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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2022

Financial Highlights

	Six months ended 31 March		% Change
	2022 HK\$'000	2021 HK\$'000	
Revenue	351,801	261,722	34.4%
Gross profit	101,173	134,039	(24.5%)
Gross profit margin	28.8%	51.2%	-22.4 pts
(Loss)/profit before income tax	(44,568)	73,320	N/A
(Loss)/profit attributable to owners of the Company	(48,787)	54,106	N/A
Basic (loss)/earnings per share	HK cents (15.84)	HK cents 17.62	N/A
Diluted (loss)/earnings per share	HK cents (15.84)	HK cents 17.45	N/A
Interim dividend	—	—	N/A

The board of Directors (the “**Board**”) of Huobi Technology Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 31 March 2022 (the “**Period**”) together with the comparative figures for the six months ended 31 March 2021.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	Six months ended 31 March	
		2022 <i>HK\$’000</i> (Unaudited)	2021 <i>HK\$’000</i> (Unaudited)
Revenue	4	351,801	261,722
Cost of sales and services		<u>(250,628)</u>	<u>(127,683)</u>
Gross profit		101,173	134,039
Other income, net	5	10,192	3,010
Interest income	6	866	345
Selling and distribution expenses		(3,611)	(3,978)
Administrative expenses		(145,942)	(53,200)
Finance costs	7	<u>(7,246)</u>	<u>(6,896)</u>
(Loss)/profit before income tax	8	(44,568)	73,320
Income tax expense	9	<u>(4,219)</u>	<u>(19,214)</u>
(Loss)/profit for the period		<u>(48,787)</u>	<u>54,106</u>
(Loss)/profit for the period attributable to owners of the Company		<u>(48,787)</u>	<u>54,106</u>
		Six months ended 31 March	
		2022 <i>HK cents</i> (Unaudited)	2021 <i>HK cents</i> (Unaudited)
(Loss)/earnings per share	11		
– Basic		<u>(15.84)</u>	<u>17.62</u>
– Diluted		<u>(15.84)</u>	<u>17.45</u>

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Six months ended 31 March	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
(Loss)/profit for the period	(48,787)	54,106
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on the translation of financial statements of foreign operations	1,391	4,415
Item that will not be reclassified subsequently to profit or loss:		
Change in fair value of equity instruments at fair value through other comprehensive income	<u>5,496</u>	<u>–</u>
Other comprehensive income for the period, net of tax	<u>6,887</u>	<u>4,415</u>
Total comprehensive income for the period attributable to owners of the Company	<u><u>(41,900)</u></u>	<u><u>58,521</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 March 2022 <i>HK\$'000</i> (Unaudited)	30 September 2021 <i>HK\$'000</i> (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		43,801	39,501
Right-of-use assets		120,119	51,154
Goodwill		174	174
Other intangible asset		338	349
Other investment		148,708	–
Financial assets at fair value through other comprehensive income		16,950	1,946
		330,090	93,124
Current assets			
Inventories		63,258	67,349
Trade and other receivables	12	168,321	149,734
Cryptocurrencies		398,519	3,072
Convertible loan receivable		–	4,645
Financial assets at fair value through profit and loss		486	245
Pledged bank deposit		–	7,785
Cash and bank balances		374,566	552,175
		1,005,150	785,005
Current liabilities			
Trade and other payables	13	132,843	198,640
Other financial liabilities		82,387	–
Liabilities due to counterparties		17,594	–
Collateral payable		203,964	–
Contract liabilities		3,225	3,347
Bank and other borrowings		60,592	13,987
Lease liabilities		35,027	19,402
Tax payable		39,512	40,903
		575,144	276,279
Net current assets		430,006	508,726
Total assets less current liabilities		760,096	601,850

		31 March 2022	30 September 2021
		HK\$'000	HK\$'000
	<i>Notes</i>	(Unaudited)	(Audited)
Non-current liabilities			
Bank and other borrowings		415,180	280,366
Lease liabilities		91,633	35,718
Deferred tax liabilities		8,483	7,161
		<u>515,296</u>	<u>323,245</u>
Net assets		<u>244,800</u>	<u>278,605</u>
EQUITY			
Share capital	<i>14</i>	308	308
Reserves		<u>244,492</u>	<u>278,297</u>
Total equity attributable to owners of the Company		<u>244,800</u>	<u>278,605</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 31 March 2022

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 Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands and its principal place of business is 6/F & Unit 702-3,100 Queen’s Road Central, 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, the provision of technology solution services, and varieties of services in virtual asset ecosystem, such as asset management, trust and custodian business and over-the-counter (“**OTC**”) trading services.

These business segments are the basis upon which the Group reports its primary segment information. The ultimate controlling party of the Company is Mr. Li Lin (李林) (“**Mr. Li**”).

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

The unaudited condensed consolidated interim financial statements (the “**Interim Financial Statements**”) have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) and Hong Kong Accounting Standard 34, “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosures required by the Main Board Listing Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong (the “**Listing Rules**”).

These Interim Financial Statements have been prepared with the same accounting policies adopted in the consolidated financial statements for the year ended 30 September 2021, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 October 2021 and the inclusion of the following additional accounting policies of “Cryptocurrencies”, “Borrowings – denominated in cryptocurrencies” and “OTC trading services” as adopted by the Group. Details of the new standards/interpretation adopted for the first time in the current period and their effect on the Group’s accounting policies are set out in note 2(b).

Changes in accounting policies and disclosures

The Group reassessed its accounting for certain cryptocurrencies with respect to their measurement after initial recognition. In previous years, the Group recorded these cryptocurrencies as a type of intangible asset under the cost model. To reflect the commercial substance of these cryptocurrencies held by the Group and provide more relevant information to the users of the financial statements, the directors of the Company have approved the change in the accounting policy of the Group for certain cryptocurrencies from cost model to revaluation model.

The change in accounting policy has been applied retrospectively and the comparative figures for the corresponding comparative prior periods have been reassessed. This change did not result in significant impacts on the Group's condensed consolidated results, (loss)/earnings per shares (basic and diluted) and cash flows for the six months ended 31 March 2022. This changes did not result in any impact to the consolidated financial statements for the year ended 30 September 2021 and as at 1 October 2020.

Cryptocurrencies

Since the Group actively trades cryptocurrencies, purchasing them with a view to their resale in the near future, and generating a profit from fluctuations in the price, the Group applies the guidance in HKAS 2 for commodity broker-traders and measures the virtual assets at fair value less costs to sell. The Group considers there are no significant "costs to sell" virtual assets and hence measurement of virtual assets is based on their fair values with changes in fair values recognised in profit or loss in the period of the changes.

The Group has assessed the terms and conditions attached to cryptocurrencies, other than those held for trading, to determine whether they want the definition of financial instruments. The cryptocurrencies that are classified as financial instruments are measured at fair values with changes in fair value recognised in profit or loss in the period of changes.

The Group received cryptocurrencies collateral under lending arrangements with counterparties. Since the Group is able to utilise such collateral for its own economic benefits, it is recorded as cryptocurrencies of the Group with a corresponding liability due to the counterparties recorded, under other payables measured at fair value through profit or loss in non-current or current liabilities. The collateral will be returned to the counterparties upon their settlement of the loans at respective maturity dates. It is classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowings – denominated in cryptocurrencies

Cryptocurrencies borrowed from counterparties are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at fair value, which align with the fact that cryptocurrencies inventories are non-financial assets measured at fair value less costs to sell.

OTC trading services

The Group provides OTC trading services for exchange between fiat currency and cryptocurrencies. Transaction price is derived by unit price of cryptocurrencies and transaction volume. OTC trading services is recognised at point in time upon each trade transaction is completed.

The Interim Financial Statements do not include all of the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 30 September 2021.

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

(b) Adoption of new or amended HKFRSs – effective from 1 October 2021

In the current period, the Group has applied for the first time the following new or amended HKFRSs issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual financial period beginning on 1 October 2021.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021

The adoption of these new or amended HKFRSs did not have any significant impact on the financial performance and financial position of the Group.

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

The following new or amended HKFRSs that have been issued but are not yet effective and have not been early adopted by the Group, in the preparation of the Interim Financial Statements.

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 ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
HKFRS 17	Insurance Contracts ³
Annual Improvements to HKFRSs 2018– 2020 Cycle	Amendments to HKFRS 1, HKFRS 9 and Illustrative Examples accompanying HKFRS 16 ¹

¹ Effective for annual periods beginning on or after 1 January 2022.

² 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.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ 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.

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 became effective.

3. 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 (“**Executive Directors**”), who are responsible for making strategic decisions. The Executive Directors review the Group’s internal reporting in order to assess performance and allocate resources and have determined the operating segments based on these reports. The Group’s reportable and operating segments during the six months ended 31 March 2022 are 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 investment, other receivables, financial assets at fair value through other comprehensive income (“**FVTOCI**”), convertible loan receivable, financial assets at fair value through profit or loss (“**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).

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

For the six months ended 31 March 2022

	Contract manufacturing HK\$'000 (Unaudited)	Provision of technology solution services HK\$'000 (Unaudited)	Virtual asset ecosystem HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue from external customers	210,447	44,544	96,810	351,801
Segment results	16,810	33,655	(40,284)	10,181
Unallocated corporate income				
Interest income				4
Sundry income				377
Unallocated corporate expenses				
Administrative expenses				(49,830)
Finance costs				(5,300)
Loss before income tax				<u>(44,568)</u>

For the six months ended 31 March 2021

	Contract manufacturing HK\$'000 (Unaudited)	Provision of technology solution services HK\$'000 (Unaudited)	Virtual asset ecosystem HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue from external customers	160,796	100,006	920	261,722
Segment results	18,047	87,169	(11,299)	93,917
Unallocated corporate income				
Interest income				10
Sundry income				405
Unallocated corporate expenses				
Administrative expenses				(15,943)
Finance costs				(5,069)
Profit before income tax				<u>73,320</u>

There were no inter-segment transactions during the six months ended 31 March 2022 and 2021.

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

As at 31 March 2022

	Contract manufacturing HK\$'000 (Unaudited)	Provision of technology solution services HK\$'000 (Unaudited)	Virtual asset ecosystem HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment assets	387,135	123,130	718,401	1,228,666
Unallocated corporate assets				
Property, plant and equipment				11,836
Right-of-use assets				12,381
Financial assets at FVTOCI				16,950
Financial asset at FVTPL				245
Other receivables				33,870
Cash and bank balances				<u>31,292</u>
Total assets				<u><u>1,335,240</u></u>
Segment liabilities	244,601	87,717	317,109	649,427
Unallocated corporate liabilities				
Other payables				2,625
Tax payable				8,166
Other borrowings				415,180
Lease liabilities				12,107
Deferred tax liabilities				<u>2,935</u>
Total liabilities				<u><u>1,090,440</u></u>

As at 30 September 2021

	Contract manufacturing <i>HK\$'000</i> (Audited)	Provision of technology solution services <i>HK\$'000</i> (Audited)	Virtual asset ecosystem <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
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				<u>94,496</u>
Total assets				<u><u>878,129</u></u>
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				<u>2,120</u>
Total liabilities				<u><u>599,524</u></u>

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 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 service:

	Six months ended 31 March	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
The People's Republic of China (the "PRC")		
– Mainland China	29,288	19,351
– HKSAR (place of domicile)	99,300	1,462
USA	97,506	68,239
United Kingdom	26,297	19,033
Rest of Europe	6,840	7,577
Russia	5,805	59,458
Japan	68,267	60,443
Seychelles	–	9,885
Others	18,498	16,274
	<u>351,801</u>	<u>261,722</u>

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 accounts for 10% or more of the Group's revenue for the period, is set out below:

	Six months ended 31 March	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Customer A	110,076	64,184
Customer B	38,725	29,761
Customer C	*	31,713
Customer D	*	59,458
	<u>110,076</u>	<u>184,116</u>

* The revenue from such customers did not contribute over 10% of the total revenue of the Group for the six months ended 31 March 2022.

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

	31 March	30 September
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Audited)
HKSAR	196,696	31,580
Mainland China	120,284	48,799
Japan	4,830	5,280
USA	6,191	7,296
Others	2,089	169
	<u>330,090</u>	<u>93,124</u>

4. 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 period.

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

	Six months ended 31 March	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Sales of:		
Solenoid coils	118,543	68,613
Power tool chargers	27,944	20,956
Printed circuit board assembly	34,763	36,062
Parts assembly	13,870	13,398
Others	15,327	21,767
	<u>210,447</u>	<u>160,796</u>
Provision of OTC trading services	<u>76,137</u>	<u>–</u>
Revenue recognised at a point in time	<u>286,584</u>	<u>160,796</u>
Provision of data centre services	2,851	9,885
Provision of cloud-related services	35,875	28,630
Provision of asset management services	8,169	–
Provision of custodian services	11,077	–
Provision of Software-as-a service (“SaaS”)	5,818	61,491
Provision of consultancy services	1,427	920
	<u>65,217</u>	<u>100,926</u>
Revenue recognised over time	<u>65,217</u>	<u>100,926</u>
Total revenue	<u>351,801</u>	<u>261,722</u>

Transaction price allocated to the remaining performance obligations

As at 31 March 2022, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts were approximately HK\$7,895,000 (2021: HK\$80,294,000). 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 (2021: 1 to 3 years).

5. OTHER INCOME, NET

	Six months ended 31 March	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Government grants	599	919
Net fair value gain on cryptocurrencies	9,462	–
Sundry income	131	2,091
	<u>10,192</u>	<u>3,010</u>

The government grants in 2022 mainly represent the subsidies amounting to HK\$282,000 under the Job Growth Incentive and Wage Credit Scheme launched by the Singapore Government. There are no unfulfilled conditions relating to the grants.

The government grants in 2021 mainly represent the subsidies amounting to HK\$732,000 under the Employment Support Scheme provided by the HKSAR Government. There were no unfulfilled conditions relating to the grants.

During the six months ended 31 March 2021, certain monthly lease payments for the lease of the Group's office premises were reduced by the lessor as a result of the COVID-19 pandemic and there were no other changes to the terms of the lease. The Group had applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions totalling HK\$24,000 were recognised as sundry income, with a corresponding adjustment to the lease liabilities.

6. INTEREST INCOME

	Six months ended 31 March	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Interest earned on bank deposits and balances	274	345
Loan interest income	592	–
	<u>866</u>	<u>345</u>

7. FINANCE COSTS

	Six months ended 31 March	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Interest on bank borrowings	96	43
Imputed interest on other loan from a related company	3,933	3,077
Imputed interest on other borrowings	–	2,416
Interest on other loan from a non-controlling shareholder	1,197	–
Interest on other loan from a related party	8	–
Interest expenses on lease liabilities	<u>2,012</u>	<u>1,360</u>
	<u>7,246</u>	<u>6,896</u>

8. (LOSS)/PROFIT BEFORE INCOME TAX

	Six months ended 31 March	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
(Loss)/profit before income tax is arrived at after charging/(crediting):		
Amortisation of intangible asset (included in administrative expenses)	12	12
Auditors' remuneration:		
– audit services	299	228
– other services	–	215
Cost of inventories recognised as expenses	175,440	124,839
Depreciation of property, plant and equipment	5,305	3,151
Depreciation of right-of-use assets	15,025	6,693
Exchange losses/(gain), net	830	(61)
Fair value gain on financial assets at FVTPL	241	–
Realised gain on financial assets at FVTPL	581	–
Low-value assets lease expenses	24	5
Short term lease expenses	1,474	1,411
Provision for/(reversal of) impairment loss on inventories (Note)	462	(186)
Employee benefit expenses (including Directors' remuneration)	<u>91,539</u>	<u>60,273</u>

Note:

During the six months ended 31 March 2022, provision for impairment losses on inventories of HK\$462,000 (2021: a reversal of impairment loss of HK\$186,000) have been recognised in the condensed consolidated statement of profit or loss due to subsequent sales of inventories.

9. INCOME TAX EXPENSE

Income tax expense for the period comprises:

	Six months ended 31 March	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Current income tax:		
Provision for the period		
HKSAR	1,291	11,074
Japan	–	7,600
Mainland China	3,171	2,355
USA	26	(1,257)
	<u>4,488</u>	<u>19,772</u>
Deferred tax liabilities	<u>(269)</u>	<u>(558)</u>
Income tax expense	<u>4,219</u>	<u>19,214</u>

Hong Kong profits tax is calculated at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits for the Period, 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 had 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 six months ended 31 March 2021.

The PRC corporate income tax charge of HK\$3,171,000 (2021: HK\$2,355,000) was determined in accordance with the relevant laws and regulations in Mainland China, and was assessed at a rate of 25% (2021: 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\$5,548,000 (30 September 2021: HK\$5,041,000) 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. Remaining amounts of the deferred tax were attributable to remeasurement of loans from a related company to fair values at recognition.

10. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 31 March 2022 and 2021.

11. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is calculated by dividing the (loss)/earnings attributable to owners of the Company by the weighted average number of ordinary shares of 307,940,885 (31 March 2021: 307,081,225) deemed to be in issue during the Period.

	31 March 2022 HK\$'000	31 March 2021 HK\$'000
(Loss)/profit attributable to owners of the Company	<u>(48,787)</u>	<u>54,106</u>
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<u>307,940,885</u>	<u>307,081,225</u>
	HK cents	HK cents
Basic (loss)/earnings per share	<u>(15.84)</u>	<u>17.62</u>

Diluted (loss)/earnings per share

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

There is no diluted loss per share for six months ended 31 March 2022 as the exercise of share options would result in a reduction in loss per share for the period. Accordingly, the diluted loss per share is the same as the basic loss per share for the six months ended 31 March 2022.

	31 March 2021 HK\$'000
Profit attributable to owners of the Company	<u><u>54,106</u></u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	307,081,225
Adjustment for share options	<u>2,921,073</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>310,002,298</u></u>
	HK cents
Diluted earnings per share	<u><u>17.45</u></u>

12. TRADE AND OTHER RECEIVABLES

	31 March 2022 HK\$'000 (Unaudited)	30 September 2021 HK\$'000 (Audited)
Trade receivables	78,544	89,070
Less: Impairment provisions	<u>–</u>	<u>–</u>
Trade receivables – net	78,544	89,070
Prepayments and other receivables	<u>89,777</u>	<u>60,664</u>
	<u><u>168,321</u></u>	<u><u>149,734</u></u>

Included in trade receivables was amounts due from related companies amounting to HK\$1,137,000 (30 September 2021: HK\$942,000) in which Mr. Li Lin, a Director of the Company, has beneficial interests. The amount is unsecured, interest-free and trade in nature.

Included in other receivables was an amount due from a related company amounting to HK\$33,297,000 (30 September 2021: HK\$37,995,000) 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. As at 31 March 2022, trade receivables of HK\$Nil (30 September 2021: HK\$14,723,000) 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. As at 31 March 2022, the asset-backed lending liabilities amounted to HK\$Nil (30 September 2021: HK\$13,987,000).

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

	31 March 2022 HK\$'000 (Unaudited)	30 September 2021 HK\$'000 (Audited)
0–60 days	60,986	80,678
61–90 days	15,991	7,836
91–120 days	1,496	299
More than 120 days	71	257
	<u>78,544</u>	<u>89,070</u>

The Group allows credit periods ranging from 30 to 100 days (30 September 2021: 30 to 100 days) to its trade customers depending on their credit status and geographical location during the period. 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:

	31 March 2022 HK\$'000 (Unaudited)	30 September 2021 HK\$'000 (Audited)
Neither past due nor impaired	50,808	75,437
0–60 days past due	27,423	13,459
61–90 days past due	242	74
91–120 days past due	71	60
Over 120 days past due	–	40
	<u>78,544</u>	<u>89,070</u>

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 the 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.

13. TRADE AND OTHER PAYABLES

	31 March 2022 HK\$'000 (Unaudited)	30 September 2021 HK\$'000 (Audited)
Trade payables	39,929	41,027
Other payables and accruals	<u>92,914</u>	<u>157,613</u>
	<u>132,843</u>	<u>198,640</u>

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

	31 March 2022 HK\$'000 (Unaudited)	30 September 2021 HK\$'000 (Audited)
0–60 days	35,303	28,871
61–90 days	2,793	7,535
More than 90 days	<u>1,833</u>	<u>4,621</u>
	<u>39,929</u>	<u>41,027</u>

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

14. SHARE CAPITAL

	Number of ordinary shares of HK\$0.001 each	Amount HK\$
Authorised:		
At 1 October 2020, 30 September 2021 and 31 March 2022	<u>500,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1 October 2020 (Audited)	306,800,000	306,800
Issue of shares upon exercise of share options (note (i))	<u>1,070,665</u>	<u>1,071</u>
At 30 September 2021 and 1 October 2021 (Audited)	307,870,665	307,871
Issue of shares upon exercise of share options (note (ii))	<u>75,000</u>	<u>75</u>
At 31 March 2022 (Unaudited)	<u>307,945,665</u>	<u>307,946</u>

Notes:

- (i) 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.
- (ii) During the six months ended 31 March 2022, the subscription rights attaching to 9,000 and 66,000 share options were exercised at a subscription price of HK\$3.13 and HK\$4.36 per share respectively, resulting in the issue of 75,000 new shares at par value of HK\$0.001 each for a total cash consideration of approximately HK\$315,000. Approximately HK\$315,000 representing the difference between the subscription price and the par value was credited to share premium. In addition, HK\$127,000 representing that portion of the share option reserve in relation to the exercise of the share options during the six months ended 31 March 2022, 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.

15. SHARE PREMIUM

	<i>HK\$'000</i>
At 1 October 2020 (Audited)	101,554
Issue of shares upon exercise of share options (<i>note (i)</i>)	<u>5,598</u>
At 30 September 2021 and 1 October 2021 (Audited)	107,152
Issue of shares upon exercise of share options (<i>note (ii)</i>)	<u>442</u>
At 31 March 2022 (Unaudited)	<u><u>107,594</u></u>

Notes:

- (i) As detailed in note 14(i) 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.

- (ii) As detailed in note 14(ii) above, during the six months ended 31 March 2022, the subscription rights attaching to 9,000 and 66,000 share options were exercised at a subscription price of HK\$3.13 and HK\$4.36 per share respectively, resulting in the issue of 75,000 new shares at par value of HK\$0.001 each for a total cash consideration of approximately HK\$316,000. Approximately HK\$316,000 representing the difference between the subscription price and the par value was credited to share premium. In addition, HK\$126,000 representing that portion of the share option reserve in relation to the exercise of the share options during the six months ended 31 March 2022, was transferred from the share option reserve to share premium account.

16. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

The Company has a share option scheme for eligible participants of the Group. Participants may include: any employee (full time or part-time), Director, consultant or adviser of the Group; any substantial shareholder of the Group; and any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, to be determined by the Board, based on their contribution or potential contribution to the development and growth of the Group.

On 3 April 2019, the Company granted 6,192,000 share options to Directors, employees and other eligible participants with an exercise price of HK\$3.13 per share. The share options vest over a period of three years starting from the date of the grant by one-third each anniversary and are fully vested on 3 April 2022. The share options granted are exercisable after one year but not exceeding ten years from the date of the grant.

The fair value of the options granted on 3 April 2019 was calculated by an external valuer using the Binomial Option Pricing Model. The assumptions used were as follows:

	Granted on 3 April 2019
Grant date share price	HK\$3.03
Exercise price	HK\$3.13
Expected volatility	55.66%
Contractual option life	10 years
Risk-free rate	1.543%
Expected dividend yield	0%

The expected volatility is based on historical price volatility of similar listed companies in the past few years. The risk-free rate is the yields of Hong Kong government bonds and treasury bills as extracted from Bloomberg as at 3 April 2019. At the date the options were granted on 3 April 2019, this was determined to be 1.543%. The dividend yield of the Company of 0% was adopted.

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\$256,000 (2021: HK\$614,000) have been charged as share-based compensation expenses to profit or loss for the six months ended 31 March 2022.

The assumptions used in computing the fair value of the share options are based on management's best estimate. The valuation of options is dependent upon a number of variables using subjective assumptions. Any changes in the variables may materially affect the estimation of the fair value of an option.

There was no market vesting condition or non-market performance condition associated with the options granted.

On 16 October 2019, the Company granted 3,650,000 share options to certain employees with an exercise price of HK\$4.36 per share. The share options vest over a period of three years starting from the date of the grant by one-third each anniversary and will be fully vested on 16 October 2022. The share options granted are exercisable after one year but not exceeding ten years from the date of the grant.

The fair value of the options granted on 16 October 2019 has been calculated by an external valuer using the Black-Scholes Option Pricing Model. The assumptions used were as follows:

	Granted on 16 October 2019
Grant date share price	HK\$4.18
Exercise price	HK\$4.36
Expected volatility	34.73%
Contractual option life	10 years
Risk-free rate	1.427%
Expected dividend yield	0%

The expected volatility is based on historical price volatility of similar listed companies in the past few years. The risk-free rate is the yields of Hong Kong government bonds and treasury bills as extracted from Bloomberg as at 16 October 2019. At the date the options were granted on 16 October 2019, this was determined to be 1.427%. The dividend yield of the Company of 0% has been adopted.

Based on the fair values derived from the above pricing model, the fair value of the share options granted on 16 October 2019 was approximately HK\$6,190,000 (HK\$1.6959 each), of which HK\$27,000 (2021: HK\$114,000) have been charged as share-based compensation expenses to profit or loss for the six months ended 31 March 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\$86,000 (2021: HK\$250,000) have been charged as share-based compensation expenses to profit or loss for the six months ended 31 March 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 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 Option 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 the 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 (2021: HK\$584,000) have been charged as share-based compensation expenses to profit or loss for the six months ended 31 March 2021 as the related employee resigned during 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.

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 effect 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 22 October 2020 respectively.

The scheme mandate limit under the share option scheme was refreshed up to 10% of the shares in issue as at the date of passing of the resolution at the annual general meeting in 2021 (the "**Refreshment**"). The Refreshment took effect from 14 April 2021, the date on which the Listing Committee of the Stock Exchange of Hong Kong Limited granted the listing of, and permission to deal in, a maximum of 30,742,766 shares to be issued pursuant to the exercise of options under the share option scheme.

The Company believes that the Refreshment has provided greater flexibility on recruiting and retaining high-calibre employees and attracting human resources that are valuable to the Group.

Further details are set out in the Company's announcement dated 19 March 2021, and the circular dated 17 February 2021.

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

For the six months ended 31 March 2022

	Date of grant	Exercise price HK\$	Outstanding at 1 October 2021	Granted during the period	Exercised during the period	Forfeited during the period	Lapsed during the period	Outstanding at 31 March 2022
Executive Director								
Mr. Wu Shupeng [#]	3.4.2019	3.13	262,000	-	-	-	-	262,000
Employees*								
Employees	3.4.2019	3.13	1,663,000	-	(9,000)	-	(9,000)	1,645,000
Employees	16.10.2019	4.36	183,334	-	(66,000)	(667)	(66,667)	50,000
Employees	2.7.2020	3.28	<u>330,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>330,001</u>
			<u>2,438,335</u>	<u>-</u>	<u>(75,000)</u>	<u>(667)</u>	<u>(75,667)</u>	<u>2,287,001</u>
Weighted average exercise price			<u>HK\$3.24</u>	<u>-</u>	<u>HK\$4.21</u>	<u>HK\$4.36</u>	<u>HK\$4.21</u>	<u>HK\$3.18</u>

[#] Appointed as the director of the Company on 18 December 2021

^{*} The figures include the options held by Mr. Lan Jianzhong who continued being employed by the Company as an employee after his resignation as Executive Director on 15 April 2021 but exclude options held by Mr. Wu Shupeng who was appointed as an Executive Director on 18 December 2021 and whose options are reflected under classification of Executive Director.

Note:

The weighted average closing price of the shares immediately before the dates of exercise of options during the six months ended 31 March 2022 was HK\$10.08.

As at 31 March 2022, the total number of share options outstanding were 2,287,001 (30 September 2021: 4,733,334).

For the share options outstanding as at 31 March 2022, the weighted average remaining contractual life was 2,284 days (30 September 2021: 2,818 days).

Total share-based compensation expenses of HK\$369,000 have been charged to the condensed consolidated statement of profit or loss for the six months ended 31 March 2022 (31 March 2021: share-based compensation expenses HK\$1,562,000).

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL EVENTS

Continuing connected transactions in relation to custodial services agreements

On 14 July 2021, Huobi Trust Company Limited (“**Huobi Trust HK**”), an indirect wholly-owned subsidiary of the Company, entered into agreements with (1) Orion Financial Technology Limited (“**Orion Financial**”), pursuant to which Orion Financial appointed Huobi Trust HK as its custodian to provide custodial services with respect to Orion Financial’s assets; and (2) HB Infinite Limited (“**HB Infinite**”), pursuant to which HB Infinite appointed Huobi Trust HK as its custodian to provide custodial services with respect to HB Infinite’s assets (collectively the “**Previous Custodial Services Agreements**”). For details, please refer to the announcement of the Company dated 14 July 2021.

On 11 October 2021, in view of the growing demand for the custodial services provided under the Previous Custodial Services Agreements, 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. On 17 December 2021, the Previous Custodial Services Agreements were terminated and the new custodial services agreements entered into between Huobi Trust HK and Orion Financial (the “**OF Custodial Services Agreement**”) and HB Infinite (the “**HB Custodial Services Agreement**”) respectively became effective.

Further, Huobi Technology (Gibraltar) Co. Ltd (“**Huobi Gibraltar**”) also on 11 October 2021 entered into a custodial services agreement with Huobi Trust HK for appointing Huobi Trust HK as the custodian of Huobi Gibraltar’s assets (the “**HG Custodial Services Agreement**”).

Each of Orion Financial, HB Infinite and Huobi Gibraltar is a connected person of the Company under 14A.07 of the Listing Rules. The terms for each of the above custodial services agreements dated 11 October 2021 and entered into with Orion Financial, HB Infinite and Huobi Gibraltar (each a “**Custodial Services Agreement**”, and collectively the “**Custodial Services Agreements**”) commenced from 17 December 2021 to 30 September 2024 (both dates inclusive) and may be renewed by the respective parties in writing, subject to compliance with the Listing Rules.

The assets of Orion Financial, HB Infinite and Huobi Gibraltar in the custody account(s) maintained by Huobi Trust HK (the “**Custody Account(s)**”) 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. The custodial fee shall accrue daily on a tiered fee structure based on a percentage of the daily Tether (“**USDT**”) value of the assets held in the Custody Account(s) and shall be paid on a monthly basis in arrears.

Subject to the minimum withdrawal amount and the minimum withdrawal fee, with reference to the transparent scale of fee published in the official website of Huobi Trust HK from time to time, the withdrawal fee shall be calculated as a percentage of 0.1% of the USDT value of the assets transferred out of the Custody Account(s) and shall be paid upon withdrawal of the assets from the Custody Account(s). The scale of minimum withdrawal fee is determined by Huobi Trust HK by reference to the general market rates and the administration costs of Huobi Trust HK.

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(s) in settlement of the custodial fee and withdrawal fee. The custodial fee and withdrawal fee standards were determined based on arm's length negotiations between the parties, taking into consideration factors including general market rate industry practice, regulatory requirements, market competition, customer demand, cost structure and service content, and their corresponding terms under the Custodial Services Agreements were no less favourable to Huobi Trust HK than those available to/from independent third parties.

The table below sets out the annual caps for the fees charged by Huobi Trust HK under the Custodial Service Agreements for the following periods:

(1) The OF Custodial Services Agreement

Periods	From 17	From 1 October	From 1 October
	December 2021	2022 to 30	2023 to 30
	September 2022	September 2023	September 2024
	<i>(both dates inclusive)</i>		
	<i>(HK\$)</i>		
Annual Caps	73,000,000	73,000,000	73,000,000

(2) The HB Custodial Services Agreement

Periods	From 17	From 1 October	From 1 October
	December 2021	2022 to 30	2023 to 30
	September 2022	September 2023	September 2024
	<i>(both dates inclusive)</i>		
	<i>(HK\$)</i>		
Annual Caps	14,000,000	14,000,000	14,000,000

(3) The HG Custodial Services Agreement

Periods	From 17	From 1 October	From 1 October
	December 2021	2022 to 30	2023 to 30
	September 2022	September 2023	September 2024
	<i>(both dates inclusive)</i>		
	<i>(HK\$)</i>		
Annual Caps	11,600,000	11,600,000	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 respectively and the Company's circular dated 26 November 2021.

Continuing connected transactions in relation to referral services framework agreement

On 30 November 2021, HBIT Limited, an indirect wholly-owned subsidiary of the Company, and Block Matrix Limited, a connected person of the Company under Rule 14A.07 of the Listing Rules, entered into the referral services framework agreement, pursuant to which HBIT Limited shall provide referral services to Block Matrix Limited by way of introduction of borrowers to Block Matrix Limited for the provision of loans, and Block Matrix Limited shall pay referral fees to HBIT Limited as consideration for such referral services. The term of the agreement commenced from 1 December 2021 and expiring on 30 September 2024 (both days inclusive).

The table below sets out the annual caps for the referral fees charged by HBIT Limited under the referral service framework agreement for the following periods:

Periods	1 December	1 October	1 October
	2021 to	2022 to	2023 to
	30 September	30 September	30 September
	2022		
	2023		
	2024		
	<i>(both dates inclusive)</i>		
Annual caps <i>(HK\$)</i>	13,000,000	13,000,000	13,000,000

The referral fees payable 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 Limited to the borrowers, such rate to be agreed by the parties from time to time.

The referral fees standards were determined based on arm's length negotiations between the parties, taking into consideration factors including industry practice, market competition and customer demand, and the corresponding terms under the referral services framework agreement were no less favourable to HBIT Limited than those available to/from independent third parties.

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

Discloseable transaction – Subscription of New World Pioneer Mining Fund 1 LPF (the “Fund”)

On 7 February 2022, Huobi Solutions Limited (the “**Huobi Solutions**”), a direct wholly-owned subsidiary of the Company, entered into a subscription agreement with HB Venture Management Limited (the “**General Partner**”), pursuant to which Huobi Solutions agreed to subscribe for partnership interest in the Fund in the total subscription amount of US\$10 million (equivalent to approximately HK\$78 million) in cash.

The Fund is a Hong Kong limited partnership fund, registered under the Limited Partnership Fund Ordinance (Cap. 637 of the laws of Hong Kong). The Fund is established for the purpose of making investments in the cryptocurrency mining ecosystem. The Fund intends to acquire, among others, interests in companies that are engaged in cryptocurrency mining activities and companies that support or otherwise facilitate the cryptocurrency mining ecosystem. The Fund may also acquire interests in mining equipment directly or indirectly through intermediate entities.

The Fund aims to make investments that will generate income streams from mining activities or capital appreciation during the investment period of the Fund. Investments may be structured as equity interests, revenue sharing arrangements or other interests as the General Partner determines. The Fund's interests in the portfolio investments and temporary investments may be held directly or through one or more special purpose vehicles.

On 4 March 2022, Chainup Technic Limited (“**Chainup**”), an independent third party to the Group, entered into a subscription agreement (“**Chainup Agreement**”) with the General Partner, pursuant to which Chainup agreed to subscribe for partnership interest in the Fund in the total subscription amount of 10 million USDT (equivalent to approximately US\$10 million and approximately HK\$78 million).

Upon completion of the Chainup Agreement, the capital of the Fund increased to a value which was equivalent to approximately US\$20 million and the partnership interest in the Fund held by Huobi Solutions reduced from 100% to 50%. Such dilution of the Company's partnership interest in the Fund constituted a deemed disposal by the Company pursuant to Rule 14.29 of the Listing Rules. Accordingly, the partnership interest in the Fund is held as to 50% by Huobi Solutions and as to 50% by Chainup respectively.

For details, please refer to the Company's announcements dated 8 February 2022, 4 March 2022 and 29 April 2022.

Discloseable transaction – Subscription of interest of Huobi Investment SPC (the “Fund Company”) – Huobi Multi Strategy Crypto Fund SP (the “Segregated Portfolio”)

On 21 February 2022, Huobi Solutions entered into a subscription agreement with the Fund Company, pursuant to which Huobi Solutions agreed to subscribe for approximately 14,980 Class A Shares attributable to the Segregated Portfolio, a segregated portfolio of the Fund Company, at a total subscription amount of US\$15 million (equivalent to approximately HK\$117 million) in cash.

The Fund Company is a segregated portfolio company incorporated under the laws of the Cayman Islands with limited liability on 4 September 2020. The Segregated Portfolio was launched on 29 March 2021.

The primary investment objective of the Segregated Portfolio is to deliver superior, risk adjusted returns and to outperform passive allocations to the major cryptocurrencies from time to time. Huobi Asset Management (Hong Kong) Limited (the “**Investment Manager**”) will seek to attain the investment objective of the Segregated Portfolio by adopting a multi-strategy approach which will include, without limitation, quantitative trading, arbitrage, technical analysis and fundamental analysis of directional market movements.

Following completion of the subscription agreement, the participating shares of the Fund Company in issue is held as to approximately 96.6% by Huobi Solutions and as to approximately 3.4% by an independent third party.

For details, please refer to the Company’s announcement dated 21 February 2022.

Connected transaction – Loan transaction

On 3 March 2022, Huobi Solutions Limited (the “**Borrower**”), a direct wholly-owned subsidiary of the Company, entered into a loan agreement with Huobi Cayman Holding Limited (the “**Lender**”), a connected person of the Company under Rule 14A.07 of the Listing Rules, pursuant to which the Lender agreed to grant the Borrower a loan of 250,000 Filecoin (equivalent to approximately HK\$40,000,000 at the transaction date) (the “**Loan**”) for a term of 540 days.

The Loan is for Filecoin mining or such other purpose(s) as may be agreed by the Lender. Simple interest of 15% per annum applied from the date of receipt of the Loan by the Borrower to the date of full repayment of the Loan. The Loan is not secured by any collateral from the Borrower to the Lender.

For details, please refer to the Company’s announcement dated 3 March 2022.

Business cooperation with Raffles Family Office Limited

On 15 March 2022, the Company entered into a cooperation agreement in relation to the joint operation of a company with Raffles Family Office Limited, a company incorporated in Hong Kong with limited liability, pursuant to which the Company agreed to invest in the form of cash, provision of technical service and capital commitment subject to the terms and conditions of the cooperation agreement. The Company would establish a digital family office platform in cooperation with Raffles Family Office Limited. As a bridge between traditional investors and digital asset investments, the platform would provide high-net-worth investors with cryptocurrency-based investments and related advice, as well as services such as wallet integration, inheritance consultation and family governance solutions.

For details, please refer to the Company's announcement dated 21 April 2022.

PERFORMANCE REVIEW

The Group recorded a total revenue of approximately HK\$351.8 million for the six months ended 31 March 2022 (“**Period 2022**”), representing an increase of approximately 34.4% or HK\$90.1 million from HK\$261.7 million for the six months ended 31 March 2021 (“**Period 2021**”).

The gross profit of the Group was HK\$101.2 million for Period 2022, representing a decrease of approximately 24.5% or HK\$32.8 million from HK\$134.0 million for Period 2021.

The Group recorded a loss of HK\$48.8 million for Period 2022 compared to the profit of HK\$54.1 million for Period 2021.

Basic and diluted loss per share of the Group for Period 2022 was HK15.84 cents (Period 2021: basic and diluted earnings per share of HK17.62 cents and HK17.45 cents respectively).

BUSINESS REVIEW

Power-related & electrical/electronic products business

The revenue of the Group from power-related & electrical/electronic product business was HK\$210.4 million for Period 2022, representing an increase of approximately HK\$49.7 million or 30.9% as compared for Period 2021.

Cost of sales, mainly comprising raw materials, direct labour and manufacturing overheads, amounted to HK\$172.0 million for Period 2022, representing an increase of approximately HK\$47.6 million or 38.3% from HK\$124.4 million for Period 2021.

The gross profit was HK\$38.4 million and HK\$36.4 million, representing a gross profit margin of 18.3% and 22.6% for Period 2022 and Period 2021 respectively. The decrease was due to the shift in sales mix to low-margin customers.

Selling and distribution expenses decreased by HK\$0.4 million or 10.0% from HK\$4.0 million for Period 2021 to HK\$3.6 million for Period 2022.

Provision of technology solution services

(i) *Technology solution business*

The Group provided 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 steadily during Period 2022 and the revenue was approximately HK\$38.7 million, which was mainly attributable to the provision of cloud-based services.

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

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

The Group provided 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 customizations to the Software in order to operate a virtual asset trading platform.

During the Period 2022, the business dropped dramatically and the revenue has decreased by 90.6% or HK\$55.7 million from HK\$61.5 million in Period 2021 to HK\$5.9 million in Period 2022. The decrease was attributed to the decrease of virtual asset price and the consequential drop of virtual asset transaction volume.

Virtual Asset Ecosystem

(i) Asset management

The Group has commenced and carried on asset management businesses through Huobi Asset Management (Hong Kong) Limited (“**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. Its funds may invest into different asset classes including traditional assets and virtual assets. Huobi Asset Management has provided asset management services during Period 2022 but no securities advisory service during the same period.

As at 31 March 2022, Huobi Asset Management has provided its asset management services to four funds. These funds include a Bitcoin tracker fund, an Ethereum tracker fund, a multi-strategy virtual asset fund, all of which may invest up to 100% in virtual assets; and a private equity fund for investment in 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 Period 2022, the revenue generated from the provision of asset management services was HK\$8.2 million.

(ii) Trust and custodian business

This type of business was being carried out through Huobi Trust Company (“**Huobi Trust US**”) and Huobi Trust HK during Period 2022.

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 Period 2022, the revenue generated from the provision of custodial and consultancy services was HK\$12.5 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 has submitted an application to for the SFC licenses to conduct Type 1 (dealing in securities) and Type 7 (providing automated trading service) regulated activities under the SFO as a virtual asset trading platform in Hong Kong during Period 2022.

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 the business during the Period 2022.

(iv) *Virtual asset lending and over-the-counter trading business*

During the Period 2022, 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) over-the-counter digital asset trading business to trade digital assets with corporate and individual customers through its trading platforms. The revenue generated from the virtual asset lending and over-the-courter trading business were HK\$76.1 million.

(v) *Virtual asset mining-related business*

The Group plans to commence its own compliant virtual asset mining-related business including but not limited to investing in virtual asset mining machine and operation of mining farm. The Group has not commenced the relevant business during the Period 2022.

In light of the macroeconomic challenges, the Group will continue to stay alert, but positive, to pursue its prudent strategy in developing its existing and new businesses.

NON-OPERATING EXPENSES OVERVIEW

Other income

Other income, which includes government grants, certification and inspection fees, sample sales and rework costs recharged to customers and fair value change of cryptocurrencies, has increased by approximately HK\$7.2 million from HK\$3.0 million for Period 2021 to HK\$10.2 million for Period 2022. The increase was mainly due to the increase in net fair value gain on cryptocurrencies.

Administrative expenses

Administrative expenses have increased by approximately HK\$92.7 million or 174.2% from approximately HK\$53.2 million for Period 2021 to approximately HK\$145.9 million for Period 2022 which was due to an increase in staff cost of high-calibre personnel and an increased in expenses for the development of existing and new business of the Company during the Period 2022.

Finance costs

Finance costs have increased by approximately HK\$0.3 million or 5.1% from approximately HK\$6.9 million for Period 2021 to approximately HK\$7.2 million for Period 2022, which were in line with the increase in level of borrowings in the Group for the comparable period.

(Loss)/profit before income tax

The Group's loss before income tax for Period 2022 was approximately HK\$44.6 million as compared to the profit before income tax of approximately HK\$73.3 million for Period 2021. The turnaround from profit to loss before income tax was due to (1) an increase in administrative expenses attributed to an increase in the staff cost of high calibre personnel and related professional services as the Company applied for virtual asset and finance related licenses in major markets around the world, as well as (2) an increase in the expenses for the development of existing and new business of the Company.

Income tax expense

Income tax expense decreased from approximately HK\$19.2 million for Period 2021 to approximately HK\$4.2 million for Period 2022, representing a decrease of approximately HK\$15.0 million.

(Loss)/profit after income tax

The Group's loss after income tax for Period 2022 was approximately HK\$48.8 million as compared to the profit after income tax of approximately HK\$54.1 million for Period 2021.

Dividend

The Directors do not recommend the payment of an interim dividend for Period 2022 (Period 2021: 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 31 March 2022, together with the position as at 30 September 2021 is summarised below:

	31 March 2022 HK\$'000	30 September 2021 HK\$'000
Cash and cash equivalents	374,566	552,175
Less: Interest-bearing bank borrowings	–	(13,987)
Other borrowings	<u>(475,772)</u>	<u>(280,366)</u>
Net cash	<u>(101,206)</u>	<u>257,882</u>

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

As at 31 March 2022, the effective interest rates on the Group's floating rate borrowing range from 2.1% to 2.2% (30 September 2021: 2.1% to 2.6%) per annum.

CASH FLOW FROM OPERATING ACTIVITIES

Net cash used in operating activities was approximately HK\$267.9 million for Period 2022 (Period 2021: net cash used in operating activities was approximately HK\$1.8 million). The decrease in cash flow in Period 2022 was mainly due to the increase in cryptocurrencies.

CASH FLOW FROM INVESTING ACTIVITIES

Net cash used in investing activities was approximately HK\$76.1 million for Period 2022 compared to net cash used in investing activities of approximately HK\$2.2 million for Period 2021. The outflow for Period 2022 mainly resulted from payment to other investment of HK\$70.4 million and capital expenditures of HK\$9.5 million.

CASH FLOW FROM FINANCING ACTIVITIES

Net cash generated from financing activities was approximately HK\$170.8 million for Period 2022 compared to approximately HK\$5.2 million used in financing activities for Period 2021. The inflow for Period 2022 was mainly due to proceeds from other loan from a related company of approximately HK\$200.0 million net off with repayment of lease liabilities HK\$14.6 million and export loans HK\$14.0 million.

CAPITAL EXPENDITURE

Capital expenditure in Period 2022, financed by internal resources and credit facilities, amounted to approximately HK\$9.5 million (Period 2021: HK\$2.1 million).

TREASURY MANAGEMENT

During Period 2022, 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.

CHARGE ON GROUP ASSETS

As at 31 March 2022, the banking facilities of the Company's wholly-owned subsidiaries which were based in Mainland China and HKSAR amounted to approximately HK\$Nil million (30 September 2021: 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 31 March 2022, the amount drawn down under the asset-backed lending facility was HK\$Nil million (30 September 2021: HK\$14 million).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During Period 2022, there were no other material acquisitions or disposals of subsidiaries and associated companies by the Group, except the deemed disposal of interest in New World Pioneer Mining Fund 1 LPF, as disclosed in the Company's announcements dated 4 March 2022 and 29 April 2022.

CONTINGENT LIABILITIES

As at 31 March 2022, the Group did not have any material contingent liabilities (30 September 2021: HK\$Nil).

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

Sales to the largest customer and the five major customers respectively accounted for 31.3% and 70.1% of total revenue of the Group for the Period 2022.

Purchases from the largest supplier and the five largest suppliers respectively accounted for 16.6% and 43.2% of total purchases of the Group for Period 2022.

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

COMMITMENTS

As at 31 March 2022, the Group has capital commitments in respect of purchase of property, plant and equipment in the amount of HK\$19.8 million (30 September 2021: HK\$Nil).

FOREIGN CURRENCY RISK

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

EMPLOYEES

As at 31 March 2022, the Group had 797 employees (30 September 2021: 728 employees) working in the Mainland China, HKSAR, Japan, Singapore and the USA. The Group has adopted certain bonus programs which are determined annually based on certain criteria including performance of the Company and individual employees. The total employment costs (including Directors' remuneration and mandatory provident fund contributions) for Period 2022 amounted to approximately HK\$91.5 million (Period 2021: HK\$60.3 million).

OUTLOOK

The rise of the Web 3.0 era is set to be a brand-new paradigm as blockchain sets off waves at a unique pace. Every development advances in twists and turns. Looking forward, the Group will actively embrace the opportunities of the times, and uphold the corporate mission of "Compliance + Diversity + Professionalism" to establish a strategic fulcrum for the sustainable development of virtual assets, thus leading traditional financial institutions into the virtual asset world with "One-stop Compliant Virtual Asset Service Platform".

The Group believes that we will create stable and long-term values for our shareholders as long as we insist a global strategic mindset and leverage the first-mover advantage of compliance.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during Period 2022.

CAPITAL STRUCTURE

As at 31 March 2022, the Group's gearing ratio was approximately 194.4% (30 September 2021: 105.7%). Gearing ratio equals total borrowings divided by net asset value as at the end of the reporting period. The total borrowings of approximately HK\$475.8 million (30 September 2021: 294.4 million) included bank and other borrowings.

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 Period 2022 and up to the date of this announcement.

CORPORATE GOVERNANCE CODE

During the Period 2022, 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 C.2.1 in Part 2 of the CG Code in which provides that the roles of chairman and Chief Executive Officer (“**CEO**”) should be separate and performed by different individuals.

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

On 18 December 2021, Mr. Li resigned and Mr. Wu Shupeng was appointed as the CEO of the Company. The Company has since then complied with all the applicable code provisions set out in the CG Code.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors, namely Mr. Yip Wai Ming (Chairman), Mr. Yu Chun Kit and Mr. Ngai Matthew Cheuk Yin.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting systems and internal control procedures and review of the Group's financial information. The Interim Financial Statements of the Group for the six months ended 31 March 2022 have been reviewed by the Audit Committee.

PUBLICATION OF THE INTERIM REPORT

The Company's interim report for the six months ended 31 March 2022 will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and on the website of the Company (www.huobitech.com).

By order of the Board
HUOBI TECHNOLOGY HOLDINGS LIMITED
Wu Shupeng
Executive Director

HKSAR, 27 May 2022

As at the date of this announcement, the Board comprises (1) Mr. Li Lin as a non-executive Director; (2) Mr. Wu Shupeng and Ms. Zhang Li as executive Directors; and (3) Mr. Yu Chun Kit, Mr. Yip Wai Ming and Mr. Ngai Matthew Cheuk Yin as independent non-executive Directors.