

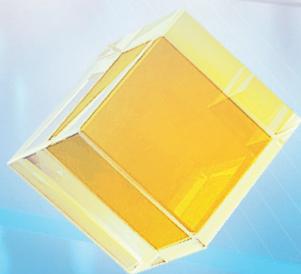


HUOBI TECHNOLOGY HOLDINGS LIMITED

火币科技控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock code: 1611)



INTERIM REPORT **2022**

CONTENTS

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	6
Condensed Consolidated Statement of Profit or Loss	19
Condensed Consolidated Statement of Other Comprehensive Income	20
Condensed Consolidated Statement of Financial Position	21
Condensed Consolidated Statement of Changes in Equity	22
Condensed Consolidated Statement of Cash Flows	23
Notes to the Financial Statements	25
Other Information	64

Corporate Information

BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTOR

Mr. Li Lin (*Chairman*)

EXECUTIVE DIRECTORS

Mr. Wu Shupeng (*Chief Executive Officer*)

Ms. Zhang Li (*Chief Financial Officer*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Duan Xiongfei (*resigned on 1 April 2022*)

Mr. Yip Wai Ming

Mr. Ngai Matthew Cheuk Yin

Mr. Yu Chun Kit (*appointed on 1 April 2022*)

AUDIT COMMITTEE

Mr. Yip Wai Ming (*Chairman*)

Mr. Duan Xiongfei (*resigned on 1 April 2022*)

Mr. Ngai Matthew Cheuk Yin

Mr. Yu Chun Kit (*appointed on 1 April 2022*)

REMUNERATION COMMITTEE

Mr. Ngai Matthew Cheuk Yin (*Chairman*)

Mr. Yip Wai Ming

Mr. Duan Xiongfei (*resigned on 1 April 2022*)

Mr. Yu Chun Kit (*appointed on 1 April 2022*)

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

Mr. Duan Xiongfei (*Chairman*) (*resigned on 1 April 2022*)

Mr. Yu Chun Kit (*Chairman*) (*appointed on 1 April 2022*)

Mr. Yip Wai Ming

Mr. Ngai Matthew Cheuk Yin

REGISTERED OFFICE

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AUDITOR

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Hong Kong

COMPANY SECRETARY

Mr. Ng Kwan Ho

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 interim report of the Group for the six months ended 31 March 2022 (the "Period").

EXTERNAL ENVIRONMENT

The year 2022 (collectively the "Year") began with complex and profound changes in economic globalization amid inflation and epidemics, slowing the global economy recovery. On one hand, soaring commodity prices in international market and disruptions in global supply chains were putting inflationary pressures on various countries. According to the World Gold Council (WGC), global gold demand surged by 34% year-on-year in the first quarter of 2022, almost hitting a peak for the past three years, which signaled heightened concerns about soaring inflation. On the other hand, the International Monetary Fund (IMF) has revised its projection for global growth downwards to 3.6% in both 2022 and 2023, from 6.1% in 2021 given that monetary and fiscal stimulus packages were being reduced globally and the Federal Reserve was expected to further raise interest rates during the year, which may put the capital flows and fiscal positions of global emerging and developing economies at risk.

On the way leading to a healthy economic recovery, there are still uncertainties remained and potentially emerging around the world. Therefore, countries are looking for new ways to attain stable growth amid an increasingly challenging environment, in which creating new growth drivers becomes a new breakthrough for all sectors.

BUSINESS OVERVIEW

Despite the complexity of the international market during the period, the Group achieved a steady and orderly development of its performance and successful implementation of its multiple businesses, through timely strategic adjustments and rational allocation of resources in the face of new situations and challenges. During the period, the Group increased inputs in new business lines, bringing about further optimisation of the revenue structure. Such optimisation is highly consistent with the strategic direction of the Group, proving the effectiveness of our development strategy.

On one hand, to adapt into the development of global digital economy, the Group gave full play to its compliance advantages, increased resource and cost input, and have the virtual asset ecosystem businesses achieved a smooth start by strengthening the sustainable ecological camp composed of emerging compliant businesses, with revenue reaching to the expected level while the proportion of revenue increased. The Group actively built an ecosystem moating around its mission of "Developing Diversely with Compliance as Primary". In particular, Huobi Asset Management (Hong Kong) Limited ("Huobi Asset Management"), one of subsidiaries of the Group, which holds type 4 (advising on securities) and type 9 (asset management) licenses issued by the Securities and Futures Commission of Hong Kong ("Hong Kong SFC"), has launched innovative compliant fund products to meet the diverse market demands since April 2021, and continued to track the market demands and launched multi-type products, above which creating favorable conditions for the ecosystem. Huobi Trust (Hong Kong) Company Limited ("Huobi Trust"), which holds the Hong Kong Trust or Company Service Provider ("TCSP") license, has achieved geometric growth in its assets under custody since it officially carried out business in May 2021, reaching US\$4 billion as at 31 December 2021. In addition, the Group kept capturing the market dynamics in a real-time manner, and successfully developed new compliant businesses for institutional and individual investors, including over-the-counter ("OTC") brokerage and asset-backed lending service during the period. Both the services system and quality of the new businesses have been improved in a short term, and hence the revenue rapidly increased, which further consolidated the Group's core competitiveness. On the other hand, thanks to the continued efforts of making forward-looking layouts for blockchain technology services, the blockchain ecosystem businesses were able to provide momentum for the total revenue growth, strengthening the overall revenue resilience.

Chairman's Statement

In response to the market trend, Huobi Tech Capital, the strategic investment and Merger & Acquisition department of the Group, was officially established. Based on that, the Group will grasp the trend of the digital era and conduct in-depth research on Web 3.0, DeFi, NFT and Metaverse to build up momentum for the Company to become a leading one-stop compliant virtual asset service platform.

As a representative of listed virtual asset companies in the Asia-Pacific region, the Company has been actively playing a pioneering role in establishing a bridge and link with global regulators. In February 2022, the Group co-organised Crypto Market Integrity Coalition ("CMIC") with leading companies among the industry aiming to lead the industry to support the cultivation of a fair digital asset marketplace and to enhance the regulators' confidence in the virtual asset class.

At the same time, we are actively devoting our resources to build up a compliant trading platform and also keeping close communication with the regulatory authorities. As a part of our efforts to promote the development of a compliant path with regulatory authorities, the Group is actively applying for Type 1 and Type 7 licenses to be issued by Hong Kong SFC under the Securities and Futures Ordinance so that the Group could operate as a virtual asset trading platform in Hong Kong on a compliant basis. In Singapore, the Group has submitted the application for a digital asset activity license to the Monetary Authority of Singapore in accordance with the Payment Services Act, expecting to conduct the compliant operation of the exchange, and to expand the scope of our businesses.

Compliance and security are inevitable for development of both regulation and market. The Group is confident that the "One-Stop Compliant Virtual Asset Service Platform" will enable us to broaden the development path for both institutional and individual investors into the virtual asset world and drive the industry towards high-quality development.

MACROCOSMIC VIEWPOINT

The rapid development of blockchain technology has led to the upgrade of the industry as a whole, enabling the interconnection of the virtual assets with traditional finance and even exerting far-reaching impact on the development of the mainstream economy and society. With Decentralized Finance (DeFi) as the fulcrum, Smart Contracts are being integrated into the existing economy at an unprecedented pace, empowering the financial system with unlimited possibilities. As Web 3.0 becoming a buzz while Non-Fungible Tokens (NFT) growing at an explosive rate, players from various industries have doubled their efforts to pursue their development in the metaverse sector. Technology promotes the applications, while the application repays the society in return. Hence the virtual assets are expected to reach another development height in the future.

The global regulatory landscape is a barometer of the industry development. In the face of increasing appeals for regulatory improvements and technological innovations, international economic centres have been issuing policy frameworks and guidelines to keep pace with the leapfrogging development of virtual assets. The Central African Republic has adopted Bitcoin as a legal tender, becoming the only second country following EL Salvador. Meanwhile, western countries and international organisations are increasingly prioritize digital assets into their indispensable development and actively establishing a comprehensive regulatory regime. In February 2022, US President Joe Biden signed the Executive Order on *Ensuring Responsible Development of Digital Assets* to support the research and innovations of such assets. The Hong Kong Special Administrative Region, a key financial hub in the Asia-Pacific region, is also at the forefront of the digital economy. In January 2022, the Hong Kong Monetary Authority ("HKMA") and the Hong Kong SFC issued a joint circular, which aims to establish a comprehensive regulatory regime that could bring about orderly and innovative development of the industry. The reinforcement of the regulatory awareness indicates that virtual assets have become the trend of the age and are poised to take the capital markets to a new level in the future.

The potential value of virtual assets and the surging of such transactions, have paved a disruptive path for traditional financial institutions. Since the second half of 2021, institutions have not slowed down their efforts to provide crypto exposures as the U.S. Securities and Exchange Commission (SEC) has been receiving applications of crypto-related exchange-traded funds (ETFs) from traditional financial institutions. Goldman Sachs, the Wall Street top investment bank, has become the first bank to complete OTC cryptocurrency trading. Besides, the burgeoning crypto space has also been attracting the attention of private equity and venture capital firms. According to PricewaterhouseCoopers (PwC), the total value of M&A transactions in the crypto space has soared to US\$55 billion in 2021, growing by almost 50 times from US\$1.1 billion in just one year. Innovative financing ways are expanding at an unprecedented speed in the capital sector, from traditional equity investments to tokenised investments. Virtual assets will enable the financial industry to continuously explore new propositions.

On behalf of the Board,

Li Lin

Chairman

HKSAR

27 May 2022

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, also on 11 October 2021 Huobi Technology (Gibraltar) Co. Ltd. (“Huobi Gibraltar”) 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 United States Dollar 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.

Management Discussion and Analysis

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

(2) The HB Custodial Services Agreement

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

(3) The HG Custodial Services Agreement

Periods	From 17 December 2021 to 30 September 2022	From 1 October 2022 to 30 September 2023	From 1 October 2023 to 30 September 2024
	(both dates inclusive) (HK\$)		
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.

Management Discussion and Analysis

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 a 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 will expire on 30 September 2024 (both dates 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 2021 to 30 September 2022	1 October 2022 to 30 September 2023	1 October 2023 to 30 September 2024
	(both dates inclusive)		
Annual caps (HK\$)	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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 to HK\$160.7 million 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.

Management Discussion and Analysis

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 the SFC for its 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-counter trading business has an aggregate amount of 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.

Management Discussion and Analysis

(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	(475,772)	(280,366)
Net cash	(101,206)	257,882
Cryptocurrencies	398,519	3,072
Net cash and cryptocurrencies	297,313	260,954

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.

Cryptocurrencies represent mainly Bitcoin ("BTC"), USDT, Binance USD ("BUSD") and Ethereum ("ETH").

CASH FLOW FROM OPERATING ACTIVITIES

Net cash used in operating activities was approximately HK\$273.8 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 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.

Management Discussion and Analysis

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 report, 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).

RISKS RELATED TO ANTI-MONEY LAUNDERING

During the Period 2022, the Group has provided 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 guidelines 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).

FOREIGN CURRENCY RISK

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

SIGNIFICANT INVESTMENT

Reference is made to the announcements of the Company dated 8 February 2022, 4 March 2022 and 29 April 2022 in relation to the subscription and deemed disposal of interests in New World Pioneer Mining Fund 1 LPF (the "Fund") and the announcement of the Company dated 21 February 2022 in relation to the subscription of interest of Huobi Investment SPC (the "Fund Company").

On 7 February 2022, Huobi Solutions Limited, 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 Limited subscribed for 100% partnership interest in the Fund at a consideration of US\$10 million (equivalent to approximately HK\$78 million). On 4 March 2022, Chainup Technic Limited ("Chainup"), an independent third party to the Group, entered into a subscription agreement with the General Partner, pursuant to which Chainup also subscribed for partnership interest in the Fund at a consideration of USDT 10 million (equivalent to approximately HK\$78 million). Upon completion thereof, the partnership interest in the Fund held by Huobi Solutions Limited was diluted from 100% to 50%.

Management Discussion and Analysis

On 21 February 2022, Huobi Solutions Limited entered into a subscription agreement with the Fund Company, pursuant to which Huobi Solutions Limited subscribed for approximately 14,980 Class A shares attributable to Huobi Multi Strategy Crypto Fund SP, a segregated portfolio of the Fund Company (the “Segregated Portfolio”), at a consideration of US\$15 million (equivalent to approximately HK\$117 million).

During the Period 2022, the Group had the following significant investments held with a value of 5% or more of the Group’s total assets:

No.	Name of the investments	Investment costs	Fair value as at 31 March 2022	Percentage of investments held as at 31 March 2022	Performance/ Change in fair value for the Period 2022	Size as compared to the Group’s total assets as at 31 March 2022	Total amount of dividends received for the Period 2022
1	New World Pioneer Mining Fund 1 LPF	US\$10 million (equivalent to approximately HK\$78 million)	US\$10 million (equivalent to approximately HK\$78 million)	50%	-	5.84%	-
2	Huobi Investment SPC – Huobi Multi-Strategy Crypto Fund SP	US\$15 million (equivalent to approximately HK\$117 million)	US\$15 million (equivalent to approximately HK\$117 million)	96.60%	-	8.76%	-

1 New World Pioneer Mining Fund 1 LPF

The Fund is a Hong Kong limited partnership fund, registered under the Limited Partnership Fund Ordinance (Cap. 637 of the laws of Hong Kong), of which Huobi Solutions Limited is the sole limited partner. The Fund is established for the purpose of making investments in the industry of 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.

In late March 2022, the Fund through an intermediate entity invested in 100% equity interests in Fil Limited, a company incorporated in Hong Kong with limited liability, which principally engages in the businesses that generate income streams from performing cryptocurrency mining activities. The investment consideration was approximately HK\$148.7 million.

The Company views the prospects of the cryptocurrency mining ecosystem industry with positivity, and therefore hopes to further invest in this industry through a fund channel to enhance its financial returns. As one of the business segments of the Company involves crypto ecosystem (including asset management), investing in the Fund may create synergy effect for the Company’s business. Further, with professional experts from the cryptocurrency mining industry being part of the management team of the Fund, the Company is confident in the prospects of the Fund.

Management Discussion and Analysis

2 Huobi Investment SPC – Huobi Multi-Strategy Crypto Fund SP

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 consisted of cash and cryptocurrency assets acquired on the secondary market and principally invests in the Top 50 Coins and virtual assets futures, including cryptocurrencies or derivatives that are linked to the Top 50 Coins. The Company views the prospects of the cryptocurrency industry with positivity, and therefore hopes to further invest in Top 50 Coins and virtual assets futures through a fund channel to enhance its financial returns. As one of the business segments of the Company involves crypto ecosystem (including asset management), investing in the Segregated Portfolio may create synergy effect for the Company's business. Further, with professional experts from the cryptocurrency mining industry being part of the management team of the Segregated Portfolio, the Company is confident in the prospects of the Segregated Portfolio.

EMPLOYEES

As at 31 March 2022, the Group had 797 employees (30 September 2021: 728 employees) working in HKSAR, the Mainland China, 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).

The Company's remuneration policy is determined by the remuneration committee of the Company 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.

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.

Condensed Consolidated Statement of Profit or Loss

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

		Six months ended 31 March	
		2022 HK cents (Unaudited)	2021 HK cents (Unaudited)
(Loss)/earnings per share			
– Basic	13	(15.84)	17.62
– Diluted	13	(15.84)	17.45

Condensed Consolidated Statement of Other Comprehensive Income

	Six months ended 31 March	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (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	5,496	–
Other comprehensive income for the period, net of tax	6,887	4,415
Total comprehensive income for the period attributable to owners of the Company	(41,900)	58,521

Condensed Consolidated Statement of Financial Position

	Notes	31 March 2022 HK\$'000 (Unaudited)	30 September 2021 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	43,801	39,501
Right-of-use assets	14	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	15	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	16	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	17	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
Non-current liabilities			
Bank and other borrowings	17	415,180	280,366
Lease liabilities		91,633	35,718
Deferred tax liabilities	18	8,483	7,161
		515,296	323,245
Net assets		244,800	278,605
EQUITY			
Share capital	19	308	308
Reserves		244,492	278,297
Total equity attributable to owners of the Company		244,800	278,605

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 March 2022

	Unaudited								
	Share capital HK\$'000 (note 19)	Share premium HK\$'000 (note 20)	Share option reserve HK\$'000	Other reserve HK\$'000	FVTOCI reserve HK\$'000	Statutory reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 October 2021	308	107,152	3,198	32,565	-	7,956	(6,531)	133,957	278,605
Issue of shares upon exercise of share options (notes 19(ii) and 20(iii))	-*	442	(127)	-	-	-	-	-	315
Equity-settled share based compensation expenses (note 21)	-	-	369	-	-	-	-	-	369
Fair value gain on loan from a related party measured at fair value on inception, net of deferred tax (note 17)	-	-	-	7,411	-	-	-	-	7,411
Transactions with owners	-*	442	242	7,411	-	-	-	-	8,095
Loss for the period	-	-	-	-	-	-	-	(48,787)	(48,787)
Other comprehensive income									
Change in fair value of equity instrument at fair value through other comprehensive income	-	-	-	-	5,496	-	-	-	5,496
Exchange differences arising on the translation of financial statements of foreign operations	-	-	-	-	-	-	1,391	-	1,391
Total comprehensive income for the period	-	-	-	-	5,496	-	1,391	(48,787)	(41,900)
At 31 March 2022	308	107,594	3,440	39,976	5,496	7,956	(5,140)	85,170	244,800

* The balance represents an amount less than HK\$1,000.

For the six months ended 31 March 2021

	Unaudited							(Accumulated losses)/ Retained profits HK\$'000	Total HK\$'000
	Share capital HK\$'000 (note 19)	Share premium HK\$'000 (note 20)	Share option reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000	Translation reserve 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	-*	2,947	(800)	-	-	-	-	2,147	
Equity-settled share based compensation expenses (note 21)	-	-	1,562	-	-	-	-	1,562	
Transfer of share option reserve upon the forfeiture of share options	-	-	(2,221)	-	-	-	2,221	-	
Transactions with owners	-*	2,947	(1,459)	-	-	-	2,221	3,709	
Profit for the period	-	-	-	-	-	-	54,106	54,106	
Other comprehensive income									
Exchange differences arising on the translation of financial statements of foreign operations	-	-	-	-	-	4,415	-	4,415	
Total comprehensive income for the period	-	-	-	-	-	4,415	54,106	58,521	
At 31 March 2021	307	104,501	4,215	32,565	7,956	(6,588)	48,805	191,761	

* The balance represents an amount less than HK\$1,000.

Condensed Consolidated Statement of Cash Flows

	Notes	Six months ended 31 March	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Cash flows from operating activities			
(Loss)/profit before income tax		(44,568)	73,320
Adjustments for:			
Amortisation of intangible asset		12	12
Depreciation of property, plant and equipment		5,305	3,151
Depreciation of right-of-use assets		15,025	6,693
Equity-settled share-based payment expenses	21	369	1,562
Fair value gain on financial asset at fair value through profit or loss		(241)	–
Imputed interest expense on other loan from a related company		3,933	3,077
Imputed interest expense on other loan from a third party		–	2,416
Interest expenses on other loan from a related party		8	–
Interest expenses on other loan from a third party		1,197	–
Interest expenses on bank borrowings		96	43
Interest expenses on lease liabilities		2,012	1,360
Interest income		(866)	(345)
Provision for/(reversal of) impairment loss on inventories		462	(186)
Share of results of consolidated investment fund attributable to other redeemable participating shareholders		9	–
Sundry income		–	(24)
Operating (loss)/profit before working capital changes		(17,247)	91,079
Decrease/(increase) in inventories		3,629	(16,406)
Increase in cryptocurrencies		(391,348)	(49,186)
Conversion of cryptocurrencies		–	5,877
Increase in trade and other receivables		(18,587)	(55,703)
Increase/(decrease) in trade and other payables		(65,805)	26,026
Decrease in contract liabilities		(122)	(453)
Increase in liabilities due to counterparties		17,594	–
Increase in collateral payable		203,964	–
<i>Cash (used in)/generated from operations</i>		(267,922)	1,234
Income tax paid		(5,879)	(3,011)
<i>Net cash used in operating activities</i>		(273,801)	(1,777)

Condensed Consolidated Statement of Cash Flows

	Notes	Six months ended 31 March	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Cash flows from investing activities			
Purchase of intangible asset		–	(373)
Purchase of property, plant and equipment		(9,470)	(2,104)
Decrease/(increase) in pledged bank deposit		7,785	(23)
Interest received on bank deposits and balances		274	345
Loan interest received		592	–
Purchase of financial assets at fair value through other comprehensive income		(4,863)	–
Payment to other investment		(70,429)	–
<i>Net cash used in investing activities</i>		(76,111)	(2,155)
Cash flows from financing activities			
Net cash outflow in trust receipts and export loans		(13,987)	(53)
Repayment of principal portion of lease liabilities		(12,595)	(5,926)
Repayment of interest portion of lease liabilities		(2,012)	(1,360)
Proceeds from other loan from a related company		199,998	–
Interest paid on bank borrowings		(96)	(43)
Interest paid on other loan from third party		(848)	–
Issue of shares on exercise of share options		315	2,147
<i>Net cash generated from/(used in) financing activities</i>		170,775	(5,235)
Net decrease in cash and cash equivalents	22	(179,137)	(9,167)
Effect of foreign exchange rate changes		1,528	2,798
Cash and cash equivalents at beginning of the period		552,175	403,684
Cash and cash equivalents at end of the period		374,566	397,315
Analysis of the balance of cash and cash equivalents			
Cash and bank balances		374,566	397,315

MAJOR NON-CASH TRANSACTIONS

During the six months ended 31 March 2022, the Group had non-cash additions to right-of-assets and lease liabilities of HK\$81,941,000 (2021: HK\$2,763,000) and HK\$81,941,000 (2021: HK\$2,763,000) respectively, in respect of the lease arrangements for the leased office properties and factory.

During the six months ended 31 March 2021, cryptocurrencies amounting to approximately US\$758,000 or HK\$5,877,000, in the form of USDT, were converted into fiat currency of approximately HK\$5,877,000.

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 the provision of 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).

Notes to the Financial Statements

For the six months ended 31 March 2022

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES – *continued*

(a) Basis of preparation – *continued*

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 change 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 trades cryptocurrencies, purchasing them with a view to their resale in the near future, and generating a profit from fluctuations in the prices, 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 that there are no significant "costs to sell" virtual assets and hence the 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 the cryptocurrencies, other than those held for trading, to determine whether they meet 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.

Notes to the Financial Statements

For the six months ended 31 March 2022

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES – continued

(a) Basis of preparation – continued

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.

Notes to the Financial Statements

For the six months ended 31 March 2022

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES – continued

(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. ESTIMATES

The preparation of Interim Financial Statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those applied to the consolidated financial statements for the year ended 30 September 2021.

4. FINANCIAL RISK MANAGEMENT

Financial Risk Factors

The Group is exposed to a variety of financial risks: market risk (including foreign currency risk), interest rate risk, fair value risk, credit risk and liquidity risk. The Group's overall risk management focuses on unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the Board of Directors (the "Board"). The Group does not have written risk management policies. However, the Board meets regularly and co-operates closely with key management to identify and evaluate risks and to formulate strategies to manage financial risks.

The Interim Financial Statements do not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 30 September 2021.

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 deposit 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.

(ii) Trade receivables

The Group applies the simplified approach to provide for expected credit losses ("ECLs") prescribed by HKFRS 9 "Financial instruments" ("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 31 March 2022, trade receivables of HK\$46,734,000 (30 September 2021: HK\$63,042,000) 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 ECL rate of collectively assessed trade receivables that were neither past due nor impaired is 0.03% (30 September 2021: 0.01%), past due between 0 to 60 days is 0.14% (30 September 2021: 0.20%) and past due more than 60 days is 2.07% to 29.58% (30 September 2021: 6.76% to 27.50%). 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 rate on trade receivables was assessed to be minimal and no provision was made for the period (30 September 2021: HK\$Nil).

Notes to the Financial Statements

For the six months ended 31 March 2022

4. FINANCIAL RISK MANAGEMENT – *continued*

Credit Risk – *continued*

(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.

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.

4. FINANCIAL RISK MANAGEMENT – continued

Credit Risk – continued

(iii) Other receivables – continued

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 include 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 balances 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 period (30 September 2021: HK\$Nil).

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.

Notes to the Financial Statements

For the six months ended 31 March 2022

4. FINANCIAL RISK MANAGEMENT – continued

Liquidity Risk – continued

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 contracted 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.

	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
As at 31 March 2022 (Unaudited)						
Non-derivative financial liabilities:						
Trade and other payables	132,843	132,843	132,843	-	-	-
Other financial liabilities	82,387	82,387	82,387	-	-	-
Liabilities due to counterparties	17,594	17,594	17,594	-	-	-
Bank borrowings	-	-	-	-	-	-
Other borrowings	475,772	496,766	62,768	433,998	-	-
Lease liabilities	126,660	144,357	41,471	32,492	66,022	4,372
	835,256	873,947	337,063	466,490	66,022	4,372
As at 30 September 2021 (Audited)						
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	-

Fair Value Estimation

The fair value measurement of the Group's financial statements assets and liabilities utilises market observable inputs and data as far as possible. Input used in determining fair value 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).

4. FINANCIAL RISK MANAGEMENT – continued

Fair Value Estimation – continued

(i) **Financial instruments and non-financial assets measured at fair value**

At the end of the reporting period, cryptocurrencies, convertible loan receivable, unlisted equity investments and derivative financial instruments 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.

(iv) **Information about level 3 fair value measurement**

The fair values of the financial instruments, including derivative financial instruments and convertible loan receivable, included in the level 3 category as at the end of the reporting period have been determined by the Directors. The fair value of unlisted equity investment is determined using the market approach based on recent transaction prices.

Notes to the Financial Statements

For the six months ended 31 March 2022

4. FINANCIAL RISK MANAGEMENT – continued

Fair value measurement

The following table provides an analysis of financial statements assets and liabilities measured at fair value by level of fair value hierarchy:

Recurring fair value measurement

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 March 2022 (Unaudited)				
Cryptocurrencies	398,519	–	–	398,519
Financial assets:				
Unlisted equity instrument	–	–	16,950	16,950
Derivative financial instruments	241	–	245	486
	398,760	–	17,195	415,955
Collateral payables	203,964	–	–	203,964
Financial liabilities:				
Liabilities due to counterparties	17,594	–	–	17,594
	221,558	–	–	221,558
As at 30 September 2021 (Audited)				
Financial assets:				
Unlisted equity instrument	–	–	1,946	1,946
Convertible loan receivable	–	–	4,645	4,645
Derivative financial instruments	–	–	245	245
	–	–	6,836	6,836

There was no transfer under the fair value hierarchy classification during the six months ended 31 March 2022 and the year ended 30 September 2021.

Notes to the Financial Statements

For the six months ended 31 March 2022

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 (“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).

Notes to the Financial Statements

For the six months ended 31 March 2022

5. SEGMENT INFORMATION – continued

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				(44,568)

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				73,320

Notes to the Financial Statements

For the six months ended 31 March 2022

5. SEGMENT INFORMATION – continued

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				31,292
Total assets				1,335,240
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				2,935
Total liabilities				1,090,440

Notes to the Financial Statements

For the six months ended 31 March 2022

5. SEGMENT INFORMATION – continued

As at 30 September 2021

	Contract manufacturing HK\$'000 (Audited)	Provision of technology solution services HK\$'000 (Audited)	Virtual asset ecosystem HK\$'000 (Audited)	Total HK\$'000 (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				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

Notes to the Financial Statements

For the six months ended 31 March 2022

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 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 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
The People's Republic of China (the "PRC")		
– HKSAR (place of domicile)	99,300	1,462
– Mainland China	29,288	19,351
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
	351,801	261,722

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.

Notes to the Financial Statements

For the six months ended 31 March 2022

5. SEGMENT INFORMATION – continued

Geographical information – continued

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

* 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
	330,090	93,124

Notes to the Financial Statements

For the six months ended 31 March 2022

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 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
	210,447	160,796
Provision of OTC trading services	76,137	–
Revenue recognised at a point in time	286,584	160,796
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
Revenue recognised over time	65,217	100,926
Total revenue	351,801	261,722

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).

Notes to the Financial Statements

For the six months ended 31 March 2022

7. OTHER INCOME, NET

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

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.

8. INTEREST INCOME

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

Notes to the Financial Statements

For the six months ended 31 March 2022

9. FINANCE COSTS

	Six months ended 31 March	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interest on bank borrowings	96	43
Imputed interest on other loan from a related company (note 17)	3,933	3,077
Imputed interest on other borrowings (note 17)	–	2,416
Interest on other loan from a third party (note 17)	1,197	–
Interest on other loan from a related party (note 17)	8	–
Interest expenses on lease liabilities	2,012	1,360
	7,246	6,896

10. (LOSS)/PROFIT BEFORE INCOME TAX

	Six months ended 31 March	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (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)	91,539	60,273

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.

Notes to the Financial Statements

For the six months ended 31 March 2022

11. 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)
	4,488	19,772
Deferred tax liabilities (note 18)	(269)	(558)
Income tax expense	4,219	19,214

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.

Notes to the Financial Statements

For the six months ended 31 March 2022

11. INCOME TAX EXPENSE – continued

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.

12. DIVIDENDS

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

13. (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	(48,787)	54,106
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	307,940,885	307,081,225
	HK cents	HK cents
Basic (loss)/earnings per share	(15.84)	17.62

Notes to the Financial Statements

For the six months ended 31 March 2022

13. (LOSS)/EARNINGS PER SHARE – continued

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	54,106
Weighted average number of ordinary shares for the purpose of basic earnings per share	307,081,225
Adjustment for share options	2,921,073
Weighted average number of ordinary shares for the purpose of diluted earnings per share	310,002,298
	HK cents
Diluted earnings per share	17.45

14. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

Additions to property, plant and equipment in the period amounted to HK\$9,470,000 (31 March 2021: HK\$2,104,000).

Items of plant and machinery with a net book value of HK\$104,000 (2021: HK\$1,243,000) were disposed of during the six months ended 31 March 2022, resulting in a gain on disposal of HK\$Nil (31 March 2021: HK\$Nil).

Depreciation of HK\$5,305,000 (31 March 2021: HK\$3,151,000) has been charged to the condensed consolidated statement of profit or loss for the six months ended 31 March 2022.

In addition, the Group has entered into leases for office premises and factory during the six months ended 31 March 2022. Right-of-use assets amounted to HK\$81,941,000 (2021: HK\$2,763,000) has been recognised for the current period.

Notes to the Financial Statements

For the six months ended 31 March 2022

15. 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	–	–
Trade receivables – net	78,544	89,070
Prepayments and other receivables	89,777	60,664
	168,321	149,734

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) (note 17).

Notes to the Financial Statements

For the six months ended 31 March 2022

15. TRADE AND OTHER RECEIVABLES – continued

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
	78,544	89,070

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
	78,544	89,070

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.

Notes to the Financial Statements

For the six months ended 31 March 2022

16. 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	92,914	157,613
	132,843	198,640

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	1,833	4,621
	39,929	41,027

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

Notes to the Financial Statements

For the six months ended 31 March 2022

17. BANK AND OTHER BORROWINGS

	31 March 2022 HK\$'000 (Unaudited)	30 September 2021 HK\$'000 (Audited)
Bank borrowings (secured) comprise:		
Asset-backed lending	–	13,987
Other borrowings (unsecured) comprise:		
Loan from a third party	60,592	60,243
Loan from a related company	415,180	220,123
	475,772	294,353
Secured	–	13,987
Unsecured	475,772	280,366
	475,772	294,353
Bank borrowings are repayable as follow:		
Within one year or on demand	–	13,987
Other borrowings are repayable as follows:		
Within one year or on demand	60,592	–
More than one year but not exceeding two years	415,180	280,366
More than two years but not exceeding five years	–	–
	475,772	294,353
Less: Amounts shown under current liabilities	(60,592)	(13,987)
Amounts shown under non-current liabilities	415,180	280,366

Bank borrowings

The asset-backed lending represents the amount of financing obtained in factoring transactions which do not meet the de-recognition requirements in HKFRS 9. The corresponding financial assets are included in trade receivables (note 15).

Bank borrowings are denominated in HK\$ and 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 2.2% per annum (30 September 2021: 2.1% to 2.6% 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 23 for details of pledged assets.

17. BANK AND OTHER BORROWINGS – *continued*

Other borrowings

Loan from a third party

On 21 August 2018, as part of the sale and purchase agreement in relation to the sale and purchase of an aggregate of 215,576,000 sale shares, representing approximately 71.67% of the entire issued share capital of the Company originally owned by New Wave Capital Limited (“NWC”), a company owned by Mr. Simon Nai-cheng Hsu. NWC agreed to provide Pantene Industrial Co. Limited, a wholly-owned subsidiary of the Group, a three-year interest-free and unsecured loan of HK\$100,000,000 with maturity date of 24 August 2021. The borrower is entitled to early repay a portion or all of this loan without giving prior notice.

The HK\$100,000,000 loan received was initially recognised at a fair value of HK\$86,098,000 which was estimated by discounting the nominal value of the loan at an effective interest rate of 5.0% per annum and as a result, a fair value gain of HK\$11,608,000 (net of deferred tax of HK\$2,294,000) was credited to the other reserve for the year ended 30 September 2018. 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 six months ended 31 March 2021, imputed interest of HK\$2,416,000 (with related deferred tax credit of HK\$399,000) had been charged to the condensed consolidated statement of profit or loss (notes 9 and 18).

For the six months ended 31 March 2022, interest expense of HK\$1,197,000 has been charged to the consolidated statement of profit or loss (note 9).

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).

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.

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.

Notes to the Financial Statements

For the six months ended 31 March 2022

17. BANK AND OTHER BORROWINGS – continued

Other borrowings – continued

Loan from a related Company – continued

On 25 September 2020, the Group and Huobi Global (Cayman) mutually agreed to extend the Shareholder's Facility until September 2023. As the Shareholder's Facility did not contain any terms for extension, the extension was a result of renegotiation of the terms and did not constitute the breach of the Shareholder's Facility. The Directors of the Company considered that such extension did not represent a substantial modification of the Shareholder's Facility and accordingly, the extension did not result in the extinguishment of the financial liabilities. Accordingly, the Group recognised a gain arising from modifications of the Shareholder's Facility of HK\$5,278,000 (net of deferred tax of HK\$1,044,000) 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).

During the six months ended 31 March 2022, the Company has drawn down approximately US\$25,000,000 or HK\$195,108,000. The HK\$195,108,000 loan received was initially recognised at a fair value of HK\$186,234,000 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\$8,874,000 (net of deferred tax of HK\$1,464,000) was credited to the other reserve for the period.

For the six months ended 31 March 2022, imputed interest of HK\$3,933,000 (with related deferred tax credit of HK\$649,000 (2021: HK\$3,077,000 (with related deferred tax credit of HK\$508,000))) has been charged to the consolidated statement of profit or loss (notes 9 and 18).

On 3 March 2022, Huobi Solutions Limited ("Huobi Solutions"), a wholly-owned subsidiary of the Group, entered into a loan agreement as borrower with Huobi Global (Cayman) as lender, pursuant to which Huobi Global (Cayman) agreed to grant Huobi Solutions a loan of 250,000 Filecoin (equivalent to approximately HK\$40,000,000) for a term of 540 days with interest rate of 15% per annum.

During the six months ended 31 March 2022, the Company has drawn down 25,000 Filecoin (equivalent to approximately HK\$4,890,000).

For the six months ended 31 March 2022, interest expense of HK\$8,000 has been charged to the consolidated statement of profit or loss (note 9).

Notes to the Financial Statements

For the six months ended 31 March 2022

18. DEFERRED TAX LIABILITIES

The followings are the deferred tax liabilities recognised and the movements thereon in the current and prior periods.

	In respect of withholding tax on undistributed profits of a subsidiary HK\$'000	Loan from a related company measured at fair value HK\$'000	Total HK\$'000
Carrying amount at 1 October 2021	5,041	2,120	7,161
Charge/(credit) to the condensed consolidated statement of profit or loss (notes 11 and 17)	380	(649)	(269)
Charged to other reserve in the condensed consolidated statement of profit or loss (note 17)	–	1,464	1,464
Currency realignment	127	–	127
Carrying amount at 31 March 2022	5,548	2,935	8,483

	In respect of withholding tax on undistributed profits of a subsidiary HK\$'000	Loan from third party measured at fair value HK\$'000	Loan from a related company measured at fair value HK\$'000	Total HK\$'000
Carrying amount at 1 October 2020	3,898	722	3,144	7,764
Charge/(credit) to the condensed consolidated statement of profit or loss (notes 11 and 17)	349	(399)	(508)	(558)
Currency realignment	160	–	–	160
Carrying amount at 31 March 2021	4,407	323	2,636	7,366

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 six months ended 31 March 2022, a provision of HK\$380,000 (2021: HK\$349,000) has been charged to the condensed consolidated statement of profit or loss representing 5% unremitted earnings incurred in the period.

Notes to the Financial Statements

For the six months ended 31 March 2022

19. 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	500,000,000	500,000
Issued and fully paid:		
At 1 October 2020 (Audited)	306,800,000	306,800
Issue of shares upon exercise of share options (note (i))	1,070,665	1,071
At 30 September 2021 and 1 October 2021 (Audited)	307,870,665	307,871
Issue of shares upon exercise of share options (note (ii))	75,000	75
At 31 March 2022 (Unaudited)	307,945,665	307,946

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.

Notes to the Financial Statements

For the six months ended 31 March 2022

20. SHARE PREMIUM

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

Notes:

- (i) As detailed in note 19(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 19(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.

21. 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.

Notes to the Financial Statements

For the six months ended 31 March 2022

21. 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\$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.

Notes to the Financial Statements

For the six months ended 31 March 2022

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

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 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 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.

Notes to the Financial Statements

For the six months ended 31 March 2022

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

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 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 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.

Notes to the Financial Statements

For the six months ended 31 March 2022

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

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.

Notes to the Financial Statements

For the six months ended 31 March 2022

21. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS – continued

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 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	330,001	-	-	-	-	330,001
			2,438,335	-	(75,000)	(667)	(75,667)	2,287,001
Weighted average exercise price			HK\$3.24	-	HK\$4.21	HK\$4.36	HK\$4.21	HK\$3.18

[#] 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).

Notes to the Financial Statements

For the six months ended 31 March 2022

22. RECONCILIATION OF THE NET DECREASE IN CASH AND CASH EQUIVALENTS TO THE MOVEMENT IN NET CASH

	Note	Six months ended 31 March	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Net decrease in cash and cash equivalents		(179,137)	(9,167)
Effect of foreign exchange rate changes		1,528	2,798
Net movement in cash and cash equivalents		(177,609)	(6,369)
Bank borrowings repaid		13,987	53
Imputed interest on other loan from a related company		(3,933)	(3,077)
Imputed interest on other borrowings		–	(2,416)
Proceeds of other loans from a related company		(199,998)	–
Fair value gain on loan from a related company		8,874	–
Interest on other loan from a third party		(1,197)	–
Interest paid on other loan from a third party		848	–
Effect of foreign exchange rates on borrowings		–	1
Net cash at 1 October		257,822	87,904
Net cash at 31 March		(101,206)	76,096
Represented by:			
Cash and cash equivalents		374,566	397,315
Interest-bearing bank borrowings			
– amounts due within one year	17	–	(6,182)
Other borrowings			
– amounts due within one year	17	(60,592)	(98,036)
– amounts due more than one year	17	(415,180)	(217,001)
		(101,206)	76,096

23. PLEDGE OF ASSETS

At 31 March 2022, the banking facilities of the Company's wholly-owned subsidiaries based in mainland China and HKSAR, amounted to approximately HK\$Nil (30 September 2021: HK\$23,250,000) comprising asset-backed lending facility. The facilities are secured against certain bank deposits, corporate guarantees from the Company and in the case of the asset-backed lending facility, an assignment over specific trade receivables. At 31 March 2022, the amount drawn down under the asset-backed lending facility was HK\$Nil (30 September 2021: HK\$13,987,000) (note 17).

Notes to the Financial Statements

For the six months ended 31 March 2022

24. CAPITAL COMMITMENTS

	31 March 2022 HK\$'000 (Unaudited)	30 September 2021 HK\$'000 (Audited)
Contracted but not provided for: Property, plant and equipment	19,831	–

25. CONTINGENT LIABILITIES

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

26. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed in the financial statements, the Group entered into the following significant transactions with related parties during the period.

	Six months ended 31 March	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Data centre services income from a related company*	2,851	9,885
Consultancy services income from related companies*	1,285	920
Custodian services income from related companies*	11,060	–
Referral services income from a related company*	38	–

* 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.

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 Limited, a company incorporated with limited liability under the law of Seychelles ("Huobi Global (Seychelles)") and Huobi Worldwide Limited ("Huobi Worldwide"), a company incorporated in Hong Kong with limited liability, in relation to the provision of financial assistance regarding payment agent services. Both Huobi Global (Seychelles) and Huobi Worldwide are indirectly controlled by Mr. Li Lin, a Director of the Company. 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.

Notes to the Financial Statements

For the six months ended 31 March 2022

26. RELATED PARTY TRANSACTIONS – continued

During the six months ended 31 March 2022, the Group provided financial assistance to Huobi Worldwide, which is a related company of the Company in which Mr. Li Lin, a controlling shareholder and Director of the Company, has beneficial interests, in relation to payment agent services with aggregate amounts of HK\$216,495,000 (31 March 2021: financial assistance to Huobi Global (Seychelles) and Huobi Worldwide of HK\$165,585,000).

During the six months ended 31 March 2022 and 2021, 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 through the same related company.

Compensation of the key management personnel of the Group, including Directors' remuneration, is as follows:

	Six months ended 31 March	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Directors' fees	1,650	360
Salaries, discretionary bonus, allowances and other benefits	1,262	2,167
Retirement benefits scheme contributions	24	9
Equity-settled share-based payment expenses	28	112
	2,964	2,648

27. EVENTS AFTER THE REPORTING PERIOD

There are no significant events requiring disclosure subsequent to 31 March 2022.

28. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The unaudited Interim Financial Statements of the Group were approved and authorised for issue in accordance with a resolution of the Board of Directors on 27 May 2022.

Other Information

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

As at 31 March 2022, so far as is known to the Directors, the interests or short positions of the Directors and chief executive of the Company and its associated corporations 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:

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

Name of Director	Capacity	Number of shares interested (L) (Note 1)	Approximate percentage of shareholding (*)
Mr. Li Lin ("Mr. Li")	Interest in controlled corporation (Note 2)	185,757,696	60.32%

(*) The percentage has been calculated based on 307,945,665 shares in issue as at 31 March 2022.

Notes:

1. The letter "L" denotes the person's long position in the shares.
2. Mr. Li holds 100% interest in the total issued shares of Huobi Capital Inc., 100% interest in the total issued shares of HBCapital Limited and 89.65% interest in the total issued shares of Techwealth Limited. Therefore, Mr. Li is deemed to be interested in the shares held by Huobi Capital Inc., HBCapital Limited and Techwealth Limited 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 31 March 2022, 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	Approximate percentage of shareholding (*)
HBCapital Limited ("HBCapital")	Beneficial owner	29,296,701	9.51%
Huobi Capital Inc. ("Huobi Capital")	Beneficial owner	69,165,149	22.46%
Techwealth Limited ("Techwealth")	Beneficial owner	76,350,346	24.79%
Techwealth Limited	Interest of controlled corporation (Note 3)	10,945,500	3.55%
Mr. Li Lin ("Mr. Li")	Interest of controlled corporation (Note 1)	185,757,696 (L)	60.32%
Sequoia Capital CV IV Holdco, Ltd.	Beneficial owner	30,467,072	9.90%
Sequoia Capital CV IV Senior Holdco, Ltd.	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%
SC China Venture IV Management, L.P.	Interest of controlled corporation (Note 2)	30,467,072	9.90%
SC China Holding Limited	Interest of controlled corporation (Note 2)	36,892,572	11.98%
SNP China Enterprises Limited	Interest of controlled corporation (Note 2)	36,892,572	11.98%
Mr. Shen Nan Peng ("Mr. Shen")	Interest of controlled corporation (Note 2)	36,892,572	11.98%

(*) The percentage has been calculated based on 307,945,665 shares in issue as at 31 March 2022.

Notes:

- Mr. Li holds 100% interest in the total issued shares of Huobi Capital, 100% interest in the total issued shares of HBCapital and 89.65% 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.
- 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 6,425,500 Shares, representing approximately 2.09% 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 6,425,500 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 6,425,500 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 36,892,572 Shares, representing approximately 11.98% of the total issued share capital of the Company.

Other Information

- (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 10,945,500 Shares, representing approximately 3.55% 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 10,945,500 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 31 March 2022, 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.

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 and amended with effect from 17 November 2020. 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 30,742,766, representing around 10% of the issued share capital of the Company as at the date of passing of the resolution at the annual general meeting of the Company in 2021 for the approval of refreshment of share options limit (the “Refreshment”). 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.

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.

Please refer to Note 21 on page 55 for the details of the exercise price and number of options outstanding during the six months ended 31 March 2022 which have been granted to, exercised and forfeited by the eligible participants.

As of 31 March 2022, 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.

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.

Other Information

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 report.

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 which provides that the roles of chairman and Chief Executive Officer ("CEO") should be separate and performed by different individuals during the period from 1 October 2021 to 17 December 2021.

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.

REVIEW OF INTERIM REPORT BY 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 Audit Committee has reviewed the unaudited interim results and the unaudited interim condensed consolidated financial statements of the Group for the six months ended 31 March 2022, including the accounting principles and practices adopted by the Group, and discussed internal control and financial reporting matters of the Group.



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