make contributions to the Company and its subsidiaries (the "Group"). Pursuant to the Share Option Scheme, one-third of the Options shall be vested in the holders of Options on each anniversary of the first 3 years from the date of grant.

After considering (i) the current remuneration package (including performance bonus) of the management and employees; and (ii) other incentive programme of the Group currently in place, the Board, as a commercial decision, has amended the schedule for vesting of Options under the Share Option Scheme which took effect on 17 November 2020 to the effect that one-fourth of the Options shall be vested in the holders of Options on each anniversary of the first 4 years from the date of grant. The amendments shall not apply to the outstanding options as at 17 December 2020 which have already been granted but remain unexercised under the Share Option Scheme.

For details, please refer to the Company's announcements dated 19 October 2020, 23 October 2020, 17 November 2020 and the circular dated 23 October 2020.

Obtained Trust Company License in the United States

Huobi Trust Company ("Huobi Trust US"), a company incorporated in the State of Nevada, the United States and an indirectly wholly-owned subsidiary of the Company, was issued with a Trust Company License by the Financial Institutions Division of the Department of Business and Industry in Nevada, the United States, to engage in the trust company business within the meaning of Chapter 669 of the Nevada Revised Statutes and the rules and regulations thereunder.

For details, please refer to the Company's announcement dated 22 December 2020.

Continuing connected transactions in relation to Huobi Trust US's signing of (1) custodial service agreement; and (2) compliance service agreement

Huobi Trust US entered into a custodial service agreement with Stable Universal Limited ("Stable Universal"), a connected person of the Company, pursuant to which Stable Universal has agreed to appoint Huobi Trust US as the custodian of its assets. The custodial service agreement is for a term from 26 January 2021 to 30 September 2023 unless terminated by either party by giving to the other notice in writing.

The table below sets out the annual caps for the custodial service agreement for the period from the 26 January 2021 to 30 September 2021 (both days inclusive) and the two years ending 30 September 2022 and 2023:

	Period from the 26 January 2021 to 30 September 2021 (both days inclusive) (US$)	Year ending 30 September 2022 (US$)	Year ending 30 September 2023 (US$)
Amount of asset custody fee under the Custodial Service Agreement	600,000	800,000	800,000

Huobi Trust US entered into a compliance service agreement with Stable Universal, pursuant to which Stable Universal has agreed to engage Huobi Trust US as an agent for the provision of the compliance services to Stable Universal. The compliance service agreement is for a term from 26 January 2021 to 30 September 2023 unless terminated by either party by giving to the other notice in writing.

The table below sets out the annual caps for the compliance service agreement for the period from the 26 January 2021 to 30 September 2021 (both days inclusive) and the two years ending 30 September 2022 and 2023:

	Period from the 26 January 2021 to 30 September 2021 (both days inclusive) (US$)	**Year ending 30 September 2022** (US$)	**Year ending 30 September 2023** (US$)
Amount of service fee under the compliance service agreement	150,000	200,000	200,000

For details, please refer to the Company's announcement dated 26 January 2021.

Approval granted by Securities and Futures Commission ("SFC") to manage portfolios that invest in virtual assets

The SFC has approved Huobi Asset Management (Hong Kong) Limited ("Huobi Asset Management") to manage portfolios that invest in virtual assets and to continue to conduct Type 4 and Type 9 regulated activities with effect from 3 March 2021. The approval is subject to an additional licensing condition that Huobi Asset Management shall continuously comply with the "Proforma Terms and Conditions for Licensed Corporations which manage portfolios that Invest in Virtual Assets" ("T&C") issued by the SFC on 4 October 2019 and any amendments made to the T&C thereafter.

For details, please refer to the Company's announcement dated 4 March 2021.

Discloseable and continuing connected transactions in relation to Win Techno's signing of the Second Supplemental Agreement

Reference is made to (i) the announcement of the Company dated 24 December 2019 in relation to, among others, the provision of financial assistance regarding payment agent services provided by Win Techno Inc. ("Win Techno"), a wholly-owned subsidiary of the Company, to Huobi Global Limited ("Huobi Global (Seychelles)") under the service agreement (the "Service Agreement"), pursuant to which Win Techno, as the payment agent of Huobi Global (Seychelles) makes payment of usage fees to the Amazon Web Service Group (the "AWS") for and on behalf of Huobi Global (Seychelles), and (ii) the announcement dated 19 March 2020 and the circular dated 23 March 2020 of the Company in relation to the supplemental agreement entered into between Win Techno and Huobi Global (Seychelles) pursuant to which the annual cap in respect of the provision of financial assistance under the Service Agreement was revised (the "First Supplemental Agreement").

By a deed of novation (the "Deed of Novation") dated 26 February 2021 entered into among Win Techno, Huobi Global (Seychelles) and Huobi Worldwide Limited ("Huobi Worldwide"), Huobi Global (Seychelles) agreed to novate and Huobi Worldwide agreed to assume all rights and obligations of Huobi Global (Seychelles) in and under the Service Agreement (as amended by the First Supplemental Agreement). Save for the said revisions, all other terms under the Service Agreement (as amended by the First Supplemental Agreement) remain the same. Accordingly, Huobi Global (Seychelles) was released from any obligations under the Service Agreement (as amended by the First Supplemental Agreement), to be performed from the effective date of the Deed of Novation (i.e. 1 February 2021). On 11 March 2021, Win Techno entered into the second supplemental agreement (the "Second Supplemental Agreement") with Huobi Worldwide, pursuant to which the parties agreed to amend the Service Agreement (as amended by the First supplemental agreement and the Deed of Novation) by (i) renewing the terms; (ii) revising the existing caps of the provision of financial assistance in relation to the payment agent services and (iii) Win Techno was granted the absolute right to require Huobi Worldwide to make payment of deposit to Win Techno in such amount and at such time as Win Techno thinks fit before the provision of the payment agent services by Win Techno.

Pursuant to the Second Supplemental Agreement, the maximum financial assistance amount provided by Win Techno to Huobi Worldwide for the respective periods set out below during the term of the Second Supplemental Agreement shall not exceed the cap which has been increased as set out below:

New terms	For the period commencing from 30 April 2021 to 30 September 2021	For the period commencing from 1 October 2021 to 30 September 2022	For the period commencing from 1 October 2022 to 30 September 2023
Revised caps	HK$48,000,000	HK$48,000,000	HK$48,000,000

Saved for the above changes, all other terms and conditions under the Service Agreement (as amended by the First Supplemental Agreement, Deed of Novation and the Second Supplemental Agreement) shall remain unchanged. For details, please refer to the Company's announcements dated 11 March 2021, 1 April 2021 and 30 April 2021 and circular dated 9 April 2021.

Change in board lot size from 2,000 shares to 500 shares

The board lot size of the shares of the Company (the "Shares") for trading on the main board of The Stock Exchange of Hong Kong Limited was changed from 2,000 Shares to 500 Shares with effect from 9:00 a.m. on 23 April 2021.

Since the reduction in board lot size would lower the value of each board lot, it is expected that more investors will be attracted to invest in the Shares and therefore may improve the liquidity of the Shares and broaden the shareholders' base of the Company. The change in board lot size will not result in any change in the relative rights of the shareholders of the Company.

For details, please refer to the Company's announcements dated 29 March 2021 and 8 April 2021.

Registration as a Trust Company in Hong Kong

On 29 April 2021, Huobi Trust Company Limited ("Huobi Trust HK"), a company incorporated in Hong Kong and an indirectly wholly-owned subsidiary of the Company, obtained the approval from the Registrar of Companies for registration as a trust company under section 78(1) the Trustee Ordinance (Cap. 29 of the laws of Hong Kong). A Certificate for Registration under the Trustee Ordinance was issued to Huobi Trust HK on 29 April 2021.

Further details are set out in the Company's announcement dated 4 May 2021.

Continuing connected transactions in relation to Win Techno's signing of the database service agreement

On 30 April 2021, Win Techno entered into a database service agreement with Huobi Worldwide to provide database services to Huobi Worldwide for a term commencing from 1 May 2021 and expiring on 30 September 2022 at a monthly service fee calculated on a cost plus 15% premium basis. The particular type of database services provided by Win Techno to Huobi Worldwide under the database service agreement are customized services in relation to data storage and data center maintenance services.

The annual caps for the database service agreement are set out below:

Period	For the period commencing from 1 May 2021 to 30 September 2021	For the period commencing from 1 October 2021 to 30 September 2022
Maximum transaction amount	JPY35,000,000 (equivalent to approximately HK$2,520,000)	JPY84,000,000 (equivalent to approximately HK$6,048,000)

Further details are set out in the Company's announcement dated 30 April 2021.

Continuing connected transactions in relation to the Huobi Trust HK's signing of custodial services agreements entered into with Orion Financial and HB Infinite

On 14 July 2021, Huobi Trust HK entered into the custodial services agreements with Orion Financial Technology Limited ("Orion Financial") and HB Infinite Limited ("HB Infinite") respectively. Pursuant to which Huobi Trust HK provides custodial services for their assets. Both custodial services agreements are for a term commencing from 14 July 2021 to 31 December 2021 (both dates inclusive).

The table below sets out the annual caps of the total fees (including the custodial fee and withdrawal fee) charged by Huobi Trust HK under the custodial services agreements:

Orion Financial:

Period	For the period from 14 July 2021 to 30 September 2021 (both dates inclusive)	For the period from 1 October 2021 to 31 December 2021 (both dates inclusive)
Maximum Transaction Amount	HK$4,000,000	HK$4,000,000

HB Infinite:

Period	For the period from 14 July 2021 to 30 September 2021 (both dates inclusive)	For the period from 1 October 2021 to 31 December 2021 (both dates inclusive)
Maximum Transaction Amount	HK$2,000,000	HK$2,000,000

Further details are set out in the Company's announcement dated 14 July 2021.

Memorandum of Understanding (the "MOU") in relation to potential business cooperation

On 22 September 2021, the Company and the Division on Investment and Enterprise of Kyrgyz Republic ("DIAE") entered into a non-legally binding MOU in relation to a potential business cooperation in Kyrgyz Republic, pursuant to which DIAE and the Company have agreed to cooperate on the basis of equality, goodwill, respect and trust to implement cryptocurrency exchange projects, develop mutually beneficial business partnerships and contribute to the digital economy development of Kyrgyz Republic.

Under the MOU, the parties have intended to leverage their respective resources and enter into definitive agreements in relation to the potential business cooperation contemplated under the MOU for the purpose of bringing strong synergy to the parties' businesses.

Further details are set out in the Company's announcement dated 23 September 2021.

PERFORMANCE REVIEW

The Group recorded a total revenue of approximately HK$610.7 million for the year ended 30 September 2021 ("Year 2021"), representing an increase of approximately 120.8% or HK$334.1 million from HK$276.6 million for the year ended 30 September 2020 ("Year 2020").

The gross profit of the Group was HK$302.6 million for Year 2021, representing an increase of approximately 288.7% or HK$224.7 million from HK$77.9 million for Year 2020.

The Group recorded a net profit of HK$141.5 million for Year 2021 compared to the loss of HK$32.6 million for Year 2020.

Basic earnings per share of the Group for Year 2021 was HK46.0276 cents (Year 2020: basic loss per share of HK10.6580 cents).

BUSINESS REVIEW

Power-related & electrical/electronic products business

The revenue of the Group from power-related & electrical/electronic products business was HK$376.3 million for Year 2021, representing an increase of approximately HK$134.0 million or 55.3% as compared to HK$242.3 million for Year 2020. The increase was primarily due to the market recovery from COVID-19 epidemic.

Cost of sales, mainly comprising raw materials, direct labour and manufacturing overheads, amounted to HK$297.4 million for Year 2021, representing an increase of approximately HK$107.4 million or 56.5% from HK$190.0 million for Year 2020.

The gross profit was HK$78.9 million and HK$52.3 million, representing a gross profit margin of 21.0% and 21.6% for Year 2021 and Year 2020 respectively.

Selling and distribution expenses increased by HK$4.0 million or 94.6% from HK$4.2 million for Year 2020 to HK$8.2 million for Year 2021. The increase was mainly attributable to the increase in sales.

Provision of technology solution services

(i) *Technology solution business*

The Group provide data centre and cloud-based services to global customers in blockchain, virtual assets, fintech, big data as well as other innovative technology sectors.

The technology solution business grew significantly during Year 2021 and the revenue was approximately HK$99.2 million, which was mainly attributable to the provision of cloud-based services.

The gross profit of the aforementioned business was HK$24.1 million during Year 2021, representing a gross profit margin of 24.3%.

The management is expecting a steady growth in this business in the future.

(ii) *Provision of Software-as-a-Service ("SaaS")*

The Group provides clients access to and use of the virtual asset trading platform related technology software (the "Software") in the hosted environment. This includes maintaining, supporting, developing and implementing customisations to the Software in order to operate a virtual asset trading platform.

During the Year 2021, the business grew dramatically and the revenue has increased by 17,400% or HK$121.8 million from HK$0.7 million in Year 2020 to HK$122.5 million in Year 2021. The increase was attributed to the rise of virtual asset price and the consequential growth of virtual asset transaction volume.

The gross profit of the aforementioned business was HK$111.6 million during the Year 2021, representing a gross margin of 91.1%.

Virtual Asset Ecosystem

(i) *Asset management*

The Group has commenced and carried on asset management businesses 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 (the "SFO").

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 products integrate traditional financial assets and virtual assets and cover the primary and secondary markets. Huobi Asset Management has provided asset management services during Year 2021 but has not provided any securities advisory service on securities during the same period.

Currently, Huobi Asset Management is managing five funds containing virtual assets: Bitcoin tracker fund, Ethereum tracker fund, multi-strategy virtual asset fund, multi-asset fund consisting of 10% virtual assets and 90% traditional assets and a private equity fund for blockchain mining-related businesses. Huobi Asset Management shall only provide services to professional investors, as defined in the SFO and its subsidiary legislation.

During the Year 2021, the revenue generated from the provision of asset management services was HK$6.6 million.

(ii) *Trust and custodian business*

This type of business was being carried out through Huobi Trust US and Huobi Trust HK during Year 2021. Huobi Trust US was issued with a Trust Company License by the Financial Institutions Division of the Department of Business and Industry in Nevada, the United States, to engage in the trust company business within the meaning of Chapter 669 of the Nevada Revised Statutes and the rules and regulations thereunder. Huobi Trust HK, a company incorporated in Hong Kong and an indirectly wholly-owned subsidiary of the Company, obtained a certificate issued by the Registrar of Companies under section 78(1) the Trustee Ordinance (Cap. 29 of the laws of Hong Kong) for registration as a trust company. The trust and custody services provided by the Group typically include the safekeeping, settlement and other customised services of its clients' assets. During the Year 2021, the revenue generated from the provision of custodial and compliance services was HK$6.1 million.

The types of assets custodied under the business include virtual asset, fiat currency, financial instrument or any type of other assets.

(iii) *Virtual asset trading platform*

In Hong Kong, the SFC has implemented a licensing regime for the regulation and licensing of virtual asset trading platform. The Group plans to submit an application to the SFC for licenses to conduct Type 1 and Type 7 regulated activities under the SFO as a virtual asset trading platform in Hong Kong.

In Singapore, the Group has submitted an application to the Monetary Authority of Singapore to be licensed under the Payment Services Act 2019 as a Major Payment Institution providing, amongst other things, digital payment token services.

The applications are subject to vetting and approval by the regulatory authorities and may or may not succeed. The Group has not commenced any relevant business during the Year 2021.

NON-OPERATING EXPENSES OVERVIEW

Other income

Other income, which includes gain on disposal of a subsidiary and government grants has increased by approximately HK$22.2 million from HK$6.5 million for Year 2020 to HK$28.7 million for Year 2021. The significant increase was mainly due to the gain on disposal of a subsidiary of HK$21.9 million.

Administrative expenses

Administrative expenses have increased by approximately HK$29.7 million or 30.0% from approximately HK$98.7 million for Year 2020 to approximately HK$128.4 million for Year 2021 which was due to an increase in staff costs resulting from recruiting of high-calibre personnel during the Year 2021.

Finance costs

Finance costs have decreased by approximately HK$3.2 million or 19.1% from approximately HK$16.9 million for Year 2020 to approximately HK$13.7 million for Year 2021, which were in line with the decrease in level of borrowings in the Group for the comparable period.

Profit/(loss) before income tax

The Group's profit before income tax for Year 2021 was approximately HK$181.5 million as compared to the loss before income tax of approximately HK$32.6 million for Year 2020. The turnaround from loss to profit before income tax was due to the increase in revenue generated from (i) manufacturing business due to the recovery from COVID-19 epidemic and (ii) the provision of technology solution services due to the boom of virtual asset trading industry.

Income tax (expense)/credit

Income tax expense increased from approximately HK$0.1 million of tax credit for Year 2020 to approximately HK$40.0 million of tax expense for Year 2021, representing an increase of approximately HK$40.1 million.

The income tax credit was due to the reversal of overprovision of HK$2.1 million for finalisation for tax audit in Year 2020, netting off with the income tax expenses for Year 2020.

Profit/(loss) after income tax

The Group's profit after income tax for Year 2021 was approximately HK$141.5 million as compared to the loss after income tax of approximately HK$32.6 million for Year 2020.

Dividend

The Directors do not recommend the payment of a final dividend for Year 2021 (Year 2020: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

We finance our operations primarily through cash generated from operations, bank and other borrowings. The Group's net liquidity position as at 30 September 2021, together with the position as at 30 September 2020 is summarised below:

	30 September 2021 HK$'000	30 September 2020 HK$'000
Cash and cash equivalents	552,175	403,684
Less: Interest-bearing bank borrowings	(13,987)	(6,235)
Other borrowings	(280,366)	(309,545)
Net cash	257,822	87,904

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

As at 30 September 2021, the effective interest rates on the Group's floating rate borrowing range from 2.1% to 2.6% (30 September 2020: 2.2% to 4.0%) per annum.

CASH FLOW FROM OPERATING ACTIVITIES

Net cash generated from operating activities was approximately HK$181.6 million for Year 2021 (Year 2020: net cash used in operating activities was approximately HK$29.8 million). The increase in cash flow in Year 2021 was due to the increase in operating profit.

CASH FLOW FROM INVESTING ACTIVITIES

Net cash generated from investing activities was approximately HK$9.5 million for Year 2021 compared to net cash generated from investing activities of approximately HK$0.3 million for Year 2020. The current period inflows mainly resulted from disposal of a subsidiary of HK$30.8 million, netting off with HK$14.4 million (Year 2020: HK$2.6 million) outflow of capital expenditure and investment in unlisted equity and convertible loan receivables of HK$6.9 million.

CASH FLOW FROM FINANCING ACTIVITIES

Net cash used in financing activities was approximately HK$45.1 million for Year 2021 compared to approximately HK$101.0 million used in financing activities for Year 2020. The inflow for Year 2021 includes HK$3.6 million in relation to the issue of shares on the exercise of share options, HK$60 million proceeds from other loan from non-controlling shareholder, netting off with HK$100 million repayments of other loan from a non-controlling shareholder, HK$16.3 million of repayment of lease liabilities, HK$7.8 million of export loans and HK$0.1 million on interest paid on bank borrowings.

CAPITAL EXPENDITURE

Capital expenditure in Year 2021, financed by internal resources and credit facilities, amounted to approximately HK$14.7 million (Year 2020: HK$2.7 million).

TREASURY MANAGEMENT

During Year 2021, 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 and Japanese Yen. 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 2021, the Group's gearing ratio was approximately 105.7% (2020: 243.8%). Gearing ratio equals total borrowings divided by net asset value as at the end of the reporting period. The total borrowings of approximately HK$294.4 million included bank and other borrowings (2020: HK$315.8 million).

CHARGE ON GROUP ASSETS

As at 30 September 2021, the banking facilities of the Company's wholly-owned subsidiaries which were based in mainland China and HKSAR amounted to approximately HK$23.3 million (30 September 2020: HK$23.3 million), comprising asset-backed lending facility. The facilities were secured against certain bank deposits and 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 2021, the amount drawn down under the asset-backed lending facility was HK$14.0 million (30 September 2020: HK$6.2 million).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During Year 2021, the Group did not have any material acquisition or disposal of any subsidiaries or associates.

CONTINGENT LIABILITIES

As at 30 September 2021, the Group did not have any material contingent liabilities (30 September 2020: HK$Nil).

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

Sales to the largest customer and the five major customers respectively accounted for 26.1% and 78.5% of total revenue of the Group for the Year 2021.

Purchases from the largest supplier and the five largest suppliers respectively accounted for 26% and 46% of total purchases of the Group for Year 2021.

As at the date of this report, as far as the Directors were aware of, none of the Directors of the Company, their associates, or any shareholder of the Company had any interest in the customers or suppliers of the Company aforementioned.

COMMITMENTS

As at 30 September 2021, the Group have no capital commitments in respect of purchase of property, plant and equipment (30 September 2020: HK$Nil). Upon the adoption of HKFRS 16, Leases, the operating lease commitment previously disclosed under previous standards were recognised as lease liabilities in the Consolidated Statement of Financial Position as at 30 September 2021 (30 September 2020: HK$Nil).

FOREIGN CURRENCY RISK

The Group's principal operating subsidiaries carry out their operations in the Mainland China, HKSAR, Japan, Singapore and United States. 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.

RISKS RELATED TO ANTI-MONEY LAUNDERING

During the Year 2021, the Group has commenced to provide trust and custody services to its clients. Any person who carries on a trust business in Hong Kong has to comply with the relevant requirements of the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong) and the guideline issued by the Companies Registry of Hong Kong. To mitigate such risks, the Group has implemented policies and procedures for Anti-Money-Laundering (AML) and Know-Your-Client (KYC) that are initiated during the client onboarding process and are applied by way of continuous monitoring and reporting. In enhancing these policies and procedures, we have also considered industry best-practice and the recommendations of the Financial Action Task Force (FATF).

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2021, the Group had 728 employees (30 September 2020: 622 employees) working in mainland China, HKSAR, Japan, Singapore and the USA. The total employment costs (including Directors' remuneration and mandatory provident fund contributions) for Year 2021 amounted to approximately HK$141.0 million (Year 2020: HK$91.4 million). The Company's remuneration policy is set out by the Remuneration Committee on the basis of the employees' merit, qualifications and competence. The Group has also adopted certain bonus programmes, which are determined annually based on certain criteria including performance of the Company and individual employees. Other benefits including share option schemes, insurance policies, retirement benefit plans are offered to eligible employees.

THE COVID-19 PANDEMIC'S IMPACT

The outbreak of COVID-19 has expanded globally and the prevention and control measures to combat the disease have continued to be implemented by different countries. As at the date of this Annual report, there was no material negative impact on the business for the Group due to the outbreak of COVID-19.

The Directors will continue to closely monitor the development of the COVID-19 and assess its impact on the financial position, and operational results of the Group. At present, the Group does not foresee any material change in its exposures to credit risk and liquidity risk. The Group has remained to be financially stable as at 30 September 2021 and experienced no material recovery problem.

EVENTS AFTER THE REPORTING PERIOD

Business updates

After the reporting period, the Group has commenced (i) digital asset lending business to clients and the Group received digital assets collateral under its digital asset lending arrangements with clients; and (ii) the over-the-counter digital asset trading business to trade digital assets with corporate and individual customers through its trading platforms.

Continuing connected transactions in relation to the Custodial Services Agreements entered into with Orion Financial, HB Infinite and Huobi Gibraltar

Reference is made to the announcement of the Company dated 14 July 2021 in relation to, among others, the previous custodial services agreements entered into between Huobi Trust Company Limited ("Huobi Trust HK"), an indirect wholly-owned subsidiary of the Company and each of Orion Financial Technology Limited ("Orion Financial") and HB Infinite Limited ("HB Infinite") on 14 July 2021 respectively (collectively "the parties"). In view of the growing demand for the custodial services provided under the previous custodial services agreements, on 11 October 2021, the parties thereto entered into new custodial services agreements to revise the term of services and the annual caps for the provision of custodial services under the previous custodial services agreements. Further, Huobi Gibraltar Technology Limited ("Huobi Gibraltar") also on 11 October 2021 entered into a custodian services agreement with Huobi Trust HK for appointing Huobi Trust HK as its custodian of Huobi Gibraltar's assets. Under the custodial services agreements dated 11 October 2021 entered into with Orion Financial, HB Infinite and Huobi Gibraltar (each a "Custodial Services Agreement", and collectively the "Custodial Services Agreements"), Huobi Trust HK has been engaged to provide custodial services of the assets of the counterparties for terms commencing from 17 December 2021 to 30 September 2024. The fee charged by Huobi Trust HK as consideration for such custodial services include custodial fee and withdrawal fee. The custodial fee shall accrue daily on a tiered fee structure based on the USDT value of the custodied assets and shall be paid on a monthly basis in arrears. Meanwhile, the withdrawal fee shall be calculated at a percentage of 0.1% of the USDT value of custodied assets transferred out of the custody accounts at Huobi Trust HK and shall be paid upon withdrawal.

In respect of the fees charged by Huobi Trust HK, the annual caps under the Custodial Services Agreement with Orion Financial for each of the period from 17 December 2021 to 30 September 2022 and the financial years ending 30 September 2023 and 30 September 2024 was respectively HK$73,000,000; the annual caps under the Custodial Services Agreement with HB Infinite for each of the period from 17 December 2021 to 30 September 2022 and the financial years ending 30 September 2023 and 30 September 2024 was respectively HK$14,000,000; and the annual caps under the Custodial Services Agreement with Huobi Gibraltar for each of the period from 17 December 2021 to 30 September 2022 and the financial years ending 30 September 2023 and 30 September 2024 was respectively HK$11,600,000.

For details, please refer to the Company's announcements dated 11 October 2021, 2 November 2021, 16 November 2021 and 17 December 2021 and circular dated 29 November 2021.

Continuing connected transactions in relations to the HBIT's signing of Referral Services Framework Agreement

On 30 November 2021, HBIT Limited ("HBIT"), an indirect wholly-owned subsidiary of the Company, and Block Matrix Limited ("Block Matrix"), entered into the referral services framework agreement, pursuant to which HBIT has agreed to provide referral services to Block Matrix for a term commencing from 1 December 2021 and expiring on 30 September 2024 ("Referral Services Framework Agreement"). HBIT shall provide referral services to Block Matrix by way of introduction of borrowers to Block Matrix for the provision of loans of digital assets, and Block Matrix shall pay referral fees to HBIT as consideration for such referral services.

The referral fees payable by Block Matrix to HBIT under the Referral Services Framework Agreement shall be invoiced monthly and calculated at a percentage of 0.2–0.5% of the loan amount based upon the nature and type of the loan to be provided by Block Matrix to the borrowers, such rate to be agreed by the parties from time to time.

The annual caps of the referral fees for each of the period from 1 December 2021 to 30 September 2022, financial years ending 30 September 2023 and 30 September 2024 were respectively HK$13,000,000.

For details, please refer to the Company's announcement dated 30 November 2021.

OUTLOOK

Going forward, there may be uncertainty in the global economic recovery as a result of COVID-19, but the wave of Web 3.0 is also unstoppable. The big era spurs technological change boom, and every technological change in turn promotes the emergence of new things and new logic. The Group will actively embrace the opportunity given by the era, and will continuously optimise its business layout in the principles of diversification, compliance and professional development of business.

On one hand, we will continue to maintain the healthy and orderly development of manufacturing business; on the other hand, more resources will go to the development of blockchain and virtual asset ecosystem. We are optimistic that the "one-stop virtual asset service platform" the Group has been developing will become a bridge between traditional financial institutions and virtual asset world, thus consolidating and expanding the core competitiveness and achieving long-term development of the Group.

The Group believes that the Group and shareholders will receive reasonable returns as long as we make arrangements in a forward-looking manner and steadily explore the compliance business.

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:

NON-EXECUTIVE DIRECTOR

Mr. Li Lin ("Mr. Li"), aged 39, was appointed as the Chairman of the Board, an executive Director of the Company and Chief Executive Officer (the "CEO") of the Company on 10 September 2019. Mr. Li resigned as Chief Executive Officer and re-designated as non-executive Director with effect from 18 December 2021.

Mr. Li founded Huobi Group in 2013. 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 non-executive Director of the Company and the Chairman of the Board, Mr. Li is also the directors of Huobi Capital Inc. ("Huobi Capital") and Techwealth Limited ("Techwealth") which have 22.46% and 24.79% interest respectively in the shares of the Company.

EXECUTIVE DIRECTORS

Mr. Wu Shupeng ("Mr. Wu"), aged 45, was appointed as the Chief Security Officer of the Company on 1 April 2019. Mr. Wu was also appointed as Chief Executive Officer and executive Director with effect from 18 December 2021.

Mr. Wu, aged 45, is currently the chief security officer of the Company. Mr. Wu joined the Group in April 2019. Mr. Wu is currently a chief security officer of Huobi Universal Inc. ("Huobi Universal Inc."), a company incorporated in the Cayman Islands with limited liability, and a director of Huobi Universal Inc. since February 2020. He is also a director of Huobi Japan Inc., a company incorporated in Japan, since July 2020. Both companies are ultimately controlled by Mr. Li Lin ("Mr. Li"), an non-executive Director and a controlling shareholder of the Company. From March 2016 to April 2018, Mr. Wu was the chief security consultant of DiDi Global Inc. (滴滴全球股份有限公司). Before that, Mr. Wu served as a Senior Manager of PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所(特殊普通合夥)), focusing on risk management from November 2014 to March 2016, a 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, and a co-director of Proviti Consulting (Shanghai) Co., Ltd.* (甫瀚諮詢(上海)有限公司) from November 2006 to December 2013.

Mr. Wu obtained a master's degree in business administration from the Graduate School of the Chinese Academy of Sciences (中國科學院研究生院) in July 2011 and has more than 20 years of practical professional experience in the fields of information security technology, business operation security, capital market compliance, risk management and internal control and other fields in high-tech Internet, finance and other industries.

Ms. Zhang Li ("Ms. Zhang"), aged 36, was appointed as the Chief Financial Officer of the Company on 26 August 2020. Ms. Zhang was also appointed as executive Director with effect from 18 December 2021.

Ms. Zhang, aged 36, is currently the chief financial officer of the Company. Ms. Zhang is currently a senior vice president of the Huobi Universal Inc.. Prior to joining the Group, from December 2017 to August 2020, Ms. Zhang 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. From September 2015 to May 2019, Ms. Zhang served as a director of Ci Wen Media Co., Ltd. (002343.SZ). From June 2014 to August 2017, Ms. Zhang served as the Vice President and the secretary of the board of directors of Hangzhou Shunwang Technology Co., Ltd. (300113.SZ), during which time Ms. Zhang was responsible for the formulation of its strategic planning, capital market communications and numerous merger and acquisition deals in the gaming industry. From December 2012 to June 2014, Ms. Zhang served as the senior manager of the acquisition and financing department of Guotai Junan Securities Co., Ltd., during which time Ms. Zhang was responsible for the mergers and acquisitions of numerous well-established companies in the Technology, Media and Telecommunications and environmental industries. From October 2009 to September 2012, Ms. Zhang served as a senior auditor of PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所(特殊普通合夥)), during which time Ms. Zhang had handled audit work of numerous multinational companies.

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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Duan Xiongfei ("Mr. Duan"), aged 52, 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 and was also appointed as a member of the Remuneration Committee on 15 April 2021.

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 56, 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 40, was appointed as an independent non-executive Director, the Chairman of Remuneration Committee, and a member of Audit Committee on 22 February 2019 and was also appointed as a member of the NCGC on 15 April 2021. Mr. Ngai has over 8 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 35, 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, initial public offerings 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, fund-raising activities and initial public offerings from June 2016 to December 2017. Before that, Mr. Ng worked in an international accounting firm and handled the audit service of companies listed on the Stock Exchange and initial public offerings from December 2010 to June 2016.

SENIOR MANAGEMENT

Mr. Henry Woon-hoe Lim ("Mr. Lim"), aged 70, 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.

Ms. Sun Yelin ("Ms. Sun"), aged 41, 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 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 2021 are set out below.

CORPORATE GOVERNANCE CODE

During the year ended 30 September 2021, 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 separated 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 has been 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 crucial 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 were adequate safeguards in place to ensure sufficient balance of powers within the Board, and such dual role arrangement have not undermined the current corporate governance structure of the Group.

After the reporting period, on 18 December 2021, Mr. Li resigned and Mr. Wu Shupeng ("Mr. Wu") was appointed as the CEO of the Company. The Company has complied with all the applicable code provisions set out in the CG Code and achieves better corporate governance pursuant to code provision A.2.1 of the CG Code. As Mr. Wu has extensive professional experience in the fields of information security technology and Technology, the Board believes that he can effectively manage and develop the business of the Group, so that Mr. Li could devote more time as the chairman of the Board and spend more time in formulating and handling the corporate strategy of the Company.

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 2021.

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 six members, consisting of one non-executive Director, two executive Directors and three independent non-executive Directors. The Directors during the year and up to the date of this report are as follows:

Non-executive Director

Mr. Li Lin *(Chairman) (appointed on 18 December 2021)*

Executive Directors

Mr. Li Lin *(Chairman and Chief Executive Officer) (resigned on 18 December 2021)*
Mr. Lan Jianzhong *(resigned on 15 April 2021)*
Mr. Wu Shupeng *(Chief Executive Officer) (appointed on 18 December 2021)*
Ms. Zhang Li *(appointed on 18 December 2021)*

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 19 to 22 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.

With effect from 10 September 2019 and until 17 December 2021, the Company appointed Mr. Li as the executive Director, the Chairman and the CEO. The Board believes that the arrangement of Mr. Li being the Chairman while also serving as the CEO has been 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 have been made in consultation with the members of the Board, the Board is therefore of the view that there were adequate safeguards in place to ensure sufficient balance of powers within the Board, and such dual role arrangement have not undermined the current corporate governance structure of the Group.

After the reporting period, on 18 December 2021, Mr. Li resigned and Mr. Wu Shupeng ("Mr. Wu") was appointed as the CEO of the Company. The Company has complied with all the applicable code provisions set out in the CG Code and achieves better corporate governance pursuant to code provision A.2.1 of the CG Code. As Mr. Wu has extensive professional experience in the fields of information security technology and Technology, the Board believes that he can effectively manage and develop the business of the Group, so that Mr. Li could devote more time as the chairman of the Board and spend more time in formulating and handling the corporate strategy of the Company.

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 2021.

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 2021 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	3/8	N/A	N/A	N/A	1/1
Mr. Lan Jianzhong *(resigned on 15 April 2021)*	4/8	N/A	1/1	1/1	1/1
Independent non-executive Directors					
Mr. Duan Xiongfei	8/8	2/2	1/1	N/A	1/1
Mr. Yip Wai Ming	8/8	2/2	1/1	1/1	1/1
Mr. Ngai Matthew Cheuk Yin	8/8	2/2	N/A	1/1	1/1
Number of meetings held during the year	8	2	1	1	1

Note:

(1) AGM held on 19 March 2021.

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 2021 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 2021, 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 84 to 85 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 comprised three independent non-executive Directors, namely Mr. Duan Xiongfei (Chairman of the NCGC), Mr. Yip Wai Ming and Mr. Ngai Matthew Cheuk Yin, all 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 26 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 independent non-executive Directors, namely Mr. Ngai Matthew Cheuk Yin (Chairman of the Remuneration Committee), Mr. Yip Wai Ming and Mr. Duan Xiongfei. All 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 2021 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 82 to 85.

The total remuneration paid and payable to BDO Limited in respect of audit services for the year ended 30 September 2021 amounted to approximately HK$1,620,000.

Non-audit services provided to the Group mainly represented: the interim review and other service provided by BDO Limited of approximately HK$420,000; 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 Year 2021, 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. Mr. Ng Kwan Ho has become the Company Secretary with effect from 10 August 2020. He is an employee 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.

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.

The Directors are pleased to present this annual report and consolidated audited financial statements for the Group for the year ended 30 September 2021.

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, the provision of technology solution services and varieties of services in virtual asset ecosystem, such as asset management, trust and custodian business. 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 2021 are set out in the section headed "Management Discussion and Analysis" on pages 6 to 18 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 September 2021 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 86 to 183 of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 30 September 2021.

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 184 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 2021 are set out in notes 16 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 51 to 81 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 2021 are set out in the consolidated statement of changes in equity on pages 90 to 91 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 2021, the Company's reserves, for distribution purposes, showed a surplus of HK$69,276,000 comprising accumulated losses of HK$162,598,000 and other reserves of HK$231,874,000.

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

Continuing connected transactions in relation to Huobi Trust US's signing of (1) custodial service agreement; and (2) compliance service agreement

Huobi Trust US entered into a custodial service agreement (the "Custodial Service Agreement") dated 26 January 2021 with Stable Universal Limited ("Stable Universal"), a connected person of the Company, pursuant to which Stable Universal has agreed to appoint Huobi Trust US as the custodian of the assets. Huobi Trust US shall establish and maintain a custody account to custody the assets backing HUSD and any other stable-coins token(s) that will or may be issued and managed by Stable Universal, and shall hold in safe custody, the assets in the custody account at all times. Only upon the receipt of specific instructions provided by Stable Universal, Huobi Trust shall receive or deliver any assets or carry out any actions affecting the assets or the custody account. The Custodial Service Agreement is for a term from 26 January 2021 to 30 September 2023 unless terminated by either party by giving to the other notice in writing.

Huobi Trust US is authorized by Stable Universal to determine the way of holding and/or investment of the assets without prior written approval from Stable Universal, subject to conformance with any investment criteria or thresholds earlier specified by Stable Universal. Any interest and/or other earnings generated from Huobi Trust US's holding and/or investment of the assets, whereby such interest and/or earnings shall be generated based on the US Federal Funds Overnight rate or equivalent short-term funding rate as a percentage of the total Assets held by Huobi Trust US on behalf of Stable Universal, shall be retained solely by Huobi Trust US and Stable Universal will not receive any portion of such interest and/or earnings. The foregoing shall constitute the asset custody fees payable by Stable Universal to Huobi Trust US as consideration to the custodial services provided under the Custodial Service Agreement.

The table below sets out the annual caps for the Custodial Service Agreement for the period from 26 January 2021 to 30 September 2021 (both days inclusive) and the two years ending 30 September 2022 and 2023:

	Period from 26 January 2021 to 30 September 2021 (both days inclusive) (US$)	Year ending 30 September 2022 (US$)	Year ending 30 September 2023 (US$)
Amount of asset custody fee under the Custodial Service Agreement	600,000	800,000	800,000

Huobi Trust US entered into a compliance service agreement (the "Compliance Service Agreement") with Stable Universal, pursuant to which Stable Universal has agreed to engage Huobi Trust US as an agent for the provision the compliance services to Stable Universal in connection with (i) the mandatory process of identifying and verifying the identity of client when opening an account and periodically over time; (ii) the customer identification program in compliance with Section 326 of the USA Patriot Act and its implementing regulations; and (iii) ongoing compliance services including the monitoring and review of onboarded customers to (a) determine continued compliance with applicable anti-money laundering regulations and sanctions, (b) detect suspicious activity and (c) provide Stable Universal with integrated case management services. The Compliance Service Agreement is for a term from 26 January 2021 to 30 September 2023 unless terminated by either party by giving to the other notice in writing.

Stable Universal has agreed to pay Huobi Trust a service fee calculated on a monthly basis, based on the rates set out in the Compliance Service Agreement, which represent Huobi Trust's actual costs plus a 25% profit margin.

The table below sets out the annual caps for the Compliance Service Agreement for the period from 26 January 2021 to 30 September 2021 (both days inclusive) and the two years ending 30 September 2022 and 2023:

	Period from 26 January 2021 to 30 September 2021 (both days inclusive) (US$)	Year ending 30 September 2022 (US$)	Year ending 30 September 2023 (US$)
Amount of asset custody fee under the Compliance Service Agreement	150,000	200,000	200,000

For details, please refer to the Company's announcement dated 26 January 2021.

Discloseable and continuing connected transactions in relation to Win Techno's signing of the second supplemental agreement

Reference is made to (i) the announcement of the Company dated 24 December 2019 in relation to, among others, the provision of financial assistance regarding payment agent services provided by Win Techno Inc. ("Win Techno") to Huobi Global Limited ("Huobi Global (Seychelles)") under the service agreement dated 24 December 2019 (the "Service Agreement"), pursuant to which Win Techno, as the payment agent of Huobi Global (Seychelles) makes payment of usage fees to the Amazon Web Service Group (the "AWS") for and on behalf of Huobi Global (Seychelles), and (ii) the announcement dated 19 March 2020 and the circular dated 23 March 2020 of the Company in relation to the supplemental agreement dated 19 March 2020 entered into between Win Techno and Huobi Global (Seychelles) pursuant to which the annual cap in respect of the provision of financial assistance under the Service Agreement was revised (the "First Supplemental Agreement").

The maximum financial assistance amount provided by Win Techno to Huobi Worldwide from 24 December 2019 to 13 April 2020 was HK$15,000,000. Pursuant to the First Supplemental Agreement, the maximum financial assistance amount provided by Win Techno to Huobi Worldwide for the respective periods set out below during the term of the First Supplemental Agreement shall not exceed the cap which has been increased as set out below:

Period	For the period commencing from 14 April 2020 to 30 September 2020	For the period commencing from 1 October 2020 to 30 September 2021	For the period commencing from 1 October 2021 to 30 September 2022	For the period commencing from 1 October 2022 to 23 December 2022
Maximum Financial Assistance Amount	HK$30,000,000	HK$30,000,000	HK$30,000,000	HK$30,000,000

By a deed of novation (the "Deed of Novation") dated 26 February 2021 entered into among Win Techno, Huobi Global (Seychelles) and Huobi Worldwide Limited ("Huobi Worldwide"), Huobi Global (Seychelles) agreed to novate and Huobi Worldwide agreed to assume all rights and obligations of Huobi Global (Seychelles) in and under the Service Agreement (as amended by the First Supplemental Agreement). Save for the said revisions, all other terms under the Service Agreement (as amended by the First Supplemental Agreement) remain the same. Accordingly, Huobi Global (Seychelles) was released from any obligations under the Service Agreement (as amended by the First Supplemental Agreement), to be performed from the effective date of the Deed of Novation (i.e. 1 February 2021).

On 11 March 2021, Win Techno entered into the second supplemental agreement with Huobi Worldwide, pursuant to which the parties agreed to amend the Service Agreement (as amended by the First supplemental agreement and the Deed of Novation) by (i) renewing the terms; (ii) revising the existing caps of the provision of financial assistance in relation to the payment agent services and (iii) Win Techno was granted the absolute right to require Huobi Worldwide to make payment of deposit to Win Techno in such amount and at such time as Win Techno thinks fit before the provision of the payment agent services by Win Techno (the "Second Supplemental Agreement").

Pursuant to the Second Supplemental Agreement and subject to the terms thereof, Win Techno shall continue to play the role of a distributor of AWS to render the payment agent services to Huobi Worldwide and, as payment agent, shall make monthly payment of usage fees to the AWS for and on behalf of Huobi Worldwide. Win Techno shall make substitutive payment of the usage fee, denominated in US dollars, on behalf of Huobi Worldwide, whereas, Huobi Worldwide shall make payment of the equivalent amount of Usage Fees, denominated in US dollars, to Win Techno. Based on the aforesaid payment agent services providing to Huobi Worldwide, Win Techno is providing financial assistance to Huobi Worldwide.

Pursuant to the Second Supplemental Agreement, the maximum financial assistance amount provided by Win Techno to Huobi Worldwide for the respective periods set out below during the term of the Second Supplemental Agreement shall not exceed the cap which has been increased as set out below:

New terms	For the period commencing from 30 April 2021 to 30 September 2021	For the period commencing from 1 October 2021 to 30 September 2022	For the period commencing from 1 October 2022 to 30 September 2023
Revised caps	HK$48,000,000	HK$48,000,000	HK$48,000,000

Saved for the above changes, all other terms and conditions under the Service Agreement (as amended by the First Supplemental Agreement, Deed of Novation and the Second Supplemental Agreement) shall remain unchanged. For details, please refer to the Company's announcements dated 11 March 2021, 1 April 2021 and 30 April 2021 and circular dated 9 April 2021.

Continuing connected transaction in relation to Win Techno Inc.'s signing of the database service agreement

Reference is made to the announcement of the Company dated 19 July 2019 in relation to, among others, the provision of cloud-based software and database services under the service agreement entered into between Huobi Global (Seychelles) and Win Techno on 1 May 2019 and supplemented by a supplemental agreement dated 19 July 2019. The terms of the service agreement and the corresponding annual cap shall expire on 30 April 2020.

The annual caps for the service agreement are set out below:

Period	30 July 2019 to 30 September 2019	1 October 2019 to 30 April 2020
Transaction Amount	JPY34,000,000 (equivalent to approximately HK$2,380,000)	JPY119,000,000 (approximately HK$8,330,000)

In view of the growing demand for cloud-based software and database services, on 19 March 2020, Huobi Global (Seychelles) and Win Techno entered into the new service agreement, pursuant to which the parties have agreed, inter alia, to revise the original annual cap under the service agreement for the further term commencing on 1 May 2020 to 30 April 2021.

The revised annual caps for the new service agreement are set out below:

Period	1 October 2019 to 30 September 2020	1 October 2020 to 30 April 2021
Transaction Amount	JPY230,500,000 (equivalent to approximately HK$16,135,000)	JPY156,100,000 (approximately HK$10,927,000)

On 30 April 2021, Win Techno Inc. entered into a database service agreement with Huobi Worldwide, a company incorporated in Hong Kong with limited liability and is indirectly controlled by Mr. Li Lin, the chairman of the Board, executive director, chief executive officer and a controlling shareholder of the Company, to provide database services to Huobi Worldwide for a term commencing from 1 May 2021 and expiring on 30 September 2022 at a monthly service fee calculated on a cost plus 15% premium basis. The particular type of database services provided are customized services in relation to data storage and data centre maintenance services.

The table below sets out the annual caps for the period from 1 May 2021 to 30 September 2021 and years ending 30 September 2022:

Period	**1 May 2021 to 30 September 2021**	**1 October 2021 to 30 September 2022**
Maximum transaction amount	JPY 35,000,000 (equivalent to approximately HK$2,520,000)	JPY 84,000,000 (equivalent to approximately HK$6,048,000)

Further details are set out in the Company's announcement dated 30 April 2021.

Continuing connected transactions in relation to Huobi Trust HK's signing of the custodial services agreements

On 14 July 2021, Huobi Trust Company Limited ("Huobi Trust HK"), an indirect wholly-owned subsidiary of the Company, entered into the custodial services agreements with Orion Financial Technology Limited ("Orion Financial") and HB Infinite Limited ("HB Infinite") respectively. Pursuant to which Huobi Trust HK provides custodian services for their assets. Both custodial services agreement are for a term commencing from the 14 July 2021 to 31 December 2021.

Huobi Trust HK shall establish and maintain one or more custody account(s), and shall hold in safe custody the assets in the custody account(s) until such assets are withdrawn or cease to be assets pursuant to the custodial services agreements. Huobi Trust HK may in its sole discretion choose to support any forked digital assets or airdropped digital assets. Huobi Trust HK shall only upon the receipt of specific instructions provided by Orion Financial and HB Infinite to receive or deliver any assets or carry out any actions affecting the assets or the custody accounts.

The assets in the custody account shall be non-interest bearing. The custodial fee and the withdrawal fee shall constitute the fees payable to Huobi Trust HK as consideration for the custodial services provided under the custodial services agreements. The custodial fee shall accrue daily on a tiered fee structure based on a percentage of the daily USDT value of the assets held in the custody account and shall be paid quarterly in arrears. Subject to the minimum withdrawal amount and the minimum withdrawal fee, the withdrawal fee shall be calculated as a percentage of the USDT value of the assets transferred out of the custody account and shall be paid upon withdrawal of the assets from the custody account. Both custodial fee and withdrawal fee shall be charged in the form of the assets under custody and deducted automatically by Huobi Trust HK from the custody account in settlement of the custodial fee and withdrawal fee.

The table below sets out the proposed annual caps of the total fees (including the custodial fee and withdrawal fee) charged by Huobi Trust HK under the custodial services agreement signed with Orion Financial for the periods as set out below:

Period(s)	From the Commencement Date to 30 September 2021 (both dates inclusive) (HK$)	From 1 October 2021 to 31 December 2021 (both dates inclusive) (HK$)
Maximum fees charged	4,000,000	4,000,000

The table below sets out the proposed annual caps of the total fees (including the custodial fee and withdrawal fee) charged by Huobi Trust HK under the custodial services agreement signed with HB Infinite for the periods as set out below:

Period(s)	From the Commencement Date to 30 September 2021 (both dates inclusive) (HK$)	From 1 October 2021 to 31 December 2021 (both dates inclusive) (HK$)
Maximum fees charged	2,000,000	2,000,000

Further details are set out in the Company's announcement dated 14 July 2021.

During the year ended 30 September 2021, 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 2021 (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 38 to the consolidated financial statements, no other significant related party transactions were conducted by the Group during the year ended 30 September 2021. The Company confirms that it has complied with the disclosure requirements under chapter 14A of the Listing Rules in relation to the related party transactions, among which the above-mentioned also constitute continuing connected transactions of the Group as defined in the Listing Rules.

DIRECTORS

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

Non-executive Director

Mr. Li Lin *(Chairman) (appointed on 18 December 2021)*

Executive Directors

Mr. Li Lin *(Chairman and Chief Executive Officer) (resigned on 18 December 2021)*
Mr. Lan Jianzhong *(resigned on 15 April 2021)*
Mr. Wu Shupeng *(Chief Executive Officer) (appointed on 18 December 2021)*
Ms. Zhang Li *(appointed on 18 December 2021)*

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 forthcoming 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 19 to 22 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 2021 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 38 to the consolidated financial statements and the section headed "Related Party Transactions and Continuing Connected Transactions" in Directors' Report from pages 36 to 41 of this Report, 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 2021.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Subsequent to Year 2021 and up to the date of this Report, the Group has commenced the loan of digital assets and over-the-counter digital asset trading businesses. The following Directors (collectively "Interested Directors") are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group ("Competing Business").

Mr. Li Lin, a non-executive Director and Chairman of the Board as well as a controlling Shareholder (as defined under the Listing Rules), held shareholding interests and directorships in companies/entities engaging in the Competing Business. Mr. Wu Shupeng, as an executive Director and the Chief Executive Officer of the Company, has held directorships in companies/entities engaged in the Competing Business.

Notwithstanding the aforesaid interests, as the Board is independent of the board of companies/entities engaged in the Competing Business and has three independent non-executive directors and each of the Interested Directors is fully aware of, and has been discharging, his fiduciary duty to the Company and has acted and will continue to act in the best interest of the Company and the Shareholders as a whole, the Group is capable of carrying on its businesses independently of, and at arm's length from, the Competing Businesses.

Apart from the above, none of the Directors or any their respective associates is interested in any business competing or is likely to compete with the Group's business that is discloseable under Rule 8.10(2) of the Listing Rules.

MANAGEMENT CONTRACTS

As at 30 September 2021, 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

Save as disclosed under "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company", at no time during the year ended 30 September 2021, were rights to acquire benefits by means of the acquisition of shares in or debentures of 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 any of its holdings companies, subsidiaries and fellow subsidiaries 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 30,720,566, 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 2021 which have been granted to, exercised and forfeited by the eligible participants are as follows:

	Date of grant	Exercise price *HK$*	Outstanding as at 1 October 2020 *Number*	Granted during the year *Number*	Exercised during the year *Number*	Lapsed during the year *Number*	Forfeited during the year *Number*	Outstanding as at 30 September 2021 *Number*
Executive Directors								
Mr. Lee Chris Curl *(resigned on 10 August 2020)*	3.4.2019	3.13	1,800,000	–	–	–	(1,800,000)	–
Mr. Lan Jianzhong# *(resigned on 15 April 2021)*	3.4.2019	3.13	600,000	–	–	–	–	600,000
Employees*	3.4.2019	3.13	2,487,000	–	(802,000)	–	(360,000)	1,325,000
Employees*	16.10.2019	4.36	250,000	–	(66,666)	–	–	183,334
Employees	2.7.2020	3.28	880,000	–	(119,999)	–	(430,000)	330,001
Employees	14.10.2020	4.68	–	1,534,000***	–	–	(1,534,000)	–
Other eligible participants**	16.10.2019	4.36	250,000	–	(82,000)	(1,333)	(166,667)	–
			6,267,000	1,534,000	(1,070,665)	(1,333)	(4,290,667)	2,438,335
Weighted average exercise price			HK$3.25	HK$4.68	HK$3.32	HK$4.36	HK$3.75	HK$3.24

Mr. Lan Jianzhong has resigned as an Executive Director of the Company with effective from 15 April 2021 but to continue being employed by the Company as an employee during the year.

* The figures include the options held by the consultants of the Company who were classified as other eligible participants in the Company's 2020 Annual Report and the supplemental announcement dated 1 November 2021. The consultants became the Company's employees during the year.

** Other eligible participants are the consultants of the Company.

*** The closing price of the shares of the Company immediately before 14 October 2020 on which the 1,534,000 options were granted was HK$4.68.

As of the year ended 30 September 2021, one-third of the options granted on 3 April 2019, 16 October 2019, 2 July 2020 and 14 October 2020 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 as of 17 November 2020 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 FY2021.

DONATIONS

The Group has not made any donations during the year ended 30 September 2021 (2020: 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 2021.

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 2021.

Fund Raising Activities

There were no fund-raising activities conducted by the Company during the year ended 30 September 2021.

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' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2021, so far as is known to the Directors, the interests or short positions of the Directors and chief executives 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") (Note 2)	Interest of controlled corporation (Note 3)	181,714,196	59.02%

(*) The percentage has been calculated based on 307,870,665 shares in issue as at 30 September 2021.

Notes:

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

2. Mr. Li is also the chief executive officer of the Company.

3. Mr. Li holds 100% interest in the total issued share capital of Huobi Capital, 100% interest in the total issued share capital of HBCapital and 89.09% interest in the total issued share capital 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.

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

As at 30 September 2021, 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	9.52%
Huobi Capital Inc. ("Huobi Capital")	Beneficial owner	69,165,149	22.47%
Techwealth Limited ("Techwealth")	Beneficial owner	76,350,346	24.80%
Techwealth Limited ("Techwealth")	Interest of controlled corporation (Note 3)	6,902,000	2.24%
Mr. Li Lin ("Mr. Li")	Interest of controlled corporation (Note 1)	181,714,196	59.02%
SC China Holding Limited	Interest of controlled corporation (Note 2)	37,779,131	12.27%
Shen Nan Peng ("Mr. Shen")	Interest of controlled corporation (Note 2)	37,779,131	12.27%
SNP China Enterprises Limited	Interest of controlled corporation (Note 2)	37,779,131	12.27%
SC China Venture IV Management, L.P.	Interest of controlled corporation (Note 2)	30,467,072	9.90%
Sequoia Capital China Venture Fund IV, L.P.	Interest of controlled corporation (Note 2)	30,467,072	9.90%
Sequoia Capital CV IV Holdco, Ltd.	Interest of controlled corporation (Note 2)	30,467,072	9.90%
Sequoia Capital CV IV Senior Holdco, Ltd.	Beneficial owner	30,467,072	9.90%

(*) The percentage has been calculated based on 307,870,665 shares in issue as at 30 September 2021.

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 9.90% 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 7,312,059 Shares, representing approximately 2.38% 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 7,312,059 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 7,312,059 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 37,779,131 Shares, representing approximately 12.27% of the total issued share capital of the Company.

(3) Techwealth holds approximately 47.73% interest in the total issued share capital of Huobi Universal Inc. ("Huobi Universal") and Huobi Universal holds 70% interest in the total issued share capital of Huobi Cayman Holding Limited (formerly known as Huobi Global Limited). Huobi Cayman Holding Limited holds 6,902,000 Shares, representing approximately 2.24% of the total issued share capital of the Company. As Techwealth is interested in more than one-third of the total issued share capital of Huobi Universal and Huobi Universal is interested in more than one-third of the total issued share capital of Huobi Cayman Holding Limited, Techwealth is deemed to be interested in such 6,902,000 Shares held by Huobi Cayman Holding Limited in the Company for the purpose of Part XV of the SFO.

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 latest practicable date prior to the issuance of this annual report, the Directors confirm that the Company has maintained at all times 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 23 to 34 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 2021 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 2021, 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
Chairman
HKSAR
20 December 2021

INTRODUCTION AND APPROACH TO ESG AND REPORTING

Huobi Technology Holdings Limited (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, and a varieties of services in virtual asset ecosystem, such as asset management, trust and custodian business. The Group is pleased to present the Environmental, Social and Governance Report (the "ESG Report") for the year ended 30 September 2021 (the "FY2021"). This ESG Report summarises the environmental, social and governance ("ESG") initiatives, plans, and performances of the Group and demonstrates its ongoing commitment towards sustainable development.

ESG Governance Structure

As a responsible corporate, the Group views ESG commitments as part of our responsibilities and are committed to incorporating ESG considerations into our decision-making process. To achieve this goal, the Group has developed a framework to ensure ESG governance is aligned with its strategic growth, while advocating for the integration of ESG into its business operations. The structure of ESG governance mainly comprised of two components, namely the board of directors (the "Board") and the ESG taskforce (the "Taskforce").

The Board holds the overall responsibility for the Group's ESG strategy and reporting, as well as overseeing and managing its ESG-related risks. The Board is also responsible for setting targets and goals. In order to better manage the Group's ESG-related issues, the Board discusses and reviews the Group's ESG-related risks and opportunities, performance, progress, goals and targets regularly with the assistance of the Taskforce. The Board also ensures the effectiveness of ESG risk management and internal control mechanism.

The Taskforce comprises of core members from different departments of the Group. The Taskforce facilitates the Board's oversight of ESG-related issues and has the responsibility for collecting and analysing ESG data, monitoring and evaluating the Group's ESG performance, ensuring compliance with ESG-related laws and regulations, and preparing ESG reports. The Taskforce arranges meeting regularly to discuss and review ESG-related issues including but not limited to the effectiveness of current Group's performance, ESG policies and procedures, ESG-related performance, as well as the Group's strategic goals in terms of sustainable development. The Taskforce reports to the Board periodically and assists the Board to discharge its oversight responsibility.

REPORTING SCOPE

Following the updated reporting requirements of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group has carefully evaluated its business entities and operations based on the principle of materiality, and considered its core business and main revenue sources. The scope of this ESG Report includes the Group's offices in Hong Kong, office and factory in the People's Republic of China (the "China"), and office and warehouse in Japan. The Group's operations in Hong Kong, China and Japan are accountable for majority of the Group's total revenue in FY2021.

REPORTING FRAMEWORK

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

Information relating to the Group's corporate governance structure and practices has been set out in the Corporate Governance Report of this annual report.

The Group attaches great importance to materiality, quantitative, balance, and consistency during the preparation for this ESG Report, the Group has applied these reporting principles in the aforementioned ESG Reporting Guide as the following:

Materiality: Materiality assessment was conducted to identify material issues during FY2021, thereby adopting the confirmed material issues as the focus for the preparation of this ESG Report. The materiality of issues was reviewed and confirmed by the Board and the Taskforce. Please refer to the sections headed "Materiality Assessment" for further details.

Quantitative: The standards and methodologies used in the calculation of relevant data in the ESG Report, as well as the applicable assumptions were disclosed. The KPIs were supplemented by explanatory notes to establish benchmarks where feasible.

Balance: This ESG Report was prepared based on an objective and impartial manner to ensure that the information disclosed faithfully reflects the overall ESG performance of the Group.

Consistency: The statistical methodologies applied to this ESG Report were substantially consistent with the previous year, and explanations were provided regarding data with changes in the scope of disclosure and calculation methodologies. If there are any changes that may affect comparison with previous reports, the Group will add comments to the corresponding content of this ESG Report.

This ESG Report has undergone the internal review process of the Group and was approved by the Board.

REPORTING PERIOD

This ESG Report describes the ESG activities, challenges, and measures taken by the Group during the year ended 30 September 2021.

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 this ESG Report to assist the Group in reviewing its operations, identifying relevant ESG issues, and assessing the importance of related matters to its businesses and stakeholders. The Group had compiled a survey based on the identified ESG issues to collect information from management, general staff and consultant of the Group.

The Group has reviewed the stakeholders' feedback and the survey result, and determined the key ESG issues. A summary of material ESG issues for the Group based on relative importance is displayed below:

The ESG reporting guide	Materiality ESG Issue
Environment	
A1. Emission	Emissions Control Waste Management
A2. Use of Resources	Energy Management Water Management
A3. The Environment and Natural Resources	Noise Pollution
A4. Climate Change	Climate Change Management
Social	
B1. Employment	Employment Practice
B2. Health and Safety	Health and Safety
B3. Development and Training	Development and Training
B4. Labour Standards	Labour Standards
B5. Supply Chain Management	Supply Chain Management
B6. Product Responsibility	Protection of Intellectual Property Rights Customer Privacy Protection Product Quality and Safety Customer Service
B7. Anti-corruption	Anti-corruption
B8. Community Investment	Corporate Social Responsibility

During FY2021, 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, and Hong Kong.

A. ENVIRONMENT

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 continues to focus on utilising a standardised management system to govern the environmental management of the Group. The Group has formulated relevant environmental protection policies, and communicated such policies to its employees, especially for the manufacture of electrical/electronic products. The Group has implemented the internationally recognised ISO14001:2015 environmental management system (the "EMS") in its China 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.

During FY2021, the Group was not aware of any material non-compliance with laws and regulations concerning exhaust and greenhouse gas ("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 People's Republic of China; the Water Pollution Prevention Law of the People's Republic of China; the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution; the Law of the People's Republic of China on Prevention and Control of Pollution From Environmental Noise; the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste; the Air Pollution Control Ordinance of Hong Kong; the Water Pollution Control Ordinance of Hong Kong; the Waste Disposal Ordinance of Hong Kong; the Air Pollution Control Act of Japan; the Waste Management and Public Cleansing Law of Japan; and the 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 from its operations and ensuring compliance with the 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 factory to ensure 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 insignificant in the FY2021. The emission reduction measures within the factory 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.

Another major source of emissions arising out of the Group's operation was gasoline and diesel consumed by vehicles. As the Group principally engaged in investment holding, the Group does not generate significant amount of exhaust gas directly during its operations. Nevertheless, the Group has implemented measures relating to the reduction of exhaust gas emissions generated from vehicles including:

- Switch off the engine when the vehicle is idling;
- Perform efficient planning on driving routes to minimise 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.

During FY2021, the Group's nitrogen oxides, sulphur oxides, and particulate matter emissions are measured at approximately 4.03 kg, 0.12 kg, and 0.30 kg respectively, which were mainly attributable to the fuel consumed by vehicles in China.

GHG Emissions

The major sources of the Group's GHG emissions are direct GHG emissions from the combustion of gasoline and diesel consumed by vehicles (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). During FY2021, the Group has set target to reduce GHG emissions intensity (tCO_2e per employee) over the next 3 years, using FY2021 as the baseline year. To achieve the target, the Group has adopted the following measures:

Scope 1 – Direct GHG emissions

To reduce Scope 1 GHG emissions, the Group is taking the proactive measures which was 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 will be described in the section headed "Energy Management" 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 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 will be described in the section headed "Wastes Management" of aspect A1.

During FY2021, the Group's total GHG emissions increased by approximately 12.41% compared to last financial year. This was mainly due to the increase in the consumption of electricity as a result of the increase in business activities. The Group will continue its efforts in mitigating the GHG emissions in the following year, by phasing out energy-inefficient equipment when it reaches the end of the equipment lifecycle.

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

Indicator[1]	Unit	FY2021	FY2020
Direct GHG emissions (Scope 1) – Gasoline and diesel consumed	tCO_2e	13.47	39.23
Energy indirect GHG emissions (Scope 2) – Purchased electricity	tCO_2e	2,061.79	1,805.49
Other indirect GHG emissions (Scope 3) – Air travel and paper disposed into landfills	tCO_2e	15.11	14.90
Total GHG emissions	**tCO_2e**	**2,090.37**	**1,859.62**
Intensity	**tCO_2e/employee[2]**	**3.31**	**2.99**
	tCO_2e/product[3] (thousand pieces)	**0.09**	**0.10**

Notes:

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 Stock Exchange, 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 2020 Sustainability Report, HK Electric Investments Sustainability Report 2020 and Environmental Index Results List issued by Japan's TEPCO Group.

2. As at 30 September 2021, the Group had 728 employees (30 September 2020: 622 employees). Within the reporting scope of this ESG Report, the Group had a total of 632 full-time employees, this data is also used for calculating other intensity data.

3. During FY2021, the Group had produced 24,057,867 (FY2020: 18,012,329) pieces of products. The data is also used for calculating other intensity data.

Sewage Discharge

Due to the Group's business nature, 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

Hazardous wastes

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, prevent their spread and leakage, and to minimise their impact on the environment.

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 (《應急響應計劃》) 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 licensed operators to carry out the recycling and treatment according to the relevant laws and regulations.

During FY2021, the Group's hazardous wastes disposal has increased by approximately 33.55% in comparison to last financial year. This was mainly attributable to the increase in the frequency of cleaning and maintaining the machinery during the operation as a result of the increase in business activities. All of these hazardous wastes were recovered by qualified collectors.

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

Indicator	Unit	FY2021	FY2020
Hazardous wastes	tonnes	2.07	1.55
Intensity	**tonnes/employee**	**0.003**	**0.002**
	tonnes/product (thousand pieces)	**0.00009**	**0.00009**

Non-hazardous wastes

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. Non-hazardous wastes such as paper, metals, slag, plastics, and general wastes are generated by the Group's daily operations. They are properly sorted as recyclable and non-recyclable wastes and are stored in designated collection areas. After identifying and classifying the wastes, the recyclable wastes collected are then delivered to the waste collectors for regular recycling. 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 has set a target to reduce the total non-hazardous wastes intensity (tonnes per employee) over the next 3 years, using FY2021 as the baseline year. In order to minimise the environmental impacts from non-hazardous wastes generated from our business operation and achieve the set target, the Group has implemented the following measures:

- 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.

During the FY2021, the Group's total non-hazardous wastes disposed of has increased by approximately 57.58% compared to last financial year, which was mainly attributable to the increase in consumption of paper as a result of the increase in business activities. The Group will continue its efforts in mitigating the non-hazardous wastes disposal in the following year by enhancing its information technology systems in furtherance to a paperless environment.

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

Indicator	Unit	FY2021	FY2020
Paper	tonnes	3.12	1.98
Intensity	**tonnes/employee**	**0.005**	**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 (《運行控制程序》), 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 resources consumption. The Group also regularly reviews these measures and 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. During FY2021, the Group sets a target of reducing the total energy consumption intensity (MWh/employee) over the next 3 years, using FY2021 as the baseline year. To achieve the set target, 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 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;
- 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.

During FY2021, the Group's total energy consumption has increased by about 18.79%, from approximately 3,477.33 MWh in the last financial year to approximately 4,130.68 MWh in FY2021, which was mainly attributable to the increase in the consumption of electricity as a result of the increase in business activities. The Group will continue its efforts in mitigating the energy consumption in the following year, by phasing out energy-inefficient equipment when it reaches the end of the equipment lifecycle.

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

Indicator	Unit	FY2021	FY2020
Gasoline	MWh	69.08	130.16
Diesel	MWh	11.15	14.20
Direct energy consumption	**MWh**	**80.23**	**144.36**
Purchased electricity	MWh	4,050.45	3,332.97
Indirect energy consumption	**MWh**	**4,050.45**	**3,332.97**
Total energy consumption	**MWh**	**4,130.68**	**3,477.33**
Intensity	**MWh/employee**	**6.54**	**5.59**
	MWh/product (thousand pieces)	**0.17**	**0.19**

Water Management

The Group's water use is mainly water for offices and factory. During FY2021, the Group has set a target of reducing the total water consumption intensity (cubic meters per employee) over the next 3 years, using FY2021 as the baseline year. To achieve the set target, the Group encourage all employees to develop a habit of conscious water use. In addition, the Group has 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.

During FY2021, the Group's total water consumption has slightly increased by approximately 7.71% in comparison to last financial year, which was mainly attributable to the increased cleaning works caused by the COVID-19 pandemic ("COVID-19").

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

Indicator	Unit	FY2021	FY2020
Water	cubic meters	15,321.00	14,224.31
Intensity	**cubic meters/employee**	**24.24**	**22.87**
	cubic meters/product (thousand pieces)	**0.64**	**0.79**

Due to the Group's business nature, 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 electrical/electronic products for sale. During FY2021, the packaging material used had increased by approximately 82.18% in comparison to the last financial year, which was mainly attributable to the increased in products sold.

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

Indicator	Unit	FY2021	FY2020
Carton box	tonnes	115.96	63.65
Intensity	**tonnes/employee**	**0.18**	**0.10**
	tonnes/product (thousand pieces)	**0.005**	**0.004**

A3. 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.

A4. Climate Change

The Group recognises the importance of the identification and mitigation of significant climate-related issues, therefore, the Group is committed to managing the potential climate-related risks which may impact the Group's business activities. The Group has established risk management policy in identifying and mitigating different risks including climate-related risks. The Board meets regularly and co-operates closely with key management to identify and evaluates climate-related risks and to formulate strategies to manage the identified risks.

Through the above method, the Group identified the material impacts on the Group's business arising from the following risks:

Climate-related Issues

Physical Risks

The increased frequency and severity of extreme weather such as typhoons, storms and heavy rains can disrupt the Group's operations by damaging the power grid, and communication infrastructures, and injuring its employees during their work, leading to reduced capacity and decreased in productivity, or expose the Group to risks associated with non-performance and delayed performance. To minimise the potential risks and hazards, the Group has flexible working arrangements and precautionary measures during bad or extreme weather conditions.

Transition Risks

The Group anticipates that there will be more stringent climate legislations and regulations to support the global vision of carbon neutrality. From a listed company's perspective, we acknowledge the increasing requirements of climate-related information disclosures. One example is the recent update of the Stock Exchange's ESG Guide in respect to significant climate-related impact disclosures of an issuer. Stricter environmental laws and regulations may expose enterprises to higher risks of claims and lawsuits. Corporate reputation may also decline due to failure to meet the compliance requirements for climate change. The company's related capital investment and compliance costs thus increase. In response to the policy and legal risks as well as the reputation risks, the Group regularly monitors existing and emerging trends, policies and regulations relevant to climate and be prepared to alert the top management where necessary to avoid cost increments, noncompliance fines and/or reputational risks due to delayed response.

B. SOCIETY

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 (《人力資源管理程序》) 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.

During FY2021, 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 People's Republic of China; Labour Contract Law of the People's Republic of China; Employment Ordinance of Hong Kong; and Labour Standards Act of Japan that would have a significant impact on the Group.

As at 30 September 2021, the Group had 728 employees (30 September 2020: 622 employees). Within the reporting scope of this ESG Report, the Group had a total of 632 full-time employees, the distribution of employees according to gender, age group and geographical region are as follows:

	Employees	Percentage (%)
By Gender		
Male	248	39.24
Female	384	60.76
By Age Group		
Under 30 years old	115	18.20
30–40 years old	233	36.87
41–50 years old	224	35.44
Over 50 years old	60	9.49
By Geographical Region		
China	573	90.67
Hong Kong	55	8.70
Japan	4	0.63

During FY2021, the Group' overall full-time employee turnover rate was approximately 65.26%. The table below shows the employee turnover rate by gender, age group and geographical region.

	Turnover Rate (%)
By Gender	
Male	65.80
Female	64.94
By Age Group	
Under 30 years old	165.96
30–40 years old	66.23
41–50 years old	24.32
Over 50 years old	7.77
By Geographical Region	
China	66.32
Hong Kong	51.85
Japan	50.00

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.

The Group executes staff termination procedures following its internal operating procedures and relevant national regulations. When an employee leaves the Group, the Group will arrange an exit interview to understand the reason behind and continuously optimise the Group's operation mechanism.

Competitive Remuneration Package

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 emphasizes work efficiency and does not encourage employees to work overtime under normal circumstances but they are allowed to work overtime according to work requirements.

The Group organises 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. Unfortunately, these activities were forced to stop as a preventive measure in response to the COVID-19 pandemic.

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 People’s Republic of China; the Law of the People’s Republic of China on Safe Production; the Law of the People’s Republic of China on the Prevention and Control of Occupational Diseases; the Fire Services Law of the People’s Republic of China; the Occupational Safety and Health Ordinance of Hong Kong; the Employees Compensation Ordinance of Hong Kong; the Industrial Safety and Health Act of Japan; the Order for Industrial Safety and Health Act of Japan; and the Employment Insurance Act of Japan that would have a significant impact on the Group.

During FY2021, the total number of working days lost of the Group due to work-related injuries was 85 (FY2020: 8) days. The Group has not recorded any incidents that caused death or serious bodily injury in each of the past three years including FY2021. Besides, there was 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 during FY2021.

Safety Production Management System

To strengthen the Group's commitment to safety management, the Group has implemented 5S Management in its manufacturing facilities – "Seiri, 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 has formulated the 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 the workers.

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 various measures to safeguard its employees, internal safety of the Group, and business continuity. In response to the public health measures of the government of China, the Group has promptly set up a crisis management team in its manufacturing factory located in China to coordinate and arrange for the provision of services to maintain normal operations. In addition to the blockade period in China, 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 to encourage our employees to get vaccinated, 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 in response 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.

During FY2021, the percentage breakdown of employees trained and the average training hours per employee, by gender and employee category are as follows:

	Percentage of employees trained (%)	Average training hours per employee (hours)	Breakdown of trained employees (%)
By Gender			
Male	58.25	1.57	38.58
Female	58.43	1.50	61.42
By Employee Category			
Board	100.00	2.00	0.31
Senior management	100.00	12.17	1.86
General staff	61.84	1.49	97.83

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.

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.

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 cases where any individual below the legal working age is hired, corrective actions will be taken immediately to rectify the situation, by terminating the employee and reporting to the relevant Governmental authorities.

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.

During FY2021, 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 People's Republic of China; the Labour Contract Law of the People's Republic of China; Employment Ordinance of Hong Kong; and the 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, China, 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 wide and varied suppliers and contractors who provides a wide range of raw materials, components, and sub-components to support our product offerings and business operations. Therefore, the supplier and contractor selection is extremely important as it will directly affect the quality of the Group's 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 the Group's 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. During FY2021, all suppliers engaged by the Group has been reviewed through the said system.

The number of supplier breakdown by geographical region are as follows:

Geographical Region	Unit	FY2021	FY2020
China	Number	251	N/A
Hong Kong	Number	86	N/A
Japan	Number	4	N/A
Others	Number	33	N/A

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 the relevant declarations of 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") in order to ensure the product quality and protect the environment and the well-being of end-users. This helps the Group evaluate potential candidates objectively and fairly and choose the right suppliers to support the Group's operations, as well as minimise potential environmental and social risks. 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. Also, the Group perform close monitoring on the suppliers' business practices through onsite inspections. Any observations of non-compliance during the site visit will be reported immediately to the management. Corrective action plan will be carried out to remediate the identified risks in a timely manner.

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. The Group 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 Group aims to continuously improve the Group's quality control system, improve the comprehensive management level of product manufacturing, as well as continue to meet customer expectations and comply with relevant laws and regulations.

During FY2021, 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 People's Republic of China on Protection of Consumer Rights and Interests; the Patent Law of the People's Republic of China; the Sale of Goods Ordinance of Hong Kong; the Copyright Ordinance of Hong Kong; the Personal Data (Privacy) Ordinance of Hong Kong; the Trademark Act of Japan; the Copyright Act of Japan; the Patent Act of Japan; and the Act on the Protection of Personal Information of Japan that would have a significant impact on the Group.

During FY2021, the Group did not have any material product or service-related complaints being recorded. Besides, no product sold or shipped was subjected to recall for safety and health reasons.

Quality Control

The Group has established the quality management system and formulated the Quality Manual (《質量手冊》) in accordance with the requirements of ISO9001:2005 and IATF16949:2016 and the business nature of the Group. 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

The Group has established the Customer-Related Process Procedures (《與顧客相關的過程程序》) and Information Exchange Procedures (《資訊交流程序》) 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, the Group communicates in a written or verbal form in the language agreed by the customer. The Group is also 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 (such as electronic data exchange, etc.). All complaint cases and details are documented to reduce the possibility of future recurrence.

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 Group has established Data Security Policy (《數據安全政策》). 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.

Intellectual property rights

The Group has established relevant guidelines to govern the information technology management within the Group. Besides, the IT Department is responsible for obtaining proper licenses for software, hardware and information the Group uses in its business operation. Duplication or downloading of information, software, and images from the internet must be approved by relevant departments. Furthermore, the Group closely monitor the infringement actions in the market and prevent any infringement behavior, such as counterfeit trademarks.

Advertising and Labelling

Based on 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》).

During FY2021, 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 People's Republic of China; the Anti-Unfair Competition Law of the People's Republic of China; the Prevention of Bribery Ordinance of Hong Kong; and the Unfair Competition Prevention Act of Japan that would have a significant impact on the Group. There are no concluded legal cases regarding corruption practices brought against the Group or its employees during FY2021.

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 (《反貪腐政策》) and the Code of Prevention of Bribery and Confidentiality (《防止賄賂及保密守則》) 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 (《防止賄賂及保密守則》). For example, the Group strictly forbidden 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 FY2021, the Group's directors and employees had received a total of 8 hours and 60 hours of anti-corruption training regarding the FATF standards respectively. 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.

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. Stakeholders 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 the 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.

Due to the COVID-19 pandemic, the Group has temporarily suspended the organisation and participation of charitable and voluntary activities.

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

Mandatory Disclosure Requirements	Section/Declaration
Governance Structure	Introduction and Approach to ESG and Reporting – ESG Governance Structure
Reporting Principles	Reporting Framework
Reporting Boundary	Reporting Scope

Subject Areas, Aspects, and KPIs	Description	Section/Statement
A. Environmental		
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 air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions – Exhaust Gas Emissions, GHG Emissions

Subject Areas, Aspects, and KPIs	Description	Section/Statement
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – Waste Management
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emissions – GHG Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions – Waste 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	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources – Energy Management
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources – Water Management
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources – Energy Management

Subject Areas, Aspects, and KPIs	Description	Section/Statement
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources – Water Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources – Use of Packaging Materials
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	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 A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change–Climate-related Issues

Subject Areas, Aspects, and KPIs	Description	Section/Statement
B. Social		
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
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	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 B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety – Safety Production Management System

Subject Areas, Aspects, and KPIs	Description	Section/Statement
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
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training – Training Management and Courses
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training – Training Management and Courses
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	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards – Prevention of Child Labour/Prevention of Forced Labour
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards – Prevention of Child Labor or Forced Labor
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management

Subject Areas, Aspects, and KPIs	Description	Section/Statement
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	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 B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility – Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility – Customer Services
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility – Customer Privacy Protection

Subject Areas, Aspects, and KPIs	Description	Section/Statement
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 – Anti-corruption
KPI B7.1	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 – Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption – Whistle-blowing Mechanism
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption – Internal Control
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
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment – Corporate Social Responsibility
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment – Corporate Social Responsibility

Independent Auditor's Report

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

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

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

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 86 to 183, which comprise the consolidated statement of financial position as at 30 September 2021, 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 2021, 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.

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 2021, the carrying amount of the Group's trade receivables was HK$89,070,000. 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.

- 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.

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

- 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, 20 December 2021

Consolidated Statement of Profit or Loss

For the year ended 30 September

	Notes	2021 HK$'000	2020 HK$'000
Revenue	6	610,713	276,555
Cost of sales and services		(308,082)	(198,697)
Gross profit		302,631	77,858
Other income	7	28,711	6,544
Interest income	8	458	2,861
Selling and distribution expenses		(8,222)	(4,225)
Administrative expenses		(128,374)	(98,722)
Finance costs	9	(13,679)	(16,902)
Profit/(loss) before income tax	10	181,525	(32,586)
Income tax (expense)/credit	12	(40,048)	4
Profit/(loss) for the year		141,477	(32,582)
Profit/(loss) for the year attributable to owners of the Company		141,477	(32,582)
		2021 HK cents	2020 HK cents
Earnings/(loss) per share	15		
– Basic		46.0276	(10.6580)
– Diluted		45.7593	(10.6580)

Consolidated Statement of Other Comprehensive Income

For the year ended 30 September

	2021 HK$'000	2020 HK$'000
Profit/(loss) for the year	**141,477**	(32,582)
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	**4,525**	1,699
Other comprehensive income for the year, net of tax	**4,525**	1,699
Total comprehensive income for the year attributable to owners of the Company	**146,002**	(30,883)

Consolidated Statement of Financial Position

As at 30 September

	Notes	2021 HK$'000	2020 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**39,501**	40,888
Right-of-use assets	26(a)	**51,154**	41,098
Goodwill	17	**174**	174
Other intangible asset	18	**349**	–
Financial assets at fair value through other comprehensive income	36	**1,946**	–
		93,124	82,160
Current assets			
Inventories	19	**67,349**	25,231
Trade and other receivables	20	**149,734**	86,802
Cryptocurrencies	21	**3,072**	–
Convertible loan receivable	37	**4,645**	–
Financial assets at fair value through profit or loss	36	**245**	–
Pledged bank deposit	22	**7,785**	7,758
Cash and bank balances	22	**552,175**	403,684
		785,005	523,475
Current liabilities			
Trade and other payables	23	**198,640**	97,231
Contract liabilities	24	**3,347**	4,261
Bank and other borrowings	25	**13,987**	101,856
Lease liabilities	26(b)	**19,402**	10,646
Tax payable		**40,903**	8,145
		276,279	222,139
Net current assets		**508,726**	301,336
Total assets less current liabilities		**601,850**	383,496
Non-current liabilities			
Bank and other borrowings	25	**280,366**	213,924
Lease liabilities	26(b)	**35,718**	32,277
Deferred tax liabilities	28	**7,161**	7,764
		323,245	253,965
Net assets		**278,605**	129,531

	Notes	2021 HK$'000	2020 HK$'000
EQUITY			
Share capital	29	**308**	307
Reserves	32	**278,297**	129,224
Total equity attributable to owners of the Company		**278,605**	129,531

The consolidated financial statements on pages 86 to 183 were approved and authorised for issue by the Board of Directors on 20 December 2021 and are signed on its behalf by:

Wu Shupeng
Director

Zhang Li
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	(Accumulated loss)/ Retained profits* HK$'000	Total HK$'000
At 1 October 2020	307	101,554	5,674	32,565	7,956	(11,003)	(7,522)	129,531
Issue of shares upon exercise of share options (notes 29(ii) and 30(ii))	1	5,598	(2,047)	–	–	–	–	3,552
Reversal of equity-settled share-based compensation expenses (note 31)	–	–	(427)	–	–	–	–	(427)
Transfer of share option reserve upon the lapse of share options	–	–	(2)	–	–	–	2	–
Disposal of a subsidiary (note 43)	–	–	–	–	–	(53)	–	(53)
Transactions with owners	1	5,598	(2,476)	–	–	(53)	2	3,072
Profit for the year	–	–	–	–	–	–	141,477	141,477
Other comprehensive income								
Exchange differences arising on the translation of financial statements of foreign operations	–	–	–	–	–	4,525	–	4,525
Total comprehensive income for the year	–	–	–	–	–	4,525	141,477	146,002
At 30 September 2021	308	107,152	3,198	32,565	7,956	(6,531)	133,957	278,605

* The total of reserves as at 30 September 2021 is HK$278,297,000 (2020: HK$129,224,000).

	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

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 Cash Flows

For the year ended 30 September

	Notes	2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Profit/(loss) before income tax		181,525	(32,586)
Adjustments for:			
Amortisation of other intangible asset	18	25	–
Depreciation of property, plant and equipment	16	8,371	7,721
Depreciation of right-of-use assets	26(a)	15,465	20,252
(Reversal of)/equity-settled share-based compensation expenses	11	(427)	4,305
Gain on conversion of cryptocurrencies	21	–	(51)
(Gain)/loss on disposal of property, plant and equipment	10	(4)	3,352
Gain on lease modification		–	(128)
Imputed interest expense on other loan from a related company	9	6,199	8,890
Imputed interest expense on other loan from a non-controlling shareholder	9	4,379	4,654
Interest expense on other loan from a non-controlling shareholder	9	243	–
Interest expenses on bank borrowings	9	179	349
Interest expenses on lease liabilities	9	2,679	3,009
Interest income	8	(458)	(2,861)
Provision for/(reversal of) impairment loss on inventories	19	2,314	(275)
Gain on disposal of a subsidiary	7	(21,940)	–
Fair value loss on convertible loan receivable	10	347	–
Fair value gain on financial assets at fair value through profit or loss	10	(245)	–
Sundry income		(24)	(303)
Operating profit before working capital changes		198,628	16,328
(Increase)/decrease in inventories		(44,432)	1,653
Increase in trade and other receivables		(64,314)	(33,192)
Increase in cryptocurrencies		(3,072)	–
Increase in trade and other payables		103,839	50,069
Decrease in contract liabilities		(914)	(279)
Cash generated from operations		189,735	34,579
Income tax paid		(8,123)	(4,775)
Net cash generated from operating activities		181,612	29,804

	Notes	2021 HK$'000	2020 HK$'000
Cash flows from investing activities			
Disposal of a subsidiary, net of cash disposed	43	30,755	–
Purchase of property, plant and equipment	16	(14,366)	(2,698)
Purchase of other intangible asset	18	(373)	–
Purchase of financial assets at fair value through other comprehensive income	36	(1,946)	–
Purchase of convertible loan receivable	37	(4,992)	–
Proceeds from disposal of property, plant and equipment		4	55
(Increase)/decrease in pledged bank deposit		(27)	93
Interest received on bank deposits and balances		458	2,861
Net cash generated from investing activities		9,513	311
Cash flows from financing activities			
Net cash inflow/(outflow) in trust receipts and export loans		7,752	(3,127)
Repayments of principal portion of lease liabilities		(13,593)	(18,094)
Repayments of interest portion of lease liabilities		(2,679)	(3,009)
Repayment of other loans from a related company		–	(159,000)
Repayments of other loan from a non-controlling shareholder	25	(100,000)	–
Proceeds from other loan from a non-controlling shareholder	25	60,000	–
Interest paid on bank borrowings		(179)	(349)
Proceeds from conversion of cryptocurrencies	21	–	78,445
Issue of shares on exercise of share options		3,552	4,086
Net cash used in financing activities		(45,147)	(101,048)
Net increase/(decrease) in cash and cash equivalents	33	145,978	(70,933)
Effect of foreign exchange rate changes		2,513	(66)
Cash and cash equivalents at beginning of the year		403,684	474,683
Cash and cash equivalents at end of the year		552,175	403,684
Analysis of the balance of cash and cash equivalents			
Cash and bank balances	22	552,175	403,684

MAJOR NON-CASH TRANSACTIONS

During the year ended 30 September 2021, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$22,994,000 (2020: HK$24,160,000) and HK$22,994,000 (2020: HK$24,160,000) respectively, in respect of the lease arrangements for the leased office properties and factories (note 26).

Notes to the Financial Statements

For the year ended 30 September 2021

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 1404–05, 14/F, Nan Fung Tower, 88 Connaught Road Central, Hong Kong.

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, and a varieties of services in virtual asset ecosystem, such as asset management, trust and custodian business. These business segments are the basis upon which the Group reports its primary segment information.

The ultimate controlling party was Mr. Li Lin (李林) ("Mr. Li").

The consolidated financial statements on pages 86 to 183 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 2020

The Group has applied the following new or amended HKFRSs issued by the HKICPA that are relevant to the Group's operations and first effective for the current accounting period of the Group.

Amendments to HKFRS 3	Definition of a Business
Amendment to HKAS 1 and HKAS 8	Definition of Material
Conceptual Framework for Financial Reporting 2018	Conceptual Framework for Financial Reporting (Revised)

The adoption of these new or amended HKFRSs did not have significant impact on the Group's financial performance and financial position. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

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

(a) Adoption of new or amended HKFRSs – effective from 1 October 2020 – *continued*

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify the definition of a business and introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election to apply the concentration test is made for each transaction. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is met, the set of activities and assets is determined not to be a business. If the concentration test is failed, the acquired set of activities and assets is further assessed based on the elements of a business.

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.

Conceptual Framework for Financial Reporting 2018 – Conceptual Framework for Financial Reporting (Revised)

The revised Framework is not a Standard nor an Accounting Guideline. It does not override any Standard, any requirement in a Standard or Accounting Guideline. The revised Framework includes: new chapters on measurement and reporting financial performance; new guidance on derecognition of assets and liabilities; updated definitions of asset and liability; and clarifications in the roles of stewardship, prudence and measurement uncertainty in financial reporting.

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

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

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date become effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[5]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[5]
Amendments to HKAS 8	Definition of Accounting Estimates[5]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[5]
Amendments to HKAS 16	Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[6]
Amendments to HKFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021[2]
HKFRS 17	Insurance Contracts[5]
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendments to HKFRS 1, HKFRS 9 and Illustrative Examples accompanying HKFRS 16[3]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for annual periods beginning on or after 1 April 2021.
3 Effective for annual periods beginning on or after 1 January 2022.
4 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.
5 Effective for annual periods beginning on or after 1 January 2023.
6 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

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

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

Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of "settlement" to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issues in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and does not change the existing requirements.

Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies

The key amendments to HKAS 1 include:

- Requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

Amended HKFRS Practice Statement 2 includes guidance and two additional examples on the application of materiality to accounting policy disclosures.

Amendments to HKAS 8 – Definition of Accounting Estimates

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify their relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

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

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

Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. a lease in the scope of HKFRS 16). It introduces an additional criterion for the initial recognition exemption under HKAS12.15, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences.

Amendments to HKAS 16 – 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 specify that the "cost of fulfilling a contract" comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 – Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

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

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

Amendments to HKFRS 3 – Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation, exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent asset acquired in a business combination.

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

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendments to HKFRS 16 – COVID-19 Related Rent Concessions beyond 30 June 2021

The 2021 Amendments to HKFRS 16 extends the availability of the practical expedient in paragraph 46A of HKFRS 16 so that it applies to rent concessions for which any reduction in lease payments affects only payment originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

HKFRS 17 – Insurance Contracts

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4, Insurance Contracts. The standard outlines a 'General Model', which is modified for insurance contacts with direct participation features, described as the 'Variable Fee Approach'. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

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

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

Annual Improvements to HKFRSs 2018–2020 Cycle

The annual improvements amend a number of standards, including:

HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permits a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by it parent, based on the parent's date of transition to HKFRSs.

HKFRS 9, Financial Instruments, which clarifies the fees included the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on the other's behalf are included.

HKFRS 16, Leases, which amends Illustrative Example 13 to remove 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 do not expect 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 except for financial assets at fair value through other comprehensive income ("FVTOCI"), convertible loan receivable and financial assets at fair value through profit or loss ("FVTPL"). 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Business combination and basis of consolidation – *continued*

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue recognition – *continued*

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue recognition – *continued*

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.

(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.

(ii) Provision of data centre services, cloud-related services and Software as a service ("SaaS") 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.

(iii) Consultancy services income

Consultancy services income is recognised over time as those services are provided continuously over the contract period. Invoices for those service income are issued on a regular basis based on the terms stated in the contact. Invoices for provision of consultancy services income are issued on a monthly basis and are usually payable within 30 days.

(iv) Custodian services

The Group provides secured storage of digital assets service to certain third parties. Under this type of arrangement, the Group holds digital assets deposits by the third parties in the Group's own wallets. Custodian services are calculated and accrued on a daily basis and are recognised over time as services are rendered. Invoices for provision of custodian services are issued on a monthly basis and are usually payable within 30 days.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue recognition – *continued*

(v) Asset management services

Revenue from asset management services is recognised over time as the services are provided. Management fee is determined with reference to the net asset value of the fund managed by the Group. Performance fee is recognised on the performance fee valuation day with reference to the net asset value (subject to high watermark and benchmark) of the fund managed by the Group when there is a positive performance for the relevant performance period and it is determined that it will not result in significant reversal in a subsequent period.

(vi) 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Goodwill – *continued*

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.

Other Intangible assets

Domain name

(i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is recognised at fair value at the acquisition date. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

The amortisation expense is recognised in profit or loss and included in administrative expenses. The useful lives and amortisation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The amortisation is provided on a straight-line basis over their estimated useful lives as follows.

Domain name	15 years

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in profit or loss as incurred.

(iii) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Other Intangible assets – *continued*

Domain name – continued

(iv) Impairment of intangible assets

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts.

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.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

Cryptocurrencies

The Group considers cryptocurrencies as a type of intangible asset and accounts for cryptocurrencies held by the Group under the cost model. The cryptocurrencies held by the Group are considered to have indefinite life, given there is no foreseeable limit to the period over which the relevant cryptocurrencies are expected to generate net cash inflows for the Group. They are not subject to amortisation and are tested annual for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. 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.

Cryptocurrencies that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. The increased carrying amount of cryptocurrencies attributable to a reversal of an impairment loss, which is recognised in profit or loss, will not exceed the carrying amount that would have been determined had no impairment loss been recognised for the cryptocurrencies in prior accounting periods.

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% – 33 1/3%
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 categories into which the Group classifies its debt instruments are 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 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.
FVTOCI:	Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Debt investments at FVTOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
FVTPL:	Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

(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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

(ii) Impairment loss on financial assets – continued

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 cost 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, bank and other borrowings, and lease liabilities 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 (other than financial 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

The Group as a lessee

All 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 initially 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*

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Retirement benefits costs – *continued*

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.

The employees of the Group's subsidiaries which operate in the United States of America ("USA") are required to make payroll tax contributions in accordance with the Federal Insurance Contributions Act (the "FICA"). The FICA tax consists of both Social Security and Medicare taxes. FICA taxes are paid both by the employee and the employer, with each party paying half of these taxes, based on an employee's gross pay. Contributions are made at the rates dictated for the respective tax year. The Group has no further payment obligations once the contributions have been paid. The employer 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Related parties – *continued*

(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:

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – *continued*

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. Further information is disclosed in note 40.

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.

Accounting for cryptocurrencies

HKFRSs do not specifically address accounting for cryptocurrencies. Accordingly, for the preparation of the consolidated financial statements, management needs to apply judgement in determining appropriate accounting policies based on the facts and circumstances of the Group's holding of cryptocurrencies. The management has determined that a cryptocurrency meets the definition of an intangible asset and will be accounted for in accordance to HKAS 38 "Intangible Assets", unless it is being held for sale in the ordinary course of business, in that case it will be under the scope of HKAS 2 "Inventories". Accordingly, management needs to apply judgement in determining the business model for holding of cryptocurrencies.

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.

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.

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.

Estimation of fair value of financial instruments

The fair value of financial instruments that are not traded in active markets are determined by using valuation techniques according to the nature of the financial instruments. These include discounted cash flow method and option pricing models. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Details of the key assumptions used, the impact of changes to these assumptions and the carrying amounts of financial assets at FVTOCI, financial assets at FVTPL and convertible loan receivable are disclosed in notes 36 and 37 respectively.

Valuation of equity-settled share-based payment transactions

The fair values of share options have 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.

Determination of consolidation scope

Where the Group acts as an asset manager for several funds, the Group makes judgement on whether it is the principal or an agent to determine whether the Group controls the funds and should consolidate them. When performing this assessment, the Group considers several factors including, among other things, the scope of its decision-making authority over the funds, the rights held by parties, the remuneration to which it is entitled in accordance with the related agreements for the assets management services and the Group's exposure to variability of returns from other interests that it holds in the funds. The Group performs re-assessment periodically based on whether it has control if facts and circumstances indicate that there are changes to one or more of the elements of controls.

Assets held as custodian

When the Group acts, in a fiduciary capacity, as custodian that results in the holding of digital assets on behalf of clients, the Directors make a judgement as to whether or not it is subject to substantial risks and rewards incidental to ownership of the assets and therefore, whether or not this should be excluded in the Group's consolidated financial statements. The assessment requires careful consideration of the terms of the agreement with its clients, the applicable laws governing the jurisdiction(s) in which the custodian operates and how the Group manages and stores the digital assets.

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. During the year ended 30 September 2021, the Group started a new business of virtual asset ecosystem and had three reportable and operating segments as follows:

(i) Contract manufacturing;

(ii) Provision of technology solution services; and

(iii) Virtual asset ecosystem.

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, financial assets at FVTOCI, convertible loan receivable, financial assets at FVTPL, 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 2021

	Contract manufacturing HK$'000	Provision of technology solution services HK$'000	Virtual asset ecosystem HK$'000	Total HK$'000
Revenue from external customers	376,328	221,753	12,632	610,713
Segment results	66,139	204,976	(39,911)	231,204
Unallocated corporate income				
Interest income				13
Sundry income				421
Unallocated corporate expenses				
Administrative expenses				(40,403)
Finance costs				(9,710)
Profit before income tax				181,525

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 years ended 30 September 2021 and 2020.

Unallocated administrative 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 2021

	Contract manufacturing HK$'000	Provision of technology solution services HK$'000	Virtual asset ecosystem HK$'000	Total HK$'000
Segment assets	321,480	258,873	166,990	747,343
Unallocated corporate assets				
Property, plant and equipment				11,894
Right-of-use assets				13,340
Financial assets at FVTOCI				1,946
Convertible loan receivable				4,645
Financial assets at FVTPL				245
Other receivables				4,220
Cash and bank balances				94,496
Total assets				878,129
Segment liabilities	194,453	137,930	15,143	347,526
Unallocated corporate liabilities				
Other payables				7,820
Tax payable				8,166
Other borrowings				220,123
Lease liabilities				13,769
Deferred tax liabilities				2,120
Total liabilities				599,524

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

5. SEGMENT INFORMATION – *continued*

Other segment information

For the year ended 30 September 2021

	Contract manufacturing HK$'000	Provision of technology solution services HK$'000	Virtual asset ecosystem HK$'000	Total HK$'000
Amortisation of other intangible asset	–	–	25	25
Depreciation of property, plant and equipment	5,270	1,666	318	7,254
Depreciation of right-of-use assets	8,926	1,930	1,190	12,046
Capital expenditure	610	57	1,943	2,610
Gain on disposal of property, plant and equipment	(4)	–	–	(4)
Interest expenses	3,466	36	467	3,969
Interest income	(440)	(5)	–	(445)
Provision for impairment loss on inventories	2,314	–	–	2,314
Income tax expense	12,121	22,008	145	34,274

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
Interest income	(1,051)	–	(1,051)
Reversal of impairment loss on inventories	(275)	–	(275)
Income tax expense	3,098	112	3,210

5. SEGMENT INFORMATION – *continued*

Geographical information

The Group's operations are mainly located in the People's Republic of China (including Hong Kong Special Administrative 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:

	2021 HK$'000	2020 HK$'000
The People's Republic of China (the "PRC")		
– Mainland China	55,289	35,396
– HKSAR (place of domicile)	14,555	4,867
USA	150,741	99,518
UK	44,268	26,830
Russia	119,737	–
Rest of Europe	15,091	10,774
Japan	159,144	62,965
Others	51,888	36,205
	610,713	276,555

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:

	2021 HK$'000	2020 HK$'000
Customer A	159,274	101,847
Customer B	119,737	–
Customer C	85,286	*
Customer D	73,548	45,993

* The revenue from such customer did not contributed over 10% of the total revenue of the Group for the year ended 30 September 2020.

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

	2021 HK$'000	2020 HK$'000
HKSAR	31,580	8,675
Mainland China	48,799	65,215
Japan	5,280	8,270
USA	7,296	–
Others	169	–
	93,124	82,160

6. REVENUE

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

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

	2021 HK$'000	2020 HK$'000
Sales of:		
Solenoid coils	171,724	110,214
Power tool chargers	43,234	25,875
Printed circuit board assembly	83,140	52,081
Parts assembly	31,479	21,664
Others	46,751	32,504
Revenue recognised at a point in time	376,328	242,338
Provision of data centre services	13,847	16,621
Provision of cloud-related services	85,379	16,860
Provision of asset management services	6,574	–
Provision of custodian services	4,772	–
Provision of consultancy services	1,286	–
Provision of SaaS*	122,527	736
Revenue recognised over time	234,385	34,217
Total revenue	610,713	276,555

* The name was changed from service income to SaaS for better presentation of the Group's commercial strategy in 2021.

Transaction price allocated to the remaining performance obligations

As at 30 September 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts were approximately HK$12,786,000. This amount represents revenue expected to be recognised in the future from partially completed long-term service contracts. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur in the next 1 to 2 years.

As at 30 September 2020, the Group had applied the practical expedient to its sales contracts for provision of data centre services, cloud-related services and SaaS service income and therefore, the above information did not include information about revenue that the Group would be entitled to when it satisfied the remaining performance obligations under the contracts that had an original expected duration of one year or less.

7. OTHER INCOME

	2021 HK$'000	2020 HK$'000
Gain on disposal of a subsidiary (note 43)	21,940	–
Gain on disposal of property, plant and equipment	4	–
Government grants	1,039	2,656
Sundry income	5,728	3,888
	28,711	6,544

The government grants in the year ended 30 September 2021 mainly represent the subsidy amounting to HK$732,000 under the Employment Support Scheme provided by the HKSAR Government. The government grants in the year ended 30 September 2020 represented 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 was recognised as other receivable as at 30 September 2020 in relation to salary costs for September 2020. There are no unfulfilled conditions relating to the grants.

During the year ended 30 September 2021, certain monthly lease payments for the lease of the Group's office premises have been reduced by the lessor as a result of the COVID-19 pandemic and there are no other changes to the terms of the lease. The Group has applied the practical expedient to all qualifying COVID-19 related rent concessions. Rent concessions totaling HK$24,000 (2020: HK$15,000) have been recognised as sundry income, with a corresponding adjustment to the lease liabilities.

8. INTEREST INCOME

	2021 HK$'000	2020 HK$'000
Interest income on bank deposits and balances	458	2,861

9. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on bank borrowings	179	349
Imputed interest on other loan from a related company (note 25)	6,199	8,890
Imputed interest on other loan from a non-controlling shareholder (note 25)	4,379	4,654
Interest on other loan from a non-controlling shareholder (note 25)	243	–
Interest expenses on lease liabilities (note 26(b))	2,679	3,009
	13,679	16,902

10. PROFIT/(LOSS) BEFORE INCOME TAX

	2021 HK$'000	2020 HK$'000
Profit/(loss) before income tax is arrived at after charging/(crediting):		
Amortisation of other intangible asset (included in administrative expenses) (note 18)	25	–
Auditors' remuneration		
– audit services	1,620	962
– review service	340	300
– other services	80	120
Cost of inventories recognised as expenses	296,217	189,994
Depreciation of property, plant and equipment (note 16)	8,371	7,721
Depreciation of right-of-use assets (note 26(a))	15,465	20,252
Exchange losses, net	135	7,282
Fair value loss on convertible loan receivable (note 37)	347	–
Fair value gain on financial assets at FVTPL (note 36(iii))	(245)	–
Low-value assets lease expenses	10	10
Short-term lease expenses (note 26(a))	2,635	695
Provision for/(reversal of) impairment loss on inventories (note 19)	2,314	(275)
(Gain)/loss on disposal of property, plant and equipment	(4)	3,352
Employee benefit expenses (note 11)	141,021	91,361

11. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2021 HK$'000	2020 HK$'000
Staff salaries, allowances and welfare	92,950	59,513
Provident fund contributions (note 27)	7,205	2,833
Mandatory provident fund obligations (note 27)	759	544
Direct labour costs	40,534	24,166
(Reversal of)/share-based compensation expenses (note 31)	(427)	4,305
	141,021	91,361

12. INCOME TAX EXPENSE/(CREDIT)

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

	2021 HK$'000	2020 HK$'000
Current tax income – HKSAR:		
Provision for the year	29,411	2,264
Under/(over) provision in respect of prior years	216	(3,567)
	29,627	(1,303)
Current income tax – Overseas:		
Provision for the year:		
Japan	3,833	112
Mainland China	7,289	2,985
USA	18	23
	11,140	3,120
Under/(over) provision in respect of prior years – Overseas	114	(30)
	11,254	3,090
Deferred tax (note 28)	(833)	(1,791)
Income tax expense/(credit)	40,048	(4)

Hong Kong profits tax is calculated at the rate of 16.5% (2020: 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 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 had been settled before 30 September 2020 and the Group recognised over-provision of income tax in relation to the tax audit of HK$2,060,000 in the year ended 30 September 2020. The remaining penalty of HK$1,300,000 had been settled during the year ended 30 September 2021.

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

The PRC corporate income tax charge of HK$7,289,000 (2020: HK$2,985,000) was determined in accordance with the relevant laws and regulations in Mainland China, and was assessed at a rate of 25% (2020: 25%).

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$5,041,000 (2020: HK$3,898,000) 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).

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

	2021 HK$'000	2020 HK$'000
Profit/(loss) before income tax	181,525	(32,586)
Tax thereon at domestic rates applicable to profits or losses in the jurisdictions concerned	31,783	(4,750)
Tax effect of non-deductible expenses	4,959	4,734
Tax effect of non-taxable income	(4,518)	(1,657)
Tax effect of temporary differences arising from withholding tax on undistributed profits	913	444
Tax effect of temporary differences not recognised	(479)	218
Tax effect of utilisation of tax losses previously not recognised	(28)	–
Tax effect of tax losses not recognised	6,700	4,478
Under/(over) provision in respect of prior years	330	(1,537)
Over provision in relation to the tax audit of a subsidiary	–	(2,060)
Others	388	126
Income tax expense/(credit)	40,048	(4)

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 2021						
Executive Directors						
Mr. Li Lin (resigned on 18 December 2021)	–	3,014	100	–	–	3,114
Mr. Lan Jianzhong (resigned on 15 April 2021)	–	647	–	10	119	776
Independent 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	3,661	160	10	119	4,670

	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
Independent 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

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 (2020: HK$Nil).

*Note: Discretionary bonuses were determined with reference to the performance of the Company, the duties, responsibilities and performance of each of the Directors with the Company.

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, one (2020: two) is Director of the Company whose emoluments are included in note 13(a) above. The emoluments of the remaining four (2020: three) individuals are as follows:

	2021 HK$'000	2020 HK$'000
Salaries, allowances and other benefits	7,898	6,254
Bonus	1,180	1,281
Retirement benefit scheme contribution	54	36
Share-based compensation expenses	49	–
	9,181	7,571

Their emoluments were within the following bands:

	2021 Number of individuals	2020 Number of individuals
Nil to HK$1,000,000	–	–
HK$1,000,001 to HK$1,500,000	–	–
HK$1,500,001 to HK$2,000,000	3	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 (2020: HK$Nil).

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

(c) Senior management's emoluments

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

	2021 Number of individuals	2020 Number of individuals
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**1**	–
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 2021 and 2020.

The Directors do not recommend the payment of a final dividend for the years ended 30 September 2021 and 2020.

15. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares of 307,373,965 (2020: 305,705,945) in issue during the year.

	2021 HK$'000	2020 HK$'000
Profit/(loss) attributable to owners of the Company	**141,477**	(32,582)
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**307,373,965**	305,705,945

	HK cents	HK cents
Basic earnings/(loss) per share	**46.0276**	(10.6580)

15. EARNINGS/(LOSS) PER SHARE – *continued*

Diluted earnings/(loss) per share

Diluted earnings/(loss) 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.

	2021 HK$'000
Profit attributable to owners of the Company	141,477
Weighted average number of ordinary shares for the purpose of basic earnings per share	307,373,965
Adjustment for share options	1,802,494
Weighted average number of ordinary shares for the purpose of diluted earnings per share	309,176,459
	HK cents
Diluted earnings per share	45.7593

There was no diluted loss per share for the year ended 30 September 2020 as the exercise of share options would result in a reduction in loss per share for the year ended 30 September 2020. Accordingly, the diluted loss per share was the same as the basic loss per share for the year ended 30 September 2020.

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 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 and 1 October 2020	18,380	11,776	44,791	4,061	49,156	128,164
Additions	–	9,640	4,230	–	496	14,366
Disposals	–	–	(3)	–	(1,252)	(1,255)
Disposal of a subsidiary	(20,847)	(307)	–	–	–	(21,154)
Currency realignment	2,467	535	(189)	86	2,332	5,231
At 30 September 2021	–	21,644	48,829	4,147	50,732	125,352
Accumulated depreciation						
At 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 and 1 October 2020	9,492	2,804	36,999	3,379	34,602	87,276
Provided for the year	1,243	2,113	2,790	141	2,084	8,371
Disposals	–	–	(3)	–	(1,252)	(1,255)
Disposal of a subsidiary	(11,318)	(101)	–	–	–	(11,419)
Currency realignment	583	743	(95)	86	1,561	2,878
At 30 September 2021	–	5,559	39,691	3,606	36,995	85,851
Carrying values						
At 30 September 2021	–	16,085	9,138	541	13,737	39,501
At 30 September 2020	8,888	8,972	7,792	682	14,554	40,888

17. GOODWILL

The net carrying amount of goodwill is analysed as follows:

	2021 HK$'000	2020 HK$'000
Cost		
At 1 October and 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 at 30 September 2021 (2020: HK$Nil).

18. OTHER INTANGIBLE ASSET

	Domain name HK$'000
Cost	
At 1 October 2019, 30 September 2020 and 1 October 2020	–
Additions	373
Currency realignment	1
At 30 September 2021	374
Accumulated amortisation	
At 1 October 2019, 30 September 2020 and 1 October 2020	–
Amortisation for the year (note 10)	25
At 30 September 2021	25
Net carrying amount	
At 30 September 2021	349
At 30 September 2020	–

During the year ended 30 September 2021, additions to other intangible asset of HK$373,000 represented the consideration of domain name acquired from a third party with estimated useful life of 15 years.

19. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	27,678	9,127
Work-in-progress	6,797	3,648
Finished goods	32,874	12,456
	67,349	25,231

At 30 September 2021, the carrying amount of inventories carried at the lower of cost and net realisable value amounted to HK$67,349,000 (2020: HK$25,231,000), after provision for impairment of HK$6,287,000 (2020: HK$4,109,000). During the year, impairment losses of HK$2,314,000 (2020: reversal of impairment losses of HK$275,000) have been recognised in the consolidated statement of profit or loss (note 10).

20. TRADE AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	89,070	52,076
Less: Impairment provisions	–	–
Trade receivables – net	89,070	52,076
Prepayments and other receivables	60,664	34,726
	149,734	86,802

Included in trade receivables was amounts due from related companies amounting to HK$942,000 (2020: HK$1,637,000) in which Mr. Li Lin, a Director of the Company, has beneficial interests. The amounts are unsecured, interest-free and trade in nature.

Included in other receivables was an amount due from a related company amounting to HK$37,995,000 (2020: HK$24,251,000) 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 2021, trade receivables of HK$14,723,000 (2020: HK$6,563,000) 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 2021, the asset-backed lending liabilities amounted to HK$13,987,000 (2020: HK$6,235,000) (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:

	2021 HK$'000	2020 HK$'000
0 – 60 days	80,678	40,691
61 – 90 days	7,836	4,951
91 – 120 days	299	6,429
More than 120 days	257	5
	89,070	52,076

The Group allows credit periods ranging from 30 to 100 days (2020: 30 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:

	2021 HK$'000	2020 HK$'000
Neither past due nor impaired	75,437	45,909
0 – 60 days past due	13,459	6,162
61 – 90 days past due	74	–
91 – 120 days past due	60	–
Over 120 days past due	40	5
	89,070	52,076

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. CRYPTOCURRENCIES

	2021 HK$'000	2020 HK$'000
Cost		
At 1 October	–	78,394
Additions	3,072	–
Less: Conversion into fiat currency	–	(78,394)
At 30 September	3,072	–
Accumulated impairment		
At 1 October and 30 September	–	–
Net carrying amount		
At 30 September	3,072	–
Representing:		
Bitcoin ("BTC")	2,600	–
Others	472	–
	3,072	–

The balance as at 30 September 2021 represented cryptocurrencies amounting to HK$3,072,000 held by the Group, mainly in the form of BTC.

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 ("USDT") (note 25), were converted into fiat currency of HK$78,445,000 and a gain on conversion of HK$51,000 was included in sundry income.

As at 30 September 2021, the Group estimated the recoverable amounts of each type of cryptocurrencies held by the Group 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 there was no impairment loss on cryptocurrencies as the recoverable amounts of cryptocurrencies as at 30 September 2021 were higher than their carrying amounts.

22. PLEDGED BANK DEPOSIT AND CASH AND BANK BALANCES

	2021 HK$'000	2020 HK$'000
Time deposits	9,285	50,310
Cash at banks and in hand	550,675	361,132
	559,960	411,442
Less: Time deposit pledged for banking facilities	(7,785)	(7,758)
Cash and bank balances	552,175	403,684

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term time deposits are placed with banks with original maturity period of three months or less (2020: three months or less) depending on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates ranging from 0.12% to 2.45% per annum (2020: 0.44% to 2.45% per annum).

The Group's time deposit of HK$7,785,000 (2020: HK$7,758,000) 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.

Included in cash and bank balances of the Group at the reporting date are bank balances denominated in Renminbi ("RMB") of HK$46,430,000 (2020: HK$42,143,000) 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

	2021 HK$'000	2020 HK$'000
Trade payables	41,027	22,391
Other payables and accruals	157,613	74,840
	198,640	97,231

23. TRADE AND OTHER PAYABLES – *continued*

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

	2021 HK$'000	2020 HK$'000
0 – 60 days	28,871	19,248
61 – 90 days	7,535	2,386
More than 90 days	4,621	757
	41,027	22,391

The Directors of the Company consider that the carrying amounts of trade and other payables approximate to their fair values.

24. CONTRACT LIABILITIES

	2021 HK$'000	2020 HK$'000
Contract liabilities arising from:		
Contract manufacturing, on electronic manufacturing services basis, of a wide range of power-related and electrical/ electronic products	3,347	4,261

The deposits are the Group received 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:

	2021 HK$'000	2020 HK$'000
Balance as at 1 October	4,261	4,540
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	(4,261)	(4,540)
Increase in contract liabilities as a result of receipts in advance on sale of goods	3,347	4,261
Balance at 30 September	3,347	4,261

The contract liabilities as at 30 September 2021 and 2020 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	2021 HK$'000	2020 HK$'000
Bank borrowings (secured) comprise:			
Asset-backed lending	33	13,987	6,235
Other borrowings (unsecured) comprise:			
Loan from a non-controlling shareholder	33	60,243	95,621
Loan from a related company	33	220,123	213,924
		294,353	315,780
Secured		13,987	6,235
Unsecured		280,366	309,545
		294,353	315,780
Bank borrowings are repayable as follows:			
Within one year or on demand		13,987	6,235
Other borrowings are repayable as follows:			
Within one year or on demand		–	95,621
More than one year but not exceeding two years		280,366	–
More than two years but not exceeding five years		–	213,924
		280,366	309,545
		294,353	315,780
Less: Amounts shown under current liabilities		(13,987)	(101,856)
Amounts shown under non-current liabilities		280,366	213,924

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 2.1% to 2.6% per annum (2020: 2.2% to 4.0% 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 ("Pantene Industrial"), 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. The loan was fully repaid during the year ended 30 September 2021. On 25 August 2021, NWC agreed to provide Pantene Industrial an unsecured loan of HK$60,000,000 with interest bearing at 4% per annum and maturity date of 25 February 2023. For the year ended 30 September 2021, imputed interest of HK$4,379,000 (with related deferred tax credit of HK$722,000) (2020: HK$4,654,000 (with related deferred tax credit of HK$768,000)) (notes 9 and 28) and interest of HK$243,000 (2020: HK$Nil) (note 9) have been charged to the consolidated statement of profit or loss respectively.

Loan from a related company

On 26 September 2019, the Company entered into a facility agreement with Huobi Cayman Holding Limited (formerly known as Huobi Global Limited) ("Huobi Global (Cayman)"), the then immediate holding company of the Company, 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.

25. BANK AND OTHER BORROWINGS – *continued*

Other borrowings – *continued*

Loan from a related company – continued

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.

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 ended 30 September 2020.

For the year ended 30 September 2021, imputed interest of HK$6,199,000 (with related deferred tax credit of HK$1,024,000) (2020: HK$8,890,000 (with related deferred tax credit of HK$1,467,000)) has been charged to the consolidated statement of profit or loss (notes 9 and 28).

26. LEASES

The Group leases certain leasehold land, office properties, factories and others. The leases run for an initial period of 3 months to 6 years (2020: 3 months to 6 years) without contingent rentals.

26. LEASES – *continued*

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$'000	Others HK$'000	Total HK$'000
At 1 October 2020	216	6,324	33,587	971	41,098
Additions	–	22,789	205	–	22,994
Depreciation	(35)	(7,999)	(6,758)	(673)	(15,465)
Reassessment of lease term	–	858	–	–	858
Disposal of a subsidiary	(181)	–	–	–	(181)
Currency realignment	–	(43)	1,886	7	1,850
At 30 September 2021	–	21,929	28,920	305	51,154
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$2,635,000 (2020: HK$695,000) (note 10) in profit or loss for the year ended 30 September 2021.

26. LEASES – *continued*

(b) Lease liabilities

	2021 HK$'000	2020 HK$'000
At 1 October	42,923	45,422
Additions	22,994	24,160
Interest expenses (note 9)	2,679	3,009
Lease payments	(16,272)	(21,103)
Reassessment of lease term (note 35)	858	–
Lease modification (note 35)	–	(9,694)
COVID-19-related rent concessions (note 35)	(24)	(15)
Currency realignment	1,962	1,144
At 30 September	55,120	42,923
Analysed as:		
Current liabilities	19,402	10,646
Non-current liabilities	35,718	32,277
	55,120	42,923

The maturity analysis of lease liabilities is disclosed in note 40 to the financial statements.

Future lease payments are due as follows:

	At 30 September 2021		
	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	21,702	2,300	19,402
More than one year but not exceeding two years	18,167	1,651	16,516
More than two years but not exceeding five years	20,756	1,554	19,202
Total	60,625	5,505	55,120

26. LEASES – *continued*

(b) Lease liabilities – *continued*

	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

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$759,000 (2020: HK$544,000) (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$4,998,000 (2020: HK$2,364,000) (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$192,000 (2020: HK$274,000) (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$649,000 (2020: HK$195,000) (note 11).

USA

The employees of the Group's subsidiaries which operate in the USA are required to make payroll tax contributions in accordance with the FICA. The FICA tax consists of both Social Security and Medicare taxes. FICA taxes are paid both by the employee and the employer, with each party paying half of these taxes, based on an employee's gross pay. Contributions are made at the rates dictated for the respective tax year. The employee and employer are also required to pay state unemployment taxes, which vary by state. All contributions are reported and paid to appropriate taxing authorities. The Group has no further payment obligations once the contributions have been paid. The total contribution made for the year was HK$1,366,000 (2020: HK$Nil) (note 11).

28. DEFERRED TAX LIABILITIES

The following are 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 measured at fair value HK$'000	Total HK$'000
At 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 change in equity (note 25)	–	–	1,044	1,044
Currency realignment	119	–	–	119
Carrying amount at 30 September 2020 and 1 October 2020	3,898	722	3,144	7,764
Charged/(credited) to the consolidated statement of profit or loss (notes 12 and 25)	913	(722)	(1,024)	(833)
Currency realignment	230	–	–	230
Carry amount at 30 September 2021	5,041	–	2,120	7,161

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 2021, a provision of HK$913,000 (2020: HK$444,000) 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:

	2021 HK$'000	2020 HK$'000
Unused tax losses	166,171	132,784
Other temporary differences	7,205	4,977
	173,376	137,761

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$1,124,000 (2020: HK$4,250,000) will expire 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.

The tax losses arising from the subsidiaries established in the USA of approximately HK$19,307,000 (2020: HK$Nil) will expire if they are not utilised to set off against the taxable profits within twenty years from the year in which they arose under the current tax legislation in the USA.

29. SHARE CAPITAL

	Number of ordinary shares of HK$0.001 each	Amount HK$
Authorised:		
At 1 October 2019, 30 September 2020 and 30 September 2021	500,000,000	500,000
Issued and fully paid:		
At 1 October 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 and 1 October 2020	306,800,000	306,800
Issue of shares upon exercise of share options (note (ii))	1,070,665	1,071
At 30 September 2021	**307,870,665**	**307,871**

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 credited 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) During the year ended 30 September 2021, the subscription rights attaching to 802,000, 148,666 and 119,999 share options were exercised at a subscription price of HK$3.13, HK$4.36 and HK$3.28 per share respectively, resulting in the issue of 1,070,665 new shares at par value of HK$0.001 each for a total cash consideration of approximately HK$3,552,000. Approximately HK$3,551,000 representing the difference between the subscription price and the par value was credited to share premium. In addition, HK$2,047,000 representing that portion of the share option reserve in relation to the exercise of the share options during the year ended 30 September 2021, was transferred from the share option reserve to share premium account.

(iii) 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 2019	96,237
Arising from issue of shares on exercise of share options (note (i))	5,317
At 30 September 2020 and 1 October 2020	101,554
Arising from issue of shares on exercise of share options (note (ii))	5,598
At 30 September 2021	**107,152**

Notes:

(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 credited 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) As detailed in note 29(ii) above, during the year ended 30 September 2021, the subscription rights attaching to 802,000, 148,666 and 119,999 share options were exercised at a subscription price of HK$3.13, HK$4.36 and HK$3.28 per share respectively, resulting in the issue of 1,070,665 new shares at par value of HK$0.001 each for a total cash consideration of approximately HK$3,552,000. Approximately HK$3,551,000 representing the difference between the subscription price and the par value was credited to share premium. In addition, HK$2,047,000 representing that portion of the share option reserve in relation to the exercise of the share options during the year ended 30 September 2021, was transferred from the share option reserve to share premium account.

31. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

The Company has adopted a share option scheme for eligible participants of the Group on 27 October 2016, which remains in force for 10 years from the date of adoption . 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 of Directors (the "Board"), based on their contribution or potential contribution to the development and growth of the Group.

As at 30 September 2021, the total number of shares available for issue under the scheme was originally 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 "Previous Share Mandate Limit"). The refreshment of the Previous Share Mandate Limit was approved by the Shareholders of the Company at the annual general meeting on 19 March 2021, allowing the Company to grant further options under the Share Option Scheme for subscription of up to a total of 30,742,766 Shares, which represents 10% of the Company's shares in issue as at the date of the approval of the refreshed limit and 9.98% of the Company's shares in issue as at the date of this annual report.

31. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS – *continued*

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.

On 3 April 2019, the Company granted 6,192,000 share options to Directors, employees and consultants 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.

31. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS – *continued*

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.

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), of which HK$890,000 have been recognised as reversal of share-based compensation expense (2020: share-based compensation expenses: HK$3,818,000) to profit or loss for the year ended 30 September 2021.

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 and consultants 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%

31. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS – *continued*

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$227,000 (2020: HK$306,000) have been charged as share-based compensation expenses to profit or loss for the year ended 30 September 2021.

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 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$236,000 (2020: HK$181,000) have been charged as share-based compensation expenses to profit or loss for the year ended 30 September 2021.

31. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS – *continued*

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 14 October 2020, the Company granted 1,534,000 share options to certain employees with an exercise price of HK$4.68 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 14 October 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 14 October 2020 has been calculated by an external valuer using the Black-Scholes Options Pricing Model. The assumptions used were as follows:

	Granted on 14 October 2020
Grant date share price	HK$4.68
Exercise price	HK$4.68
Expected volatility	36.74%
Contractual option life	10 years
Risk-free rate	0.506%
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 14 October 2020. At the date options were granted on 14 October 2020, this was determined to be 0.506%. 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 14 October 2020 was approximately HK$1,970,000 (HK$1.2841 each), of which HK$Nil (2020:HK$Nil) have been charged as share-based compensation expenses to profit or loss for the year ended 30 September 2021 as the related employee resigned during the year ended 30 September 2021.

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*

After considering (i) the current remuneration package (including performance bonus) of the management and employees; and (ii) other incentive programme of the Group currently in place, the Board, as a commercial decision, has amended the schedule for vesting of options under the share option scheme to the effect that one-fourth of the options shall be vested in the holders of options on each anniversary of the first 4 years from the date of grant with effective from 17 November 2020. The amendments shall not apply to the outstanding options as at 17 November 2020 which have already been granted but remain unexercised under the share option scheme. For details, please refer to the Company's announcements dated 19 October 2020, 22 October 2020, 17 November 2020 and the circular dated 23 October 2020 respectively.

The movement in the number of share options under the share options scheme are as follows:

For the year ended 30 September 2021

	Date of grant	Exercise price HK$	Outstanding at 1 October 2020 Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	Forfeited during the year Number	Outstanding at 30 September 2021 Number
Executive Directors								
Mr. Lee Chris Curl (resigned on 10 August 2020)	3.4.2019	3.13	1,800,000	–	–	–	(1,800,000)	–
Mr. Lan Jianzhong# (resigned on 15 April 2021)	3.4.2019	3.13	600,000	–	–	–	–	600,000
Employees*	3.4.2019	3.13	2,487,000	–	(802,000)	–	(360,000)	1,325,000
Employees*	16.10.2019	4.36	250,000	–	(66,666)	–	–	183,334
Employees	2.7.2020	3.28	880,000	–	(119,999)	–	(430,000)	330,001
Employees	14.10.2020	4.68	–	1,534,000	–	–	(1,534,000)	–
Other eligible participants**	16.10.2019	4.36	250,000	–	(82,000)	(1,333)	(166,667)	–
			6,267,000	1,534,000	(1,070,665)	(1,333)	(4,290,667)	2,438,335
Weighted average exercise price			HK$3.25	HK$4.68	HK$3.32	HK$4.36	HK$3.75	HK$3.24

Mr. Lan Jianzhong has resigned as an Executive Director of the Company with effective from 15 April 2021 but to continue being employed by the Company as an employee during the year.

* The figures include the options held by the consultants of the Company who were classified as other eligible participants in the Company's 2020 Annual Report and the supplemental announcement dated 1 November 2021. The consultants became the Company's employees during the year.

** Other eligible participants are the consultants of the Company.

Note:

The weighted average closing price of the shares immediately before the dates of exercise of options during the year was HK$15.61 (2020: HK$4.70).

31. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS – *continued*

For the year ended 30 September 2020

	Date of grant	Exercise price HK$	Outstanding as at 1 October 2019 Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Outstanding as at 30 September 2020 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
Employees	3.4.2019	3.13	1,485,000	–	(405,000)	–	1,080,000
Employees	16.10.2019	4.36	–	3,400,000	–	(3,150,000)	250,000
Employees	2.7.2020	3.28	–	880,000	–	–	880,000
Other eligible participants*	3.4.2019	3.13	1,407,000	–	–	–	1,407,000
Other eligible participants*	16.10.2019	4.36	–	250,000	–	–	250,000
			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

* Other eligible participants are the consultants of the Company.

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

As at 30 September 2021, the total number of share options outstanding were 2,438,335 (2020: 6,267,000).

For the share options outstanding as at 30 September 2021, the weighted average remaining contractual life was 2,818 days (2020: 3,187 days).

During the years ended 30 September 2021 and 2020, no share options were cancelled.

Total reversal of share-based compensation expenses of HK$427,000 (2020: share-based compensation expenses of HK$4,305,000), have been recognised in 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 90 to 91 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: (i) the waiver of amount due from the former ultimate holding company amounting to HK$5,640,000 during the year ended 30 September 2013; (ii) the waiver of amounts payable to a fellow subsidiary amounting to HK$4,911,000 during the year ended 30 September 2015; (iii) the waiver of amounts receivable from a fellow subsidiary amounting to HK$1,766,000 during the year ended 30 September 2015; (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; and (v) a fair value gain of HK$18,174,000, net of deferred tax, arising from re-measurement of the US$50,000,000 or HK$391,970,000 loan from the then immediate holding company during the year ended 30 September 2019.

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 was 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 INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS TO THE MOVEMENT IN NET CASH

	Notes	2021 HK$'000	2020 HK$'000
Net increase/(decrease) in cash and cash equivalents		145,978	(70,933)
Effect of foreign exchange rate changes		2,513	(66)
Net movement in cash and cash equivalents		148,491	(70,999)
Proceeds from bank borrowings		(7,752)	–
Other loan from a non-controlling shareholder repaid		100,000	–
Proceeds from other loan from a non-controlling shareholder	25	(60,000)	–
Bank borrowings repaid		–	3,127
Other loan from a related company repaid	25	–	159,000
Gain on modification of other loan from a related company		–	6,322
Imputed interest on other loan from a related company	9	(6,199)	(8,890)
Imputed interest on other loan from a non-controlling shareholder	9	(4,379)	(4,654)
Interest on other loan from a non-controlling shareholder	9	(243)	–
Effect of foreign exchange rates on borrowings		–	(2)
Net cash at 1 October		87,904	4,000
Net cash at 30 September		257,822	87,904
Represented by:			
Cash and cash equivalents	22	552,175	403,684
Interest-bearing bank borrowings			
– amount due within one year	25	(13,987)	(6,235)
Other borrowings – amounts due within one year	25	–	(95,621)
Other borrowings – amounts due more than one year	25	(280,366)	(213,924)
		257,822	87,904

34. PLEDGE OF ASSETS

At 30 September 2021, the banking facilities of the Company's wholly-owned subsidiaries based in Mainland China and HKSAR, amounted to approximately HK$23,250,000 (2020: HK$23,250,000), 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 2021, the amount drawn down under the asset-backed lending facility was HK$13,987,000 (2020: HK$6,235,000) (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$'000	Other borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 October 2020	6,235	309,545	42,923	358,703
Changes from financing cash flows:				
Net inflow in trust receipts and export loans	7,752	–	–	7,752
Interest paid	(179)	–	(2,679)	(2,858)
Repayments of principal portion of lease liabilities	–	–	(13,593)	(13,593)
Repayments of other loan from a non-controlling shareholder	–	(100,000)	–	(100,000)
Proceeds from other loan from a non-controlling shareholder (note 25)	–	60,000	–	60,000
Total changes from financing cash flows	7,573	(40,000)	(16,272)	(48,699)
Other changes:				
Capitalisation of new leases	–	–	22,994	22,994
Interest expenses	179	10,821	2,679	13,679
Reassessment of lease term (note 26(b))	–	–	858	858
COVID-19-related rent concessions (note 26(b))	–	–	(24)	(24)
Effect of foreign exchange rates	–	–	1,962	1,962
Total other changes	179	10,821	28,469	39,469
At 30 September 2021	13,987	280,366	55,120	349,473

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES – *continued*

	Bank borrowings HK$'000	Other borrowings HK$'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	–	–	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

36. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK$'000	2020 HK$'000
Non-current		
Equity investment designated at FVTOCI (note (i))		
– Unlisted equity investment (note (ii))	1,946	–
Current		
Financial assets at FVTPL (note (iii))		
– Derivative financial instrument	245	–

Notes:

(i) The unlisted equity investment was irrevocably designated at FVTOCI as the Group considers the investment to be strategic in nature.

(ii) The balance as at 30 September 2021 represented unlisted equity investment in 299,043 common shares of a private company incorporated in Australia.

Movements in the fair value of unlisted equity investment classified as level 3 in the fair value hierarchy are as follows:

	HK$'000
At 1 October 2019, 30 September 2020 and 1 October 2020	–
Additions	1,946
At 30 September 2021	**1,946**

As at 30 September 2021, the Company's Directors consider that the fair value of unlisted equity investment approximated to its carrying amount.

36. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – *continued*

Notes: – *continued*

(iii) The balance as at 30 September 2021 represented derivative financial instrument for the right to subscribe for 74,761 common shares of an investee company, in relation to the unlisted equity investment (note 36(ii)), at an exercise price of A$1.1 per share.

Movements in the fair value of derivative financial instrument classified as level 3 in the fair value hierarchy are as follows:

	HK$'000
At 1 October 2019, 30 September 2020 and 1 October 2020	–
Additions (note 10)	245
At 30 September 2021	**245**

As at 30 September 2021, the fair value of derivative financial instrument is calculated by using Binomial Option Pricing Model which is determined by the Directors of the Company with reference to the valuation performed by Valtech Valuation Advisory Limited ("Valtech"), a firm of independent professional valuers, with the following key assumptions:

Expected volatility	56.45%
Risk-free interest rate	0.06%

A higher in the expected volatility would result in an increase in the fair value of derivative financial instrument, and vice versa. A higher in the risk-free interest rate would result in a decrease in the fair value of derivative financial instrument, and vice versa.

37. CONVERTIBLE LOAN RECEIVABLE

During the year ended 30 September 2021, the Group entered into a convertible loan agreement (the "Agreement") with an independent third party, a private company incorporated in Switzerland (the "Investee"), with total principal amount of CHF1,162,279.08 (or approximately HK$9.91 million) which is unsecured and interest-free with maturity on 31 July 2022. The maturity date may be extended by a period not to exceed 12 months from the original maturity date if both parties agree in writing. The convertible loan will be disbursed to the Investee in two equal tranches and the first tranche of CHF581,139.54 was disbursed to the Investee in July 2021 and the second tranche of CHF581,139.54 will be disbursed to the Investee after certain conditions set forth in the Agreement have been fulfilled. The entire principal amount of the convertible loan shall be converted into 92,908 Preferred B shares of the Investee at any time prior to the maturity date subject to certain conditions set forth in the Agreement have been fulfilled. In the event that no conversion has been taken place before the maturity date, the Investee shall repay to the Group the outstanding principal amount within 10 days after the maturity date. The convertible loan is classified as financial asset at FVTPL upon the initial recognition.

	2021 **HK$'000**	2020 HK$'000
Convertible loan receivable classified under current assets	**4,645**	–

37. CONVERTIBLE LOAN RECEIVABLE – *continued*

The movements in fair value of convertible loan receivable classified as level 3 in the fair value hierarchy are as follows:

	HK$'000
At 1 October 2019, 30 September 2020 and 1 October 2020	–
Additions	4,992
Change in fair value recognised in profit or loss	(347)
At 30 September 2021	**4,645**

As at 30 September 2021, the fair value of convertible loan receivable is calculated using Binomial Option Pricing Model which is determined by the Directors of the Company with reference to the valuation performed by Valtech, a firm of independent professional valuers, with the following key assumptions:

Stock price	CHF1.35
Dividend yield	Nil
Expected volatility	15.45%

The key significant unobservable inputs to determine the fair value of convertible loan receivable are the stock price and expected volatility. A higher in the stock price and expected volatility would result in an increase in the fair value of convertible loan receivable, and vice versa.

38. 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.

	2021 HK$'000	2020 HK$'000
Data centre services income from related companies*	13,810	16,621
Consultancy services income from related companies*	1,286	–
Custodian services income from related companies*	4,771	–

* Related companies are companies in which Mr. Li Lin, a Director of the Company, has beneficial interests.

The above transactions were conducted on mutually agreed terms.

38. RELATED PARTY TRANSACTIONS – *continued*

On 28 October 2019, the Company was granted to use the trademark as the Group's logo from Huobi Global Limited ("Huobi Global (Seychelles)"), a company incorporated with limited liability under the law of 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, the then 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 the entire equity interests in FEU International Pte Ltd, at a consideration of SG$1 which had 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.

On 26 February 2021, pursuant to a deed of novation entered into among Win Techno Inc. ("Win Techno"), a wholly-owned subsidiary of the Group, Huobi Global (Seychelles) and Huobi Worldwide Limited ("Huobi Worldwide"), a company incorporated in Hong Kong with limited liability and is indirectly controlled by Mr. Li Lin, a Director of the Company, in relation to the provision of financial assistance regarding payment agent services. Huobi Global (Seychelles) agreed to novate and Huobi Worldwide agreed to assume all rights and obligations of Huobi Global (Seychelles) in and under the service agreement (as amended by the First Supplemental Agreement) for the provision of payment agent services entered into between Win Techno and Huobi Global (Seychelles). Details of the Second Supplemental Agreement entered into between Huobi Global (Seychelles) and Huobi Worldwide on 11 March 2021 are set out in the Company's announcement dated 11 March 2021.

During the year ended 30 September 2021, the Group provided financial assistance to Huobi Global (Seychelles) and Huobi Worldwide, which are related companies of the Company in which Mr. Li Lin, a Director of the Company, has beneficial interests, in relation to payment agent services with aggregate amounts of HK$405,640,000 (2020: HK$142,638,000).

Customers of the Group to which SaaS services were provided utilised certain digital assets trading platform software and technologies provided by a related company. The consideration of such services were received though the same related company.

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.

39. CONTINGENT LIABILITIES

As at 30 September 2021, the Group did not have any material contingent liabilities (2020: HK$Nil).

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 and price 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. 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), Japan and US. 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.

	2021 HK$'000	2020 HK$'000
Trade receivables	54,622	39,622
Cash and cash equivalents	73,865	63,507
Trade payables	(5,134)	(4,446)
Borrowings	(13,987)	(6,235)
Gross exposure arising from recognised financial assets and liabilities	109,366	92,448

Assuming sensitivity to a 5% increase where the RMB strengthens against the US$ there would be an increase in profit of approximately HK$14.5 million for the year (2020: HK$4.6 million). 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.

40. FINANCIAL RISK MANAGEMENT AND POLICIES – *continued*

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$13,221,000 (2020: HK$$14,041,000) for the year. If there were a 1% increase/(decrease), the net interest would increase/(decrease) by approximately HK$2,016,000 (2020: HK$1,043,000) for the year.

Risk related to digital assets and related digital asset business

The fast developing nature of digital asset markets including evolving regulations, custody and trading mechanisms, the dependency on information technology integrity and security, as well as valuation and volume volatility all subject the digital assets and business of the Group to unique risks. The Directors consider that such risks and uncertainties are largely related to information technology, safekeeping of digital assets, fluctuation of asset prices, compliance, and the ever-evolving nature of the markets. As the industry is in a growth stage, the Group has been implementing an operational infrastructure to support business development and growth. These initiatives include expanding IT infrastructure and hiring additional management personnel with an emphasis on experience in legal, regulatory, compliance, financial reporting, operations and technology development.

Price risk of digital assets

The Group held cryptocurrencies amounting to HK$3,072,000 (2020: HK$Nil) as at 30 September 2021, mainly in the form of BTC. The volatility and unpredictability of the price of cryptocurrencies relative to fiat currencies could cause impact to the Group's performance.

If there were a 35% increase/(decrease) (2020: Nil) on the price of cryptocurrencies held by the Group (being a reasonably expected change determined based on average monthly price movements) in the principal markets with other variables held constant, the prices of cryptocurrencies would increase/(decrease) by approximately HK$1,075,000 (2020: HK$Nil) for the year.

During the year ended 30 September 2021, a subsidiary of the Group has commenced to provide trust and custody services to its clients. Such assets constitute trust assets and are not accounted for as assets of the Group and do not give rise to liabilities to the relevant customers. Accordingly, the Group has no price volatility exposure from these holdings.

40. FINANCIAL RISK MANAGEMENT AND POLICIES – *continued*

Risks related to safekeeping of digital assets

The Group maintains digital assets in both "hot" (connected to the Internet) and "cold" (not connected to the Internet) wallets. "Hot" wallets are more susceptible to cyber-attacks or potential theft as they are connected to the public internet.

To mitigate such risks, the Group has implemented a series of internal controls, including but not limited to the implementation of two-factor authentication, segregation of duties, and day-to-day wallet management.

Risks related to anti-money laundering

As aforementioned, a subsidiary of the Group has commenced to provide trust and custody services to its clients during the year ended 30 September 2021 and is required to comply with the relevant requirements of the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong) and the guidelines issued by the Companies Registry of Hong Kong.

To mitigate such risks, the Group has implemented policies and procedures for Anti-Money Laundering and Know-Your-Customer that are initiated during the client onboarding process and are applied by way of continuous monitoring and reporting. In enhancing these policies and procedures, the Group has also considered industry best practice and the recommendations of the Financial Action Task Force.

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 2021, trade receivables of HK$63,042,000 (2020: HK$30,977,000) were contributed by the top five customers. The Group has monitoring procedures to ensure that follow up action is taken to recover overdue debts. The Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9, which permits the use of the lifetime ECL provision for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECLs also incorporate forward-looking information. The Group has identified the GDP and the unemployment rate of the countries in which it sells the goods and renders the services to be the most relevant factors, and accordingly adjusts the ECL rates based on expected changes in these factors. The ECL rate of collectively assessed trade receivables that were neither past due nor impaired is 0.01% (2020: 0.04%), past due between 0 to 60 days is 0.20% (2020: 0.21%) and past due more than 60 days is 6.76% to 27.50% (2020: 20%). The Directors consider that there are no significant credit risk on trade receivables due to the past payment history and taking into account of the sound financial performance and position of the debtors to meet contractual cash flow obligations in the near term. Accordingly, the ECL on trade receivables was assessed to be minimal and no provision was made for the year (2020: HK$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 (2020: 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 2021

	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	198,640	198,640	198,640	–	–
Bank borrowings	13,987	13,987	13,987	–	–
Other borrowings	280,366	296,350	2,400	293,950	–
Lease liabilities	55,120	60,625	21,702	18,167	20,756
	548,113	569,602	236,729	312,117	20,756

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

40. FINANCIAL RISK MANAGEMENT AND POLICIES – *continued*

Fair value measurement

The fair value measurement of the Group's financial assets and liabilities utilises market observable inputs and data as far as possible. Input used in determining fair vale measurements are categorised into different levels based on how observable inputs used in the valuation technique utilised (the "fair value hierarchy") are:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(i) Financial instruments measured at fair value

At the end of the reporting period, convertible loan receivable, unlisted equity investments and derivative financial instrument included in the consolidated financial statements require measurement at, and disclosure of, fair value.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 2 and level 3 financial instruments, as well as the relationship between key unobservable inputs and fair value are set out in notes (iii) and (iv) below.

(ii) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and bank balances, trade and other receivables, pledged bank deposit, trade and other payables, bank and other borrowings and lease liabilities.

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.

(iii) Information about level 2 fair value measurement

The fair values of the financial instruments included in the level 2 category have been determined with reference to generally accepted pricing models based on quoted prices for identical or similar or liabilities in markets that are not active.

40. FINANCIAL RISK MANAGEMENT AND POLICIES – *continued*

Fair value measurement – *continued*

(iv) Information about level 3 fair value measurement

The fair values of the financial instruments, including derivative financial instrument and convertible loan receivable, included in the level 3 category as at the end of the reporting period have been determined by the Directors with reference to the valuation performed by Valtech, an independent firm of professionally qualified valuers, details of which are set out in notes 36 and 37. The fair value of unlisted equity investment is determined using the market approach based on recent transaction prices.

The following table provides an analysis of financial instruments measured at fair value by level of fair value hierarchy:

Recurring fair value measurement

Financial assets:	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Unlisted equity investment	–	–	1,946	1,946
Convertible loan receivable	–	–	4,645	4,645
Derivative financial instrument	–	–	245	245
	–	–	6,836	6,836

There was no transfer under the fair value hierarchy classification during the year ended 30 September 2021.

As at 30 September 2020, the Group did not have financial instruments measured at fair value and accordingly, no analysis of financial instruments measured at fair value by level of fair value hierarchy was disclosed.

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:

	2021 HK$'000	2020 HK$'000
Financial assets measured at fair value:		
Financial assets at FVTOCI	1,946	–
Convertible loan receivable	4,645	–
Financial assets at FVTPL	245	–
	6,836	–
Financial assets measured at amortised cost:		
Trade and other receivables*	144,335	85,378
Pledged bank deposit	7,785	7,758
Cash and bank balances	552,175	403,684
	704,295	496,820
	711,131	496,820

* Excluded from trade and other receivables as disclosed in the consolidated statement of financial position of HK$149,734,000 as at 30 September 2021 (2020: HK$86,802,000), is an amount of HK$5,399,000 (2020: HK$1,424,000) representing prepayments.

Financial liabilities:

	2021 HK$'000	2020 HK$'000
Financial liabilities measured at amortised cost:		
Trade and other payables	198,640	97,231
Bank borrowings	13,987	6,235
Other borrowings	280,366	309,545
Lease liabilities	55,120	42,923
	548,113	455,934

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.

	2021	2020
	HK$'000	HK$'000
Total net cash (note 33)	**257,822**	87,904
Total capital	**278,605**	129,531
Debt to equity ratio	**N/A**	N/A

A subsidiary of the Group is regulated by the Hong Kong Securities and Futures Commission and is required to comply with the financial resources requirements according to the Hong Kong Securities and Futures (Financial Resources) Rules (the "SF(FR)R"). The Group's regulated entity is subject to the minimum paid-up share capital requirements and liquid capital requirements under the SF(FR)R. Management closely monitors the liquid capital level of this entity to ensure compliance with the minimum liquid capital requirements under the SF(FR)R. The Group's regulated entity has complied with the capital requirements imposed by the SF(FR)R throughout the year.

42. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 30 September 2021 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		Principal activities
			2021	2020	
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	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 and provision of technical support services
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%	100%	Investment holding

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 2021	Effective interest held by the Company 2020	Principal activities
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.*	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.	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-related services
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.
海南火曜網絡科技有限公司* (formerly known as 海南火鏈網絡科技有限公司)	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%	100%	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 2021	Effective interest held by the Company 2020	Principal activities
Interest held indirectly – continued					
北京港通科技有限公司*	PRC/Wholly foreign-owned enterprise	Registered capital US$1,000,000	100%	N/A	Inactive
Huobi Nevada Inc.	USA/Limited liability company	75,000,000 shares of US$75,000	100%	100%	Investment holding
Huobi Asset Management (Hong Kong) Limited	HKSAR/Limited liability company	24,010,000 shares of HK$24,010,000	100%	100%	Asset management
Huobi Services Limited	HKSAR/Limited liability company	10,000 shares of HK$10,000	100%	100%	Investment holding
Huobi Wallet Hong Kong Limited	HKSAR/Limited liability company	10,000 shares of HK$10,000	100%	100%	Inactive
Huobi Securities Inc.	USA/Limited liability company	100 shares of US$0.001	100%	100%	Investment holding
FEU International Pte Ltd	Singapore/Limited liability company	1,350,000 shares of SG$1,350,000	100%	100%	Management consultancy service
HBit Limited	HKSAR/Limited liability company	10,000 shares of HK$10,000	100%	N/A	Inactive
Huobi Trust Company Limited	HKSAR/Limited liability company	3,000,000 shares of HK$3,000,000	100%	N/A	Trust and custodian services
Huobi Trust Company	USA/Retail trust company	5,000,000 shares of US$5,000	100%	N/A	Trust and custodian services
HotGroup Limited	BVI/Limited liability company	50,000 shares of US$50,000	100%	N/A	Inactive

* 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.

42. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES – *continued*

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. DISPOSAL OF A SUBSIDIARY

On 30 July 2021, the Group, through a wholly-owned subsidiary, entered into an agreement with an independent third party to dispose of the entire equity interests in a subsidiary,深圳市品光企業管理諮詢有限公司, which was principally engaged in consulting/property holding, at a cash consideration of RMB25,600,000 or HK$30,830,000. The disposal was completed on 16 September 2021.

Details of the disposal are as follows:

	HK$'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	9,735
Right-of-use assets	181
Other receivables	1,382
Cash and bank balances	75
Accruals and other payables	(2,430)
Net assets disposed of a subsidiary	8,943
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	(53)
Gain on disposal recognised in other income (note 7)	21,940
Total consideration	30,830

An analysis of the cash flows in respect of the disposal was as follows:

	HK$'000
Net cash inflow arising on disposal:	
Cash consideration	30,830
Less: Cash and bank balances disposed of a subsidiary	(75)
Net cash inflows	30,755

During the year ended 30 September 2021, the consideration of HK$30,830,000 has been received by the Group.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 HK$'000	2020 HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	41	129
Interests in subsidiaries	110,833	110,833
Loan to a subsidiary	69,126	–
Financial assets at fair value through other comprehensive income	1,946	–
Deferred tax assets	1,436	–
	183,382	110,962
Current assets		
Prepayments and other receivables	1,015	271
Amounts due from subsidiaries	142,381	92,627
Loan to a subsidiary	–	8,000
Financial assets at fair value through profit or loss	245	–
Cash and bank balances	75,445	202,773
	219,086	303,671
Current liabilities		
Accruals and other payables	1,964	1,863
Other borrowings	80,243	76,480
Amounts due to subsidiaries	27,444	25,744
Tax payable	990	990
	110,641	105,077
Net current assets	108,445	198,594
Total assets less current liabilities	291,827	309,556
Non-current liabilities		
Other borrowings	220,123	213,924
Deferred tax liabilities	2,120	3,723
	222,243	217,647
Net assets	69,584	91,909
EQUITY		
Share capital	308	307
Reserves (note (i))	69,276	91,602
Total equity	69,584	91,909

The statement of financial position of the Company was approved by the Board of Directors on 20 December 2021 and is signed on its behalf by:

Wu Shupeng
Director

Zhang Li
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 1 October 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**
Issue of shares upon exercise of share options (note 30(ii))	**5,598**	**(2,047)**	**–**	**–**	**3,551**
Reversal of equity-settled share-based compensation expenses (note 31)	**–**	**(427)**	**–**	**–**	**(427)**
Transfer of share option reserve upon the lapse of share options	**–**	**(2)**	**–**	**2**	**–**
Loss on re-measurement of interest-free loan to a subsidiary on inception, net of deferred tax	**–**	**–**	**(7,618)**	**–**	**(7,618)**
Loss for the year	**–**	**–**	**–**	**(17,832)**	**(17,832)**
At 30 September 2021	**107,152**	**3,198**	**121,524**	**(162,598)**	**69,276**

Other reserve

The other reserve includes: (i) a transaction arising from a Group reorganisation of HK$93,383,000; (ii) 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; (iii) a fair value gain of HK$18,174,000, net of deferred tax, arising from the re-measurement of the US$50,000,000 or HK$391,970,000 loan from the then immediate holding company during the year ended 30 September 2019; and (iv) a fair value gain of HK$6,667,000, net of deferred tax, arising from the re-measurement of the HK$80,000,000 loans from a subsidiary during the year ended 30 September 2019.

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 was credited to the other reserve.

During the year ended 30 September 2021, the US$10,000,000 or HK$77,830,000 unsecured and interest-free loan to a wholly-owned subsidiary of the Company, was measured at fair value on inception resulting in a loss of HK$7,618,000, net of deferred tax, which was recognised in the other reserve.

Details of the share premium and the share option reserve are set out in notes 30 and 32 respectively.

45. EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 30 September 2021:

On 11 October 2021, Huobi Trust Company Limited ("Huobi Trust HK"), an indirect wholly-owned subsidiary of the Company and each of Orion Financial Technology Limited ("Orion Financial") and HB Infinite Limited ("HB Infinite") entered into new custodial services agreements to revise the term of services and the annual caps for the provision of custodial services under the previous custodial services agreements. On the same date, Huobi Gibraltar Technology Limited ("Huobi Gibraltar") entered into a custodial services agreement with Huobi Trust HK for custodial of Huobi Gibraltar's assets.

Under the respective custodial services agreement with Orion Financial, HB Infinite and Huobi Gibraltar, Huobi Trust HK has been engaged to provide custodial services of the assets of the counterparties for terms commencing from 17 December 2021 to 30 September 2024. The fees, charged by Huobi Trust HK as consideration for such custodial services include custodial fee and withdrawal fee. Details are set out in the Company's announcements dated 11 October 2021, 2 November 2021, 16 November 2021 and 17 December 2021 and circular dated 29 November 2021.

On 30 November 2021, HBIT Limited ("HBIT"), an indirect wholly-owned subsidiary of the Company, and Block Matrix Limited ("Block Matrix"), a company incorporated in Hong Kong with limited liability which Mr. Li Lin, a director of the Company, has beneficial interests, entered into the referral services framework agreement, pursuant to which HBIT has agreed to provide referral services to Block Matrix for a term commencing from 1 December 2021 and expiring on 30 September 2024. HBIT shall provide referral services to Block Matrix by way of introduction of borrowers to Block Matrix for the provision of loans of digital assets, and Block Matrix shall pay referral fees to HBIT as consideration for such referral services. Details are set out in the Company's announcement dated 30 November 2021.

Save as disclosed above, there were no other significant events took place subsequent to 30 September 2021.

Five Years Financial Summary

For the year ended 30 September

	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Results					
Revenue	**610,713**	276,555	312,341	345,411	306,422
Profit/(loss) before income tax	**181,525**	(32,586)	8,692	10,860	10,034
Income tax (expense)/credit	**(40,048)**	4	(14,768)	(4,269)	(4,840)
Profit/(loss) for the year	**141,477**	(32,582)	(6,076)	6,591	5,194
Attributable to:					
Owners of the Company	**141,477**	(32,582)	(6,076)	6,591	5,194

	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Assets and liabilities					
Total assets	**878,129**	605,635	690,015	351,132	240,689
Total liabilities	**(599,524)**	(476,104)	(543,270)	(216,245)	(132,093)
Net assets	**278,605**	129,531	146,745	134,887	108,596
Equity attributable to owners of the Company	**278,605**	129,531	146,745	134,887	108,596


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