



新火科技  
New Huo Tech

**NEW HUO TECHNOLOGY HOLDINGS LIMITED**  
**新火科技控股有限公司**

*(Incorporated in the British Virgin Islands with limited liability)*

**(Stock code: 1611)**

2023  
INTERIM  
REPORT



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# Corporate Information

## BOARD OF DIRECTORS

### NON-EXECUTIVE DIRECTOR

Mr. Li Lin (*Chairman*)

### EXECUTIVE DIRECTORS

Mr. Du Jun (*Chief Executive Officer*)

Ms. Zhang Li (*Chief Financial Officer*)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yip Wai Ming

Dr. LAM Lee G., *BBS, JP*

Mr. Yu Chun Kit

### AUDIT COMMITTEE

Mr. Yip Wai Ming (*Chairman*)

Dr. LAM Lee G., *BBS, JP*

Mr. Yu Chun Kit

### REMUNERATION COMMITTEE

Dr. LAM Lee G., *BBS, JP* (*Chairman*)

Mr. Yip Wai Ming

Mr. Yu Chun Kit

### NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

Mr. Yu Chun Kit (*Chairman*)

Mr. Yip Wai Ming

Dr. LAM Lee G., *BBS, JP*

### REGISTERED OFFICE

Vistra Corporate Services Centre

Wickhams Cay II

Road Town, Tortola

BVI VG 1110

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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100 Queen's Road Central, Central,

Hong Kong

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<http://www.irasia.com/listco/hk/newhuotech/>

## PRINCIPAL BANKER

DBS Bank Ltd., Hong Kong Branch

## BVI PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited

PO Box 1093, Boundary Hall

Cricket Square

Grand Cayman

KY1-1102

Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

## AUDITOR

Moore Stephens CPA Limited

801-806 Silvercord, Tower 1

30 Canton Road, Tsimshatsui

Kowloon, Hong Kong

## COMPANY SECRETARY

Mr. Ng Kwan Ho

# Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of New Huo Technology Holdings Limited (the "Company" and together with its subsidiaries the "Group" or "New Huo Tech"), I am pleased to present the interim report of the Group for the six months ended 31 March 2023 (the "Period").

## EXTERNAL ENVIRONMENT

The impact of the COVID-19 epidemic on the global economy has further weakened, but under the influence of the continued conflict between Russia and Ukraine and a series of inflation control policies on a global scale, especially in major economies such as Europe and the United States, the global economic growth has further slowed down. As of March 2023 (hereinafter referred to as "this year"), the Federal Reserve has raised interest rates nine times in a row, with a cumulative rate hike of 475 basis points, which has been the most intensive in 41 years. Central banks around the world have simultaneously tightened monetary policies to combat high inflation. The International Monetary Fund (IMF) lowered global growth forecast from 3.4% in 2022 to 2.8% in 2023, and the journey of recovery will be a leap in the dark.

Despite the downward pressure on the global economy, the economic outlook in Asia remains relatively positive. Since China ended the "zero COVID" policy and reopened at the end of 2022, the surge in consumption has become the driving force for growth in Asia-Pacific. In the past three years of the epidemic, the technology industry has withstood the crisis, accelerated its development, and surpassed other industries. In particular, the financial technology industry has reversed the trend. After the Federal Reserve's consecutive interest rate hikes hit the global stock and bond markets, the spill-over effect of liquidity crisis resulted in a series of "black swan" events in the cryptocurrency market. Silicon Valley Bank, Signature Bank and First Republic Bank went bankrupt one after another, and the banking industry of the United States has been facing its biggest challenge since the global financial crisis in 2008.

During this period, the virtual asset industry showed its unique advantages, and cryptocurrencies once became a tool for investors to avoid risks. As an indicator for the cryptocurrency market, Bitcoin regained its position to above US\$30,000 in April this year. Changes in the Federal Reserve's monetary policy have increased the volatility of global risk assets, and risk events in banking industry have revealed the hedging function of decentralised virtual assets represented by Bitcoin. The virtual asset industry is hence favoured by traditional investors.

The importance of risk and compliance is further enhanced as integration of the virtual asset industry ramps up. Following the issuance of the "Policy Statement on Development of Virtual Assets in Hong Kong" in October last year, the Hong Kong government has been working on building regulatory framework, guiding orderly development and creating a favourable environment for industry development in virtual assets. In March this year, in order to strengthen the supervision of virtual asset trading platforms, the Securities and Futures Commission of Hong Kong ("SFC") launched a consultation on the proposed regulations applicable to virtual asset trading platform operators. "The revised Guidelines for Virtual Asset Trading Platform Operators" will become effective on 1 June 2023. Hong Kong will be welcoming applications from virtual asset platform operators globally, and more than 80 companies from the Mainland China and overseas have expressed interest in establishing Web3.0 businesses in Hong Kong. In contrast to crackdown on cryptocurrencies by U.S. regulators, a series of clear measures issued by the Hong Kong government demonstrates the government's determination to promote the healthy development of virtual assets industry, which upholds an open, embracing and innovation-friendly attitude towards Web3 economy.

## Chairman's Statement

### BUSINESS OVERVIEW

Although the industry has undergone multiple challenges, the improvement of external environment has swept away obstacles for the steady development of the Group. During the Period, New Huo Tech has witnessed its rebrand and appointment of a new CEO, respectively. Seizing the key start-up period of the virtual asset (VA) industry, the Group is determined to forge ahead and embrace innovation, advancing again with a unified and brand-new image.

In terms of business, the Group adhered to its strategic position of "building a one-stop virtual asset service platform", leveraged its first-mover advantage in compliance and operation, and integrated industry resources accumulated over the years to launch a hybrid virtual asset service platform that integrates centralised and decentralised business - Sinohope. The platform first released decentralised Staking Technical Support Service, which supports Cosmos chain in the first phase, marking the Group's decentralised debut. Sinohope subsequently launched the MPC self-custody platforms, and is committed to creating an exclusive virtual asset self-custody platform for each client.

"Compliance and security" is the motto for provision of service that New Huo Tech has always adhered to. We have never stopped keeping abreast with compliance and moving closer to regulatory requirements. New Huo Trust Company Limited ("NH Trust") has completed SOC2 Type2 Security System and Organization Control report, and passed SOC audit by an independent AICPA-certified CPA company, demonstrating New Huo Tech's strict self-requirements for business operations and security processes. Moreover, New Huo Trust has been underwritten by Arch Insurance Group Inc, one of the syndicates of Lloyd's of London, the largest insurance organisation in the United Kingdom, which further improves the standard of asset protection and provides guarantee for the security of virtual assets. In addition, leveraging its licenses and compliance advantages, the Group continues to maintain communication with the regulatory authorities in Hong Kong, and continues to provide secured and compliant asset management services to qualified investors. The Group has obtained Type 4 (advising on securities) and Type 9 (asset management) licenses issued by the SFC, and are approved to manage investment portfolios that invest 100% in virtual assets. We have also registered as a trust company in Hong Kong and obtained license as a trust or company service provider.

Strong alliances build on each other's strengths. During the Period, New Huo Asset Management (Hong Kong) Limited ("NH Asset"), a subsidiary of New Huo Tech, reached a cooperation with Coinbase, the world's largest regulated cryptocurrency exchange, and became the first batch of licensed institutions that provide virtual asset discretionary account management services for professional investors in the Hong Kong market.

With our outstanding performance in the industry, NH Asset and NH Trust were awarded with the best "DeFi & Asset Management Solution" and "the Rising Stars" in the "Ecosystem Excellence" category of the "2022 TADS Awards" respectively.

### MACROCOSMIC VIEWPOINT

From the perspective of global blockchain technology and industry development, AI + Web3 and BRC-20 technologies are pushing the development of the Web3 industry into a new era.

The popularity of ChatGPT has created heated discussions on AI worldwide, and at the same time promoted the further integration of blockchain technology and AI. ChatGPT is an artificial intelligence chatbot developed by Open AI. Only two months after its launch, its monthly active users have exceeded 100 million, making it the fastest-growing consumer application in history. The combination of blockchain and AI will unlock new fields. AI will greatly improve productivity, while blockchain can ensure data security and transparency, which is expected to give rise to various new applications.

First conceptualised in March this year, BRC-20 technology is an experimental token standard that enables deployment, minting and transfer of non-fungible tokens (NFT) on the Bitcoin blockchain. This new technology means that both fungible tokens and non-fungible tokens have become part of the wider Bitcoin ecosystem.

From the perspective of global regulatory policies, the current regulatory attitudes towards the virtual asset industry in the East and the West illustrate a situation that is quite different from the past.

Since March 2023, U.S. regulators have taken tougher steps against virtual assets. The U.S. Securities and Exchange Commission ("SEC") issued an investor alert urging investors to be cautious if considering an investment involving crypto-asset securities, saying that an investment in crypto-asset securities can be exceptionally volatile and speculative, and that platforms where investors buy, sell, borrow, or lend these securities may lack important protections for investors. The risk of loss for individual investors who participate in transactions involving crypto-assets, including crypto-asset securities, remains significant.

It is undeniable that each country or region's regulatory policies and the attitudes these policies carry towards virtual assets in different time periods are related to the actual situation of local financial and social aspects. As the industry matures, the total market value of virtual assets has exceeded US\$1 trillion. Similar to the development trend of different industries around the world, the perception of virtual asset industry would also evolve from a niche "geek" market to regulated mass market. Protecting the interests of investors and providing secured and reliable virtual asset products and services should become the core principles of business operations.

On the other hand, the Asian region is showing a more open and inclusive attitude towards virtual asset industry. Singapore, Dubai, Hong Kong and other places have successively promulgated a number of policies in order to promote the healthy and compliant development of the virtual asset industry. Since 2022, Hong Kong has started proactively to build financial technology infrastructure, and gradually formed a regulatory system for virtual assets to make up for the previously underdeveloped blockchain applications in the financial technology field.

"The 2023 Hong Kong Web3 Carnival" held in April this year attracted tens of thousands of scholars and experts, technology research and development teams, industry professionals, investors and enthusiasts working at Web3 from all over the world. Among them were well-known backbone in the industry, as well as promising start-ups that were still in the early stages. The participants together laid out a blueprint with immeasurable prospects for the industry development.

## Chairman's Statement

In May this year, the SFC published the "Consultation Conclusions on the Proposed Regulatory Requirements for Virtual Asset Trading Platform Operators Licensed by the Securities and Futures Commission", indicating that platform operators which are providing or intend to provide virtual asset trading related services in Hong Kong must apply for a license from the SFC. Licensed virtual asset platforms will be allowed to provide services to retail investors under a series of safeguards.

Hong Kong is actively embracing the development trend of the Web3 digital economy, including virtual assets, leading the wave of innovation. Under the wave of Web3, we believe that Hong Kong's status as an international financial centre will be consolidated and enhanced.

### OUTLOOK

The new licensing regime for virtual asset trading platforms in Hong Kong will come into effect on 1 June 2023. The SFC will issue licenses for virtual asset exchanges, and retail investors can trade through licensed platforms. The supervision of virtual asset trading platforms is based on the regulatory provisions in the current regime under the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) ("SFO"), and is the same as the relevant provisions applicable to licensed securities firms and automated trading venues. The Group will re-evaluate the VASP license application based on future business strategies and plans.

Based in Hong Kong, New Huo Tech has a first-mover advantage in compliance. Leveraging the support of the government and the continuous improvement of local regulation, we will seize the opportunities, focus on the development strategy and core business direction formulated by the Company, and provide differentiated high-quality products and services for the industry and customers. We continue to be optimistic about Hong Kong's development prospects in the fields of virtual assets, financial technology, and Web3, and will always pay attention to regulatory trends while improving our business layout.

On behalf of the Board,

**Li Lin**

*Chairman*

HKSAR

29 May 2023


# Management Discussion and Analysis

## MATERIAL EVENTS

### Change of company name, logo, website and stock short name

The Company has changed the English name of the Company from “Huobi Technology Holdings Limited” to “New Huo Technology Holdings Limited” and the Chinese name of the Company from “火幣科技控股有限公司” to “新火科技控股有限公司” with effect from 28 October 2022.

The new stock short name of the Company has changed from “Huobi Tech” to “New Huo Tech” in English and from “火幣科技” to “新火科技控股” in Chinese under which the Shares were traded on the Stock Exchange with effect on 22 November 2022 and the new website address has changed from “www.huobitech.com” to

“www.newhuotech.com” and the logo of the Company has changed to “ 新火科技 New Huo Tech”.

For details, please refer to the Company’s announcements dated 13 September 2022, 21 September 2022, 13 October 2022, 28 October 2022, 17 November 2022 and circular dated 21 September 2022.

### Discloseable transaction – Disposal of Win Techno Inc.

On 1 November 2022, New Huo Investment Limited, a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Exonexa Limited which is a third party independent of the Company and its directors. Pursuant to the sale and purchase agreement, New Huo Investment Limited has conditionally agreed to sell, and Exonexa Limited has conditionally agreed to acquire 100% of the issued shares capital of Win Techno Inc., an indirect wholly-owned subsidiary of the Company, at a consideration of USD3,270,000 (equivalent to approximately HK\$25.5 million). The disposal was completed in November 2022.

For details, please refer to the Company’s announcement dated 1 November 2022.

### Failure to withdraw cryptocurrency assets from crypto exchange FTX and financial assistance from controlling shareholder

On 14 November 2022, Hbit Limited, a wholly-owned subsidiary of the Company, has a balance of approximately USD18.1 million cryptocurrencies deposited in cryptocurrency exchange FTX (the “FTX”), out of which approximately USD13.2 million is client’s asset based on the clients’ trading request and approximately USD4.9 million is asset of Hbit Limited. As FTX group entities, including FTX, has filed for bankruptcy protection in the United States on 11 November 2022, the cryptocurrency assets may not able to be withdrawn from FTX (the “Incident”).

The Group has engaged legal adviser to make enquiries with FTX and provide the Group with legal advice. The Group has also reached an agreement with Mr. Li Lin, the controlling shareholder and non-executive Director of the Company, pursuant to which Mr. Li Lin agreed to make available to the Group an additional unsecured facility up to the maximum amount of USD14 million (the “Shareholder’s Facility”). The Shareholder’s Facility does not bear any interest and will be utilised by the Company for the purpose of covering client asset liability arising from the Incident if necessary.

For details, please refer to the Company’s announcement dated 14 November 2022.

During the six month ended 31 March 2023, the Company has drawn down a loan under the Shareholder’s Facility of approximately US\$13,199,455 or HK\$103,599,000 in form of USDT (being the fair value of the USDT units received at the date of drawdown).



## Management Discussion and Analysis

### Connected transaction – Disposal of financial assets

On 23 March 2023, the Company entered into a disposal agreement with Wechain Technology Limited, pursuant to which the Company has conditionally agreed to sell, and Wechain Technology Limited has conditionally agreed to acquire an investor option and 299,043 shares of Animoca Brands Corporation Limited which is the entire shares held by the Company, at a consideration of US\$809,000 (equivalent to approximately HK\$6,310,000), details of which please refer to the Company's announcements dated 23 March 2023 and 12 April 2023. Completion has taken place in April 2023 and the Company ceased to have any interest in the financial assets.

### Major Transaction Disposal of the Entire Equity Interest in the Target Companies

On 24 March 2023, the Company and New Wave Capital Limited entered into a sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell, and New Wave Capital Limited has conditionally agreed to acquire, the entire issued share capital of (i) Pantene Industrial Co. Limited, (ii) Pantronics International Holdings Limited, (iii) Panjet Service Company Limited, (iv) Grace Harvest Corporation Limited, (v) Panjet (Int'l) Limited, and (vi) Pantronics (Int'l) Limited (collectively the "Target Companies") at the consideration of HK\$115,000,308.

Upon completion, the Company will cease to hold any interests in the Target Companies and each of the Target Companies will cease to be a direct wholly-owned subsidiary of the Company. Accordingly, the financial results of each of the Target Companies will no longer be consolidated into the consolidated financial statements of the Company. Completion is subject to the fulfillment and satisfaction of relevant conditions precedent set out in the sale and purchase agreement.

For details, please refer to the Company's announcements dated 24 March 2023, 19 April 2023, 25 May 2023 and the circular dated 25 May 2023.

## PERFORMANCE REVIEW

The Group recorded a total revenue of approximately HK\$2,505.9 million for the six months ended 31 March 2023 ("Period 2023"), representing an increase of approximately 612.3% or HK\$2,154.1 million from approximately HK\$351.8 million for the six months ended 31 March 2022 ("Period 2022").

The gross loss of the Group was approximately HK\$4.8 million for Period 2023 as compared to the gross profit of approximately HK\$101.2 million for Period 2022.

The Group recorded a net loss of approximately HK\$232.4 million for Period 2023 compared to the net loss of approximately HK\$48.8 million for Period 2022.

Basic and diluted loss per share of the Group for Period 2023 was HK78.17 cents (Period 2022: basic and diluted loss per share of HK15.84 cents).

## BUSINESS REVIEW

### Power-related & electrical/electronic products business

The revenue of the Group from power-related & electrical/electronic product business was approximately HK\$108.8 million for Period 2023, representing a decrease of approximately HK\$101.6 million or 48.3% as compared to approximately HK\$210.4 million for Period 2022.

Cost of sales, mainly comprising raw materials, direct labour and manufacturing overheads, amounted to approximately HK\$99.2 million for Period 2023, representing a decrease of approximately HK\$72.8 million or 42.3% from approximately HK\$172.0 million for Period 2022.

The gross profit was approximately HK\$9.6 million and approximately HK\$38.4 million, representing a gross profit margin of 8.8% and 18.3% for Period 2023 and Period 2022 respectively. The decrease was due to the shift in sales mix to low-margin customers.

Selling and distribution expenses decreased by approximately HK\$2.9 million or 80.6% from approximately HK\$3.6 million for Period 2022 to approximately HK\$0.7 million for Period 2023.

On 24 March 2023, the Company and New Wave Capital Limited, an independent third party of the Company, entered into a sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell, and New Wave Capital Limited has conditionally agreed to acquire, the entire issued share capital of the Target Companies at the consideration of HK\$115,000,308.

Completion is subject to the fulfillment and satisfaction of relevant conditions precedent set out in the sale and purchase agreement. For details, please refer to the Company's announcements dated 24 March 2023, 19 April 2023, 25 May 2023 and the circular dated 25 May 2023.

### **Provision of technology solution services**

The Group, through Win Techno Inc. which is a company with limited liability incorporated under the laws of Japan and was the wholly-owned subsidiary of the Company, provide data center 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 dropped and has a revenue of approximately HK\$7.1 million during Period 2023 compared to approximately HK\$44.5 million for Period 2022.

As a result of the global economy downturn and ongoing bear market in virtual asset, the revenue generated from the cloud-based services dropped significantly during the year-ended 30 September 2022 due to the decrease of virtual asset price and the consequential drop of virtual asset transaction volume. The Group was not optimistic with its future performance and has disposed of Win Techno Inc. to Exonexa Limited, an independent third party of the Company, at the consideration of USD3,270,000 (equivalent to approximately HK\$25.5 million) in November 2022. The disposal was completed in November 2022.

# Management Discussion and Analysis

## Virtual asset ecosystem

### (i) *Asset management*

The Group has commenced and carried on asset management businesses through New Huo Asset Management (Hong Kong) Limited (“New Huo Asset Management” and formerly known as “Huobi Asset Management (Hong Kong) Limited”). New Huo 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 SFO.

New Huo Asset Management’s vision is to bridge the gap between traditional and virtual asset investments and offer integrated investment solutions to professional investors. The products integrate traditional financial assets and virtual assets and cover the primary and secondary markets. New Huo Asset Management has provided asset management services during Period 2023 but has not provided any advisory service on securities during the same period.

As at 31 March 2023, New Huo Asset Management is managing five funds containing virtual assets: Bitcoin tracker fund, Ethereum tracker fund, multi-strategy virtual asset fund, and two private equity funds for blockchain mining related businesses. New Huo Asset Management only provides services to professional investors, as defined in the SFO and its subsidiary legislation.

During the Period 2023, the revenue generated from the provision of asset management services was approximately HK\$3.6 million. As at 31 March 2023, the value of asset under management amount to approximately US\$78.9 million.

### (ii) *Trust and custodian business*

This type of business was being carried out through New Huo Trust Company Limited (the “New Huo Trust HK” and formerly known as “Huobi Trust Company Limited”) during Period 2023.

New Huo Trust HK, a company incorporated in Hong Kong and an indirect 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 include the safekeeping, settlement and other customised services of its clients’ assets.

New Huo Trust US Inc, formerly known as Huobi Trust Company, a company incorporated in the United States and an indirect wholly-owned subsidiary of the Company, was issued with a Trust Company License by the Financial Institutions Division of the Department of Business and Industry in Nevada, the United States, to engage in the trust company business within the meaning of Chapter 669 of the Nevada Revised Statutes and the rules and regulations thereunder in December 2020. Due to the high operating cost and change of business planning, New Huo Trust US ceased the provision of custodial and compliance services and was dissolved in September 2022.

During the Period 2023, the revenue generated from the provision of custodial, compliance and consultancy services was approximately HK\$0.7 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 licenses to conduct Type 1 and Type 7 regulated activities under the SFO as a virtual asset trading platform in Hong Kong. Due to the change in business focus and planning, the Group has withdrawn the application in January 2023.

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. Due to the change in business focus and planning, the Group has withdrawn the application in November 2022.

### **(iv) Virtual asset lending and cryptocurrency trading business**

During the Period 2023, the Group has provided (i) virtual asset lending business to clients and the Group received virtual assets collateral under its virtual asset lending arrangements with clients; (ii) over-the-counter (the "OTC") virtual asset trading business to trade virtual assets with corporate and individual customers through its trading platforms; and (iii) trade virtual assets in cryptocurrency exchange. The revenue and lending management services income generated from the virtual asset lending and trading business has an aggregate amount of approximately HK\$2,385.7 million.

The virtual asset lending business generates interest income and the interest rate charged is at 10% per annum. Current clients include high-net-worth-individuals and professional investors. The OTC trading business generates income through trading spreads from clients who buy and/or sell virtual assets through our platform. Current clients include high-net-worth-individuals and professional investors.

The cost of sales is approximately HK\$2,399.6 million and recognised a loss of approximately HK\$13.9 million.

### **(v) Virtual asset mining-related business**

The Group has its own compliant virtual asset mining-related business including but not limited to investing in virtual asset mining related fund. During the Period 2023, the Group has, through New Huo Solutions Limited (the "New Huo Solutions"), invested in the funds below.

New Huo Solutions invested in New World Pioneer Mining Fund 1 LPF which is established for the purpose of making investment in the cryptocurrency mining ecosystem. The total subscription amount made by New Huo Solutions was USD10 million (equivalent to approximately HK\$78 million). The New World Pioneer Mining Fund 1 LPF, through an intermediate entity, invested in 100% equity interest in FIL Limited. FIL Limited was accounted as a joint venture and recorded a share of profit of approximately HK\$3.6 million for the Period 2023.

New Huo Solutions invested in New Era Pioneer Mining Fund 1 LPF (the "New Era Fund") which is established for the purpose of making investment in the cryptocurrency mining ecosystem. The total subscription amount made by New Huo Solutions was approximately USD4.8 million (equivalent to approximately HK\$37.5 million). The New Era Fund recorded a loss of approximately HK\$6.6 million during the Period 2023.

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.

# Management Discussion and Analysis

## NON-OPERATING EXPENSES OVERVIEW

### Other income and gains/losses

Other income, which includes government grants, certification and inspection fees, sample sales and rework costs recharged to customers, has decreased by approximately HK\$3.9 million from other income of approximately HK\$1.6 million for Period 2022 to other losses of approximately HK\$2.3 million for Period 2023. The decrease was mainly due to the loss on disposal of subsidiaries.

### Administrative expenses

Administrative expenses have decreased by approximately HK\$20.3 million or 13.8% from approximately HK\$146.8 million for Period 2022 to approximately HK\$126.5 million for Period 2023, which was due to the arrangement for severance payment upon business adjustment.

### Finance costs

Finance costs have increased by approximately HK\$3.5 million or 48.6% from approximately HK\$7.2 million for Period 2022 to approximately HK\$10.7 million for Period 2023, which were in line with the increase in level of borrowings in the Group for the comparable period.

### Loss before income tax

The Group's loss before income tax for Period 2023 was approximately HK\$233.0 million as compared to the loss before income tax of approximately HK\$44.6 million for Period 2022. The loss before income tax was due to the provision of impairment loss of approximately HK\$99.4 million in relation to the failure to withdraw cryptocurrency assets from crypto exchange FTX as disclosed in the Company's announcement dated 14 November 2022.

### Income tax (credit)/expense

Income tax expense decreased from approximately HK\$4.2 million for Period 2022 to approximately HK\$(0.6) million for Period 2023, representing a decrease of approximately HK\$4.8 million.

### Loss after income tax

The Group's loss after income tax for Period 2023 was approximately HK\$232.4 million as compared to the loss after income tax of approximately HK\$48.8 million for Period 2022.

### Dividend

The Directors do not recommend the payment of an interim dividend for Period 2023 (Period 2022: 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 2023, together with the position as at 30 September 2022 is summarised below:

	<b>At 31 March 2023 HK\$'000</b>	At 30 September 2022 HK\$'000
Cash and cash equivalents	<b>36,023</b>	322,633
Less: Interest-bearing bank borrowings	–	(678)
Other borrowings	<b>(489,160)</b>	(466,442)
Net cash	<b>(453,137)</b>	(144,487)

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

As at 31 March 2023, the effective interest rates on the Group's floating rate borrowing range from 1.17% to 4% (30 September 2022: 2.1% to 4.1%) per annum.

## CASH FLOW FROM OPERATING ACTIVITIES

Net cash used in operating activities was approximately HK\$164.1 million for Period 2023 (Period 2022: net cash used in operating activities was approximately HK\$273.8 million). The decrease in cash flow in Period 2023 was mainly due to the payment of liabilities and the Restricted Deposit due to FTX incident.

## CASH FLOW FROM INVESTING ACTIVITIES

Net cash used in investing activities was approximately HK\$68.3 million for Period 2023 compared to net cash used in investing activities of approximately HK\$76.1 million for Period 2022. The outflow for Period 2023 mainly resulted from the purchase of financial assets and the deposit payment for property plant and equipment.

## CASH FLOW FROM FINANCING ACTIVITIES

Net cash generated from financing activities was approximately HK\$37.4 million for Period 2023 compared to approximately HK\$170.8 million used in financing activities for Period 2022. The inflow for Period 2023 was mainly due to net cash inflow in loan from a related company amounting to approximately HK\$79.9 million.

## CAPITAL EXPENDITURE

Capital expenditure in Period 2023, financed by internal resources and credit facilities, amounted to approximately HK\$63.0 million (Period 2022: HK\$9.5 million).

## TREASURY MANAGEMENT

During Period 2023, 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.

## Management Discussion and Analysis

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. During Period 2023, the Group did not enter into any financial instrument for hedging purpose. The Group seeks to manage its foreign currency exposures by constructing natural hedges as well as entering into certain forward foreign exchange contracts to minimise any currency risks, when necessary.

### CAPITAL STRUCTURE

As at 31 March 2023, the Group's gearing ratio was approximately -660.1% (30 September 2022: 317.5%). Gearing ratio equals total borrowings divided by net asset value as at the end of the reporting period. The total borrowings of approximately HK\$489.2 million included bank and other borrowings (30 September 2022: HK\$467.1 million).

### CHARGES ON GROUP ASSETS

As at 31 March 2023, the banking facilities of the Company's wholly-owned subsidiaries which were based in Mainland China and HKSAR amounted to approximately HK\$Nil (30 September 2022: HK\$23.6 million), comprising asset-backed lending facility. As at 31 March 2023, the amount drawn down under the asset-backed lending facility was HK\$Nil (30 September 2022: HK\$0.7 million).

As at 31 March 2023, approximately 238,027 filecoins with carrying amount of approximately HK\$10,596,000 (30 September 2022: 238,027 filecoins with carrying amount of approximately HK\$10,613,000) were pledged for cryptocurrency mining business.

### MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During Period 2023, save as disclosed above, there were no other material acquisitions or disposals of subsidiaries and associated companies by the Group.

### CONTINGENT LIABILITIES

As at 31 March 2023, the Group did not have any material contingent liabilities (30 September 2022: HK\$Nil).

### MAJOR CUSTOMERS AND MAJOR SUPPLIERS

Sales to the largest customer and the five major customers respectively accounted for 76.3% and 87.3% of total revenue of the Group for the Period 2023.

Purchases from the largest supplier and the five largest suppliers respectively accounted for 95.5% and 96.4% of total purchases of the Group for Period 2023.

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 2023, the Group has capital commitments in respect of purchase of property, plant and equipment in the amount of HK\$Nil (30 September 2022: HK\$62.4 million).

### RISK RELATED TO VIRTUAL ASSETS AND RELATED VIRTUAL ASSET BUSINESS

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

### RISKS RELATED TO SAFEKEEPING OF ASSETS

The Group maintains virtual assets in both “hot” (connected to the internet) and “cold” (not connected to the internet) wallets. “Hot” wallets are more susceptible to cyber-attacks or potential theft due to the fact they are connected to the public internet. Also, the virtual assets that kept in other crypto exchanges may have recovery risk if the crypto exchanges go bankrupt. To mitigate such risks, the Group has implemented guidelines and risk control protocols to adjust the level of virtual assets maintained in “hot” wallets and other crypto exchanges. The Group has implemented appropriated security controls and has risk mitigation processes in place.

### PRICE RISK OF VIRTUAL ASSETS

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 liabilities due to counterparties measured at fair value through profit or loss in non-current or current liabilities. The Group also held cryptocurrencies itself. The volatility and unpredictability of the price of cryptocurrencies relative to fiat currencies could cause impact to the Group’s performance. The Group provides trust and custody services to its clients. Such assets constitute trust assets and are not accounted for as assets of the Group and do not give rise to liabilities to the relevant customers. Accordingly, the Group has no price volatility exposure from these holdings.

### RISKS RELATED TO ANTI-MONEY LAUNDERING

During the Period 2023, 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, Hong Kong, 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. During Period 2023, the Group did not enter into any financial instrument for hedging purpose. The Group seeks 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.



# Management Discussion and Analysis

## 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 New Huo Investment SPC (the "Fund Company").

On 7 February 2022, New Huo 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 New Huo 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 Technic"), an independent third party to the Group, entered into a subscription agreement with the General Partner, pursuant to which Chainup Technic 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 New Huo Solutions Limited was diluted from 100% to 50%.

On 21 February 2022, New Huo Solutions Limited entered into a subscription agreement with the Fund Company, pursuant to which New Huo Solutions Limited subscribed for the shares attributable to NH 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 2023, 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	Carrying amount as at 31 March 2023	Percentage of investments held as at 31 March 2023	Performance for the Period 2023	Size as compared to the Group's total assets as at 31 March 2023	Total amount of dividends received for the Period 2023
1	New World Pioneer Mining Fund 1 LPF	US\$10 million (equivalent to approximately HK\$78 million)	HK\$58.6 million	50%	Profit of HK\$2.7 million	8.1%	-
2	NH Investment SPC – NH Multi-Strategy Crypto Fund SP	US\$15 million (equivalent to approximately HK\$117.1 million)	HK\$118.5 million	96.60%	Profit of HK\$14.3 million	16.5%	-

### 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 New Huo 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.

### 2 NH Investment SPC – NH 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 200 Coins and virtual assets futures, including cryptocurrencies or derivatives that are linked to the Top 50 Coins. As at 31 March 2023, the Group held 96.6% equity interests in the Fund Company.

As at 31 March 2023, the above significant investments were consolidated in the Group's financial statements

## EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2023, the Group had 619 employees (30 September 2022: 786 employees) working in the Mainland China, Japan, Singapore and the USA. The total employment costs (including Directors' remuneration and mandatory provident fund contributions) for Period 2023 amounted to approximately HK\$72.6 million (Period 2022: HK\$91.5 million). The decrease in staff cost was mainly due to the reduction of the number of employees. The Company's remuneration policy is set out by the Remuneration Committee on the basis of the employees' merit, qualifications and competence. The Group has also adopted certain bonus programs, 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.

# Management Discussion and Analysis

## EVENTS AFTER THE REPORTING PERIOD

Connected transaction in relation to the subscription of new shares under specific mandate and subscription of new shares under specific mandate.

On 26 April 2023, the Company entered into a subscription agreement with each of Mr. Du Jun and ON CHAIN Technology LIMITED (collectively, the “Subscribers”) pursuant to which the Subscribers shall subscribe, and the Company shall allot and issue, an aggregate of 157,000,000 subscription shares at the subscription price of HK\$2.08. The completion of the transactions pursuant to the said subscription agreements is subject to the fulfillment and satisfaction of the relevant conditions precedent of the subscription agreements.

For details, please refer to the Company’s announcements dated 26 April 2023, 18 May 2023 and 16 June 2023.

## OUTLOOK

In the future, we will continue to apply blockchain technology to improve the security and reliability of our products, and constantly expand application scenarios to provide customers with better quality blockchain products and services. We will focus our business on the Multi-Party Computation (the “MPC”) wallet and staking business.

In the blockchain MPC wallet business, we use MPC technology to achieve privacy protection and asset security. MPC technology enables distributed management and control of assets and data through collaborative computation by multiple participants, thereby avoiding single point of failure and security risks. Additionally, we will also achieve decentralization and security of wallet products through the application of blockchain technology, providing customers with safer and more reliable blockchain wallet products.

In the staking business, we will explore technological innovation and product upgrades, and automate and decentralize staking products through blockchain technology and smart contracts to improve business efficiency and stability. Moreover, we will expand the market and business scale by developing PoS algorithms and application scenarios, bringing higher returns to shareholders and investors.

In February 2023, the SFC launched a public consultation to seek views on the proposed requirements for operators of virtual asset trading platform (the “VASP”) under the new SFC licensing regime. The VASP regime was scheduled to take effect in June 2023, with a transitional arrangement. The Group will assess our future business strategy and plans and assess whether we will apply for the VASP license.



# Condensed Consolidated Statement of Other Comprehensive Income

	Six months ended 31 March	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
<b>Loss for the period</b>	<b>(232,359)</b>	(48,787)
<b>Other comprehensive income</b>		
<b>Item that may be reclassified subsequently to profit or loss:</b>		
Exchange differences arising on the translation of financial statements of foreign operations	<b>96</b>	1,391
<b>Item that will not be reclassified subsequently to profit or loss:</b>		
Change in fair value of equity instruments at fair value through other comprehensive income	<b>(40)</b>	5,496
Reclassification of foreign currency translation reserve upon disposal of subsidiary	<b>7,064</b>	–
<b>Other comprehensive income for the period, net of tax</b>	<b>7,120</b>	6,887
<b>Total comprehensive loss for the period</b>	<b>(225,239)</b>	(41,900)
<b>Total comprehensive (loss)/income for the period attributable to:</b>		
<b>Owners of the Company</b>	<b>(234,386)</b>	(41,900)
<b>Non-controlling interests</b>	<b>9,147</b>	–
	<b>(225,239)</b>	(41,900)

# Condensed Consolidated Statement of Financial Position

	Notes	At 31 March 2023 HK\$'000 (Unaudited)	At 30 September 2022 HK\$'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	25,921	47,989
Right-of-use assets	14	33,890	120,001
Goodwill		–	174
Investment in a joint venture		56,762	53,154
Cryptocurrencies	15	10,385	–
Other receivables	16	45,521	–
Restricted deposit	17	32,215	–
Financial assets at fair value through other comprehensive income		33,595	38,962
Total non-current assets		238,289	260,280
<b>Current assets</b>			
Inventories		–	44,109
Cryptocurrencies	15	130,383	294,489
Trade and other receivables	16	18,280	135,467
Loan receivable		582	582
Amount due from a joint venture		–	54
Financial assets at fair value through profit and loss		21,904	1,328
Pledged bank deposit		–	7,850
Time deposits with original maturity of over three months		–	1,600
Cash and bank balances		36,023	322,633
Assets classified as held for sale	18	207,172 273,827	808,112 –
Total current assets		480,999	808,112
<b>Current liabilities</b>			
Trade and other payables	19	65,412	158,689
Collateral payables	15	23,589	124,758
Bank and other borrowings	20	12,751	678
Lease liabilities		6,985	90,491
Tax payable		8,455	40,947
Liabilities associated with assets classified as held for sale	18	117,192 172,272	415,563 –
Total current liabilities		289,464	415,563
<b>Net current assets</b>		191,535	392,549
<b>Total assets less current liabilities</b>		429,824	652,829
<b>Non-current liabilities</b>			
Bank and other borrowings	20	476,409	466,442
Lease liabilities		25,933	32,588
Deferred tax liabilities	21	1,586	6,713
		503,928	505,743
<b>Net (liabilities)/assets</b>		(74,104)	147,086
<b>EQUITY</b>			
Share capital	22	309	309
Reserves	25	(95,717)	134,620
<b>Total equity attributable to owners of the Company</b>		(95,408)	134,929
Non-controlling interests		21,304	12,157
<b>Total (deficit)/equity</b>		(74,104)	147,086

# Condensed Consolidated Statement of Changes in Equity

## For the six months ended 31 March 2023

	Unaudited										
	Share capital HK\$'000 (note 22)	Share premium HK\$'000 (notes 23 and 25)	Share option reserve HK\$'000 (note 25)	Other reserve HK\$'000 (note 25)	Fair value reserve HK\$'000 (note 25)	Statutory reserve HK\$'000 (note 25)	Translation reserve HK\$'000 (note 25)	Accumulated losses HK\$'000	Attributable to owners of the Company HK\$'000	Non- controlling interest HK\$'000	Total HK\$'000
<b>At 1 October 2022</b>	309	112,251	1,652	98,030	2,609	7,956	(22,568)	(65,310)	134,929	12,157	147,086
Equity-settled share based compensation expenses (note 24)	-	-	35	-	-	-	-	-	35	-	35
Transfer of share option reserve upon the lapse of share options	-	-	(867)	-	-	-	-	867	-	-	-
Fair value gain on loan from a related party measured at fair value on inception and modification, net of deferred tax (note 20(c))	-	-	-	4,014	-	-	-	-	4,014	-	4,014
<b>Transactions with owners</b>	-	-	(832)	4,014	-	-	-	867	4,049	-	4,049
Loss for the period	-	-	-	-	-	-	-	(241,506)	(241,506)	9,147	(232,359)
<b>Other comprehensive income/(expense)</b>											
Change in fair value of equity instrument at fair value through other comprehensive income	-	-	-	-	(40)	-	-	-	(40)	-	(40)
Exchange differences arising on the translation of financial statements of foreign operations	-	-	-	-	-	-	96	-	96	-	96
Reclassification of foreign currency translation reserve upon disposal of a subsidiary	-	-	-	-	-	-	7,064	-	7,064	-	7,064
<b>Total comprehensive income/(expense) for the period</b>	-	-	-	-	(40)	-	7,160	(241,506)	(234,386)	9,147	(225,239)
<b>At 31 March 2023</b>	309	112,251	820	102,044	2,569	7,956	(15,408)	(305,949)	(95,408)	21,304	(74,104)

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

## For the six months ended 31 March 2022

	Unaudited										
	Share capital HK\$'000 (note 20)	Share premium HK\$'000 (notes 23 and 25)	Share option reserve HK\$'000 (note 25)	Other reserve HK\$'000 (note 25)	Fair value reserve HK\$'000 (note 25)	Statutory reserve HK\$'000 (note 25)	Translation reserve HK\$'000 (note 25)	Retained profits HK\$'000	Attributable to owners of the Company HK\$'000	Non- controlling interest HK\$'000	Total HK\$'000
<b>At 1 October 2021</b>	308	107,152	3,198	32,565	-	7,956	(6,531)	133,957	278,605	-	278,605
Issue of shares upon exercise of share options (note 22(ii))	-*	442	(127)	-	-	-	-	-	315	-	315
Equity-settled share based compensation expenses (note 24)	-	-	369	-	-	-	-	-	369	-	369
Fair value gain on loan from a related party measured at fair value on inception, net of deferred tax (note 20(c))	-	-	-	7,411	-	-	-	-	7,411	-	7,411
<b>Transactions with owners</b>	-*	442	242	7,411	-	-	-	-	8,095	-	8,095
Loss for the period	-	-	-	-	-	-	-	(48,787)	(48,787)	-	(48,787)
<b>Other comprehensive income</b>											
Change in fair value of equity instrument at fair value through other comprehensive income	-	-	-	-	5,496	-	-	-	5,496	-	5,496
Exchange differences arising on the translation of financial statements of foreign operations	-	-	-	-	-	-	1,391	-	1,391	-	1,391
<b>Total comprehensive income/(expense) for the period</b>	-	-	-	-	5,496	-	1,391	(48,787)	(41,900)	-	(41,900)
<b>At 31 March 2022</b>	308	107,594	3,440	39,976	5,496	7,956	(5,140)	85,170	244,800	-	244,800

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

# Condensed Consolidated Statement of Cash Flows

		Six months ended 31 March	
		2023	2022
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
	Notes		
<b>Cash flows from operating activities</b>			
Loss before income tax		(232,960)	(44,568)
Adjustments for:			
Amortisation of intangible asset	10	–	12
Depreciation of property, plant and equipment	10	6,429	5,305
Depreciation of right-of-use assets	10	12,471	15,025
Equity-settled share-based compensation expenses		35	369
Gain on disposal of property plant and equipment		(1,364)	–
Imputed interest expense on other loans from a related company	9	6,548	3,933
Interest expenses on other loan from a former controlling shareholder	9	973	1,197
Interest expenses on bank borrowings	9	156	96
Interest expenses on lease liabilities	9	2,289	2,012
Interest expenses on other loan from a related company	9	740	8
Interest income		(14)	(866)
Provision for impairment loss on inventories	10	3,482	462
Loss on disposal of a subsidiary	7	7,064	–
Impairment loss on cryptocurrencies	15	24,234	–
Expected credit loss on restricted deposit	17	75,176	–
Fair value loss/(gain) on financial asset at fair value through profit or loss	7	415	(822)
Fair value gain on cryptocurrencies		(8,213)	(9,462)
Share of result of a joint venture		(3,608)	–
Operating loss before working capital changes		(106,147)	(27,299)
Decrease in inventories		10,280	3,629
Decrease/(increase) in cryptocurrencies		137,700	(381,886)
Increase in restricted deposit		(107,391)	–
Decrease/(increase) in trade and other receivables		2,511	(18,587)
Decrease in amount due from a joint venture		54	–
Increase/(decrease) in trade and other payables		25,769	(65,215)
(Decrease)/increase in collateral payables		(101,169)	221,558
Decrease in contract liabilities		–	(122)
<i>Cash used in operations</i>		(138,393)	(267,922)
Income tax paid		(25,721)	(5,879)
<i>Net cash used in operating activities</i>		(164,114)	(273,801)



## Condensed Consolidated Statement of Cash Flows

	Notes	Six months ended 31 March	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(17,444)	(9,470)
Deposit paid for property, plant and equipment		(45,521)	–
Decrease in pledged bank deposit		7,850	7,785
Purchase of financial assets at fair value through profit and loss		(21,904)	–
Purchase of financial assets at fair value through other comprehensive income		–	(4,863)
Proceeds from disposal of property, plant and equipment		2,615	–
Proceeds from disposal of a subsidiary	27	4,449	–
Decrease in time deposits with original maturity of over three months		1,600	–
Interest received on bank deposits and balances		14	274
Loan interest received		–	592
Capital injection into a joint venture		–	(70,429)
<i>Net cash used in investing activities</i>		<b>(68,341)</b>	(76,111)
<b>Cash flows from financing activities</b>			
Net cash inflow from other loan from a related company		79,912	199,998
Net cash outflow from other loan from a former controlling shareholder		(30,000)	–
Net cash outflow in trust receipts and export loans		(678)	(13,987)
Repayment of principal portion of lease liabilities		(8,803)	(12,595)
Repayment of interest portion of lease liabilities		(2,289)	(2,012)
Interest paid on bank borrowings		(156)	(96)
Interest paid on other loan from former controlling shareholder		(605)	(848)
Issue of shares of share options		–	315
<i>Net cash generated from financing activities</i>		<b>37,381</b>	170,775
<b>Net decrease in cash and cash equivalents</b>		<b>(195,074)</b>	(179,137)
<b>Cash and cash equivalents at beginning of the period</b>		<b>322,633</b>	552,175
<b>Effect of foreign exchange rate changes</b>		<b>(5,295)</b>	1,528
<b>Cash and cash equivalents classified as held for sale</b>	18	<b>(86,241)</b>	–
<b>Cash and cash equivalents at end of the period</b>		<b>36,023</b>	374,566
<b>Analysis of the balance of cash and cash equivalents</b>			
Cash and bank balances		36,023	374,566

### 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 and HK\$81,941,000 respectively, in respect of the lease arrangements for the leased office properties and factory.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

## 1. GENERAL INFORMATION

New Huo 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, 7/F, 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 provision of technology solution services, a varieties of services in virtual asset ecosystem, such as asset management, trust and custodian business and cryptocurrency trading and the contract manufacturing, on electronic manufacturing services basis, of a wide range of power-related and electrical/electronic products. These business segments are the basis upon which the Group reports its primary segment information.

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

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

### (a) Basis of preparation

The unaudited condensed consolidated 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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The Interim Financial Statements have been prepared under the historical cost basis except for financial assets at fair value through other comprehensive income (“FVTOCI”), financial assets at fair value through profit or loss (“FVTPL”), cryptocurrencies, collateral payables and other borrowings at FVTPL.

These Interim Financial Statements have been prepared with the same accounting policies adopted in the consolidated financial statements for the year ended 30 September 2022 (the “2022 Annual Financial Statements”), except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 October 2022. 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).

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 the nearest thousand (“HK\$’000”), unless otherwise stated.

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 2022 Annual Financial Statements.

The Interim Financial Statements is unaudited but have been reviewed by the Audit Committee.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

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

### (b) Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 October 2022 for the preparation of Interim Financial Statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9 and Illustrative Examples accompanying HKFRS 16

The application of the amendments to HKFRSs in the current year has had no material impact on the company's financial positions and performance for the current and prior years and/or on the disclosures set out in Interim Financial Statements.

### (c) New and amendments to HKFRSs in issue but not yet effective

The following new and amendments to 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.

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or 1 January 2024.

The above new and amendments to existing standards do not expect to have a material impact on the Interim Financial Statements of the Group. The Group will adopt the new and amended HKFRSs to existing standards when they became effective.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 2022 Annual Financial Statements.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

## 4. FINANCIAL RISK MANAGEMENT AND VIRTUAL ASSET ECOSYSTEM RISK

The Group is exposed to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk and virtual asset ecosystem 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 does not include all risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2022 Annual Financial Statements. There have been no changes in any risk management policies since the year end 30 September 2022.

### 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 2023, no trade receivables (30 September 2022: trade receivables of HK\$27,928,000) 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 0.06% (30 September 2022: 0.06%), past due between 0 to 60 days is 0.37%-1.21% (30 September 2022: 0.37%-1.21%) and past due more than 60 days is 6.55% (30 September 2022: 6.55%). 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 2022: HK\$Nil).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

## 4. FINANCIAL RISK MANAGEMENT AND VIRTUAL ASSET ECOSYSTEM RISK – *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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

## 4. FINANCIAL RISK MANAGEMENT AND VIRTUAL ASSET ECOSYSTEM RISK – 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 2022: 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 Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

### 4. FINANCIAL RISK MANAGEMENT AND VIRTUAL ASSET ECOSYSTEM RISK – 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
<b>As at 31 March 2023 (Unaudited)</b>						
Non-derivative financial liabilities:						
Trade and other payables	65,412	65,412	65,412	-	-	-
Other borrowings	489,160	498,770	12,751	454,619	31,400	-
Lease liabilities	32,918	37,202	8,167	4,708	14,125	10,202
	<b>587,490</b>	<b>601,384</b>	<b>86,330</b>	<b>459,327</b>	<b>45,525</b>	<b>10,202</b>

As at 30 September 2022 (Audited)

Non-derivative financial liabilities:						
Trade and other payables	158,689	158,689	158,689	-	-	-
Bank borrowings	678	678	678	-	-	-
Other borrowings	466,442	477,830	446,430	-	31,400	-
Lease liabilities	123,079	130,163	91,440	10,062	13,975	14,686
	<b>748,888</b>	<b>767,360</b>	<b>697,237</b>	<b>10,062</b>	<b>45,375</b>	<b>14,686</b>

#### Fair value measurement

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).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

## 4. FINANCIAL RISK MANAGEMENT AND VIRTUAL ASSET ECOSYSTEM RISK – *continued*

### Fair value measurement – *continued*

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

At the end of the reporting period, cryptocurrencies, unlisted equity investments, derivative financial instruments, collateral payables and other borrowings at FVTPL 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, loan receivable, amount due from a joint venture, time deposit, restricted deposit, 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 assets/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 unlisted equity investments and derivative financial instruments, 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 Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

### 4. FINANCIAL RISK MANAGEMENT AND VIRTUAL ASSET ECOSYSTEM RISK – continued

#### Fair value hierarchy

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

#### Assets/liabilities measured at fair value:

Recurring fair value measurement

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets for identical assets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
<b>As at 31 March 2023 (Unaudited)</b>				
Assets				
Financial assets at FVTOCI	–	–	33,595	33,595
Financial assets at FVTPL	–	–	21,904	21,904
Cryptocurrencies	140,768	–	–	140,768
	140,768	–	55,499	196,267
Liabilities				
Collateral payables	23,589	–	–	23,589
Other borrowings at FVTPL	12,751	–	–	12,751
	36,340	–	–	36,340
<b>As at 30 September 2022 (Audited)</b>				
Assets				
Financial assets at FVTOCI	–	–	38,962	38,962
Financial assets at FVTPL	–	–	1,328	1,328
Cryptocurrencies	294,489	–	–	294,489
	294,489	–	40,290	334,779
Liabilities				
Collateral payables	124,758	–	–	124,758
Other borrowings at FVTPL	11,076	–	–	11,076
	135,834	–	–	135,834

There was no transfer under the fair value hierarchy classification during the six months ended 31 March 2023 and the year ended 30 September 2022.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

## 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 2023 are as follows:

- (i) Virtual asset ecosystem;
- (ii) Provision of technology solution services; and
- (iii) Contract manufacturing.

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

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

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

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

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

### 5. SEGMENT INFORMATION – continued

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

#### For the six months ended 31 March 2023

	Virtual asset ecosystem HK\$'000 (Unaudited)	Provision of technology solution services HK\$'000 (Unaudited)	Contract manufacturing HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue from external customers	2,390,045	7,050	108,786	2,505,881
Segment results	(128,372)	1,055	(13,062)	(140,379)
<b>Unallocated corporate income</b>				
Interest income				11
Sundry income				196
<b>Unallocated corporate expenses</b>				
Fair value loss of financial assets at fair value through profit and loss				(415)
Loss on disposal of a subsidiary				(7,064)
Administrative expenses				(78,350)
Finance costs				(6,959)
Loss before income tax				(232,960)

#### For the six months ended 31 March 2022

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

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

### 5. SEGMENT INFORMATION – continued

There were no inter-segment transactions during the six months ended 31 March 2023 and 2022.

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

#### As at 31 March 2023

	Virtual asset ecosystem HK\$'000 (Unaudited)	Provision of technology solution services HK\$'000 (Unaudited)	Contract manufacturing HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment assets	346,240	9,226	267,528	622,994
<b>Unallocated corporate assets</b>				
Property, plant and equipment				10,723
Right-of-use assets				1,761
Financial assets at FVTOCI				33,595
Financial assets at FVTPL				21,904
Financial assets classified as held for sale (note 18(b))				6,299
Other receivables				9,762
Cash and bank balances				12,250
Total assets				719,288
Segment liabilities	47,510	8,605	172,272	228,387
<b>Unallocated corporate liabilities</b>				
Other payables				36,778
Tax payable				8,241
Other borrowings				489,160
Lease liabilities				29,240
Deferred tax liabilities				1,586
Total liabilities				793,392

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

### 5. SEGMENT INFORMATION – continued

As at 30 September 2022

	Virtual asset ecosystem HK\$'000 (Audited)	Provision of technology solution services HK\$'000 (Audited)	Contract manufacturing HK\$'000 (Audited)	Total HK\$'000 (Audited)
Segment assets	523,325	111,906	347,002	982,233
<b>Unallocated corporate assets</b>				
Property, plant and equipment				10,459
Right-of-use assets				7,776
Financial assets at FVTOCI				38,962
Financial assets at FVTPL				1,328
Other receivables				3,545
Cash and bank balances				24,089
<b>Total assets</b>				<b>1,068,392</b>
Segment liabilities	170,615	81,072	174,531	426,218
<b>Unallocated corporate liabilities</b>				
Other payables				6,256
Tax payable				8,166
Other borrowings				466,442
Lease liabilities				7,511
Deferred tax liabilities				6,713
<b>Total liabilities</b>				<b>921,306</b>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

### 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	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
The People's Republic of China (the "PRC")		
– HKSAR (place of domicile)	<b>2,389,395</b>	99,300
– Mainland China	<b>16,957</b>	29,288
USA	<b>62,484</b>	97,506
United Kingdom	<b>10,897</b>	26,297
Rest of Europe	<b>2,807</b>	6,840
Russia	–	5,805
Japan	<b>16,004</b>	68,267
Others	<b>7,337</b>	18,498
	<b>2,505,881</b>	351,801

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

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

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

### 5. SEGMENT INFORMATION – continued

#### Geographical information – continued

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

	Six months ended 31 March	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Virtual asset ecosystem:		
Customer A	1,912,785	*
Customer B	*	34,300
Customer C	*	31,307
Contract manufacturing:		
Customer D	72,698	110,076
Customer E	*	32,275
Provision of technology solution services:		
Customer F	7,050	38,725

\* The revenue from such customers did not contribute over 10% of the total revenue of that segment of the Group for the six months ended 31 March 2023 and 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:

	At 31 March	At 30 September
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Audited)
HKSAR	115,398	126,531
Mainland China	5,590	99,067
Japan	–	3,467
USA	117,301	31,215
	<b>238,289</b>	260,280

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

### 6. REVENUE

Revenue mainly includes cryptocurrency trading, 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	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Sales of:		
Solenoid coils	80,147	118,543
Power tool chargers	6,795	27,944
Printed circuit board assembly	8,050	34,763
Parts assembly	3,761	13,870
Others	10,033	15,327
	108,786	210,447
Cryptocurrency trading	2,384,836	76,137
<b>Revenue recognised at a point in time</b>	<b>2,493,622</b>	<b>286,584</b>
Provision of data centre services	400	2,851
Provision of cloud-related services	6,650	35,875
Provision of asset management services	3,613	8,169
Provision of custodian services	717	11,077
Provision of lending management services	879	–
Provision of Software-as-a service ("SaaS")	–	5,818
Provision of consultancy services	–	1,427
<b>Revenue recognised over time</b>	<b>12,259</b>	<b>65,217</b>
<b>Total revenue</b>	<b>2,505,881</b>	<b>351,801</b>



## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

### 7. OTHER INCOME AND GAINS/(LOSSES)

	Six months ended 31 March	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Loss on disposal of a subsidiary	(7,064)	–
Fair value (loss)/gain on financial asset at FVTPL	(415)	822
Government grants	276	599
Sundry income	4,870	131
	<b>(2,333)</b>	1,552

The government grant for the six months ended 31 March 2023 represent the subsidy under the Employment Support Scheme provided by the HKSAR Government. There are no unfulfilled conditions relating to the grants.

The government grants for the six months ended 31 March 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.

### 8. INTEREST INCOME

	Six months ended 31 March	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Interest earned on bank deposits and balances	14	274
Loan interest income on loan receivable	–	592
	<b>14</b>	866

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

### 9. FINANCE COSTS

	Six months ended 31 March	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Interest on bank borrowings	156	96
Imputed interest on other loans from a related company (note 20(c))	6,548	3,933
Interest on other loan from a former controlling shareholder (note 20(b))	973	1,197
Interest on other loan from a related company (note 20(d))	740	8
Interest expenses on lease liabilities	2,289	2,012
	<b>10,706</b>	<b>7,246</b>

### 10. LOSS BEFORE INCOME TAX

	Six months ended 31 March	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Loss before income tax is arrived at after charging:		
Amortisation of intangible asset (included in administrative expenses)	–	12
Auditors' remuneration:		
– audit services	1,000	299
Cost of inventories recognised as expenses		
– cryptocurrency trading business	2,399,589	76,541
– other business	95,747	98,899
Depreciation of property, plant and equipment	6,429	5,305
Depreciation of right-of-use assets	12,471	15,025
Low-value assets lease expenses	–	24
Short term lease expenses	–	1,474
Provision for impairment loss on inventories	3,482	462
Employee benefit expenses (including Directors' remuneration)	72,634	91,539

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

## 11. INCOME TAX (CREDIT)/EXPENSE

Income tax (credit)/expense for the period comprises:

	Six months ended 31 March	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Current income tax:		
Provision for the period		
HKSAR	(100)	1,291
Mainland China	15	3,171
USA	–	26
	(85)	4,488
Deferred tax (note 21)	(516)	(269)
<b>Income tax (credit)/expense</b>	<b>(601)</b>	<b>4,219</b>

Hong Kong profits tax is calculated at the rate of 16.5% (2022: 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.

The PRC corporate income tax charge of HK\$15,000 (2022: HK\$3,171,000) was determined in accordance with the relevant laws and regulations in Mainland China, and was assessed at a rate of 25% (2022: 25%).

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

The Group considers that, as it is probable that its operating subsidiary in the PRC will continue to distribute earnings in the foreseeable future, a deferred tax provision of HK\$5,405,000 (30 September 2022: HK\$4,840,000) 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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

## 12. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 31 March 2023 and 2022.

## 13. LOSS PER SHARE

### Basic loss per share

The calculation of basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares of 308,960,665 (31 March 2022: 307,940,885) in issue during the period.

	Six months ended 31 March	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Loss attributable to owners of the Company	241,506	48,787
	Share	Share
Weighted average number of ordinary shares for the purpose of basic loss per share	308,960,665	307,940,885
	HK cents	HK cents
Basic loss per share	78.17	15.84

### Diluted loss per share

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

There is no diluted loss per share for the six months ended 31 March 2023 and 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 2023 and 2022.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

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

Additions to property, plant and equipment in the period amounted to HK\$17,444,000 (31 March 2022: HK\$9,470,000).

Items of plant and machinery with a net book value of HK\$1,251,000 (31 March 2022: HK\$104,000) were disposed of during the six months ended 31 March 2023, resulting in a gain on disposal of HK\$1,364,000 (31 March 2022: HK\$Nil).

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 has been recognised for the six months ended 31 March 2022.

### 15. CRYPTOCURRENCIES

On 11 November 2022, FTX group entities, including cryptocurrency exchange FTX (“FTX”), has filed for bankruptcy protection in the United States. For details, please refer to the Company’s announcement dated 14 November 2022. As at 31 March 2023, the Group had fiat currencies (the “Restricted Deposit”) and cryptocurrencies deposited in FTX amounting to HK\$107,391,000 and HK\$34,619,000, respectively. Up to the date of this report, the Group is not able to withdraw the fiat currencies and cryptocurrencies from FTX.

As at 31 March 2023, there were cryptocurrencies deposited in FTX with carrying amounts of HK\$10,385,000, net of provision for impairment loss of HK\$24,234,000, classified as non-current assets.

As at 31 March 2023, there were cryptocurrencies with fair value of approximately HK\$23,589,000 (30 September 2022: HK\$124,758,000) received from borrowers as collateral under lending arrangements that the Group provides lending management service but is not a party to originate such loan. According to the loan agreements, the borrowers shall place cryptocurrencies in the Group’s wallets as collaterals. Since the Group is able to utilise such collateral for its own economic benefits, it is recorded as cryptocurrencies of the Group. The corresponding liability due to the borrowers is recorded under “collateral payables” and is measured at fair value through profit and loss base on the fair value of relevant cryptocurrencies under current liabilities. The cryptocurrencies collaterals shall be returned to the counterparties upon settlement of the loans at respective maturity dates.

As at 31 March 2023, approximately 238,027 filecoins with carrying amount of HK\$10,596,000 were pledged for cryptocurrency mining business (30 September 2022: approximately 238,027 filecoins with carrying amount of HK\$10,613,000).

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

### 16. TRADE AND OTHER RECEIVABLES

	<b>At 31 March 2023 HK\$'000 (Unaudited)</b>	At 30 September 2022 HK\$'000 (Audited)
Trade receivables	<b>3,593</b>	65,683
Rental and other deposit and prepayments	<b>8,244</b>	13,875
Deposit for purchase of property, plant and equipment	<b>45,521</b>	24,122
Other receivables	<b>6,443</b>	31,787
	<b>63,801</b>	135,467
Analysed into:		
Non-current	<b>45,521</b>	–
Current	<b>18,280</b>	135,467
	<b>63,801</b>	135,467

Included in trade receivables was amounts due from related companies amounting to HK\$588,000 (30 September 2022: HK\$5,074,000) 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\$35,000 (30 September 2022: HK\$23,706,000) 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 30 September 2022, trade receivables of HK\$714,000 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 30 September 2022, the asset-backed lending liabilities amounted to HK\$678,000.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

### 16. TRADE AND OTHER RECEIVABLES – continued

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

	<b>At 31 March 2023 HK\$'000 (Unaudited)</b>	At 30 September 2022 HK\$'000 (Audited)
0–60 days	<b>3,593</b>	52,623
61–90 days	–	11,339
91–120 days	–	1,721
	<b>3,593</b>	65,683

The Group allows credit periods ranging from 30 days (30 September 2022: 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 aging analysis of the Group's trade receivables, based on due date, is as follows:

	<b>At 31 March 2023 HK\$'000 (Unaudited)</b>	At 30 September 2022 HK\$'000 (Audited)
Neither past due nor impaired	<b>3,593</b>	54,236
0–60 days past due	–	10,160
61–90 days past due	–	1,287
	<b>3,593</b>	65,683

Trade receivables that were past due but not 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 risk.

### 17. RESTRICTED DEPOSIT

As mentioned in note 15, on 11 November 2022, FTX group entities, including FTX, has filed for bankruptcy protection in the United States. As at 31 March 2023, there was Restricted Deposit deposited in FTX with carrying amounts of HK\$32,215,000, net of provision for expected credit loss of HK\$75,176,000, classified as non-current assets. Up to the date of this report, the Group is not able to withdraw the fiat currencies and cryptocurrencies from FTX.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

## 18. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

- (a) On 24 March 2023, the Company (the “Vendor”) and New Wave Capital Limited (the “Purchaser”) entered into a sale and purchase agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the entire issued share capital of the Target Companies at a consideration of HK\$115,000,308. For details, please refer to the Company’s announcements dated 24 March 2023, 19 April 2023, 25 May 2023 and the circular dated 25 May 2023 respectively.

The completion is subject to the fulfilment and satisfaction of relevant conditions precedent set out in the sale and purchasers agreement. The directors of the Company are of the view that the assets will be disposed of within twelve months from the date of reporting period.

The major classes of assets and liabilities of the Target Companies classified as held for sale are as follows:

	<b>At 31 March 2023</b>
	HK\$'000
	(Unaudited)
Property, plant and equipment	31,518
Right-of-use assets	65,735
Inventories	30,347
Trade and other receivables	53,687
Cash and cash equivalents	86,241
<b>Total assets classified as held for sale</b>	<b>267,528</b>
Trade and other payables	63,145
Other borrowings (note 20(b))	30,973
Lease liabilities	70,270
Tax payable	2,479
Deferred tax liabilities	5,405
<b>Total liabilities associated with assets classified as held for sale</b>	<b>172,272</b>



## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

### 18. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE – *continued*

- (b) On 23 March 2023, the Company entered into a disposal agreement with a related party, Wechain Technology Limited, pursuant to which the Company has conditionally agreed to sell, and Wechain Technology Limited has conditionally agreed to acquire the investor option (classified as financial assets at FVTPL) and the 299,043 shares (classified as financial assets at FVTOCI) of Animoca Brands Corporation Limited which is the entire shares held by the Company, at a consideration of US\$809,000 (equivalent to approximately HK\$6,310,000). The disposal was completed in April 2023.

Financial assets classified as held for sale are as follows:

	<b>At 31 March 2023</b>
	HK\$'000
	(Unaudited)
Financial assets at FVTOCI	5,385
Financial assets at FVTPL	914
	<b>6,299</b>

### 19. TRADE AND OTHER PAYABLES

	<b>At 31 March 2023</b>	At 30 September 2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade payables	<b>1,883</b>	25,331
Other payables and accruals	<b>63,529</b>	133,358
	<b>65,412</b>	158,689

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

	<b>At 31 March 2023</b>	At 30 September 2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0-60 days	–	21,402
61-90 days	–	2,891
More than 90 days	<b>1,883</b>	1,038
	<b>1,883</b>	25,331

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

## 20. BANK AND OTHER BORROWINGS

	Notes	At 31 March 2023 HK\$'000 (Unaudited)	At 30 September 2022 HK\$'000 (Audited)
Bank borrowings (secured) comprise:			
Asset-backed lending	(a)	–	678
Other borrowings (unsecured) comprise:			
Loan from a former controlling shareholder	(b) and (18(a))	–	60,605
Loans from a related company	(c)	476,409	394,761
Other borrowings measured at FVTPL (unsecured) comprise:			
Loan from a related company	(d)	12,751	11,076
		<b>489,160</b>	467,120
Secured		–	678
Unsecured		489,160	466,442
		<b>489,160</b>	467,120
Bank borrowings are repayable as follow:			
Within one year or on demand		–	678
Other borrowings are repayable as follows:			
Within one year or on demand		12,751	435,984
More than one year but not exceeding two years		445,773	–
More than two years but not exceeding five years		30,636	30,458
		<b>489,160</b>	466,442
		<b>489,160</b>	467,120
Analysed into:			
Non-current		476,409	466,442
Current		12,751	678
		<b>489,160</b>	467,120

Notes:

### (a) 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 16).

Bank borrowings are denominated in HK\$ and US Dollars ("US\$"), carry variable interest rates linked to the relevant prime rates and fixed interest rates applicable to the jurisdiction in which the facility has been taken out. As at 30 September 2022, the effective interest rates on the Group's floating rate borrowings range from 2.1% to 4.11% 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 26 for details of pledged assets.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

## 20. BANK AND OTHER BORROWINGS – *continued*

Notes:

### (b) Other borrowings – Loan from a former controlling shareholder

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

The HK\$100,000,000 loan received was initially recognised at a fair value of HK\$86,098,000 which was estimated by discounting the nominal value of the loan at an effective interest rate of 5.0% per annum and as a result, a fair value gain of HK\$11,608,000 (net of deferred tax of HK\$2,294,000) was credited to the other reserve for the year ended 30 September 2018. 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.

During the six months ended 31 March 2023, the Company made partial repayment of HK\$30,000,000. NWC agreed to extend the remaining loan of HK\$30,000,000 to 25 May 2023.

For the six months ended 31 March 2023, an interest expense of HK\$973,000 (31 March 2022: HK\$1,197,000) has been charged to the consolidated statement of profit or loss (note 9).

### (c) Other borrowings – Loan from a related company

#### 2019 Shareholder’s Facility

On 26 September 2019, the Company entered into a facility agreement with Avenir Cayman Holding Limited (formerly known as Huobi Cayman Holding Limited) (“Avenir”), the then immediate holding company of the Company, pursuant to which Avenir agreed to make available to the Company an unsecured revolving facility up to the maximum aggregate amount of HK\$471,000,000 (the “2019 Shareholder’s Facility”) for two years from 26 September 2019 to 25 September 2021. The 2019 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 Avenir as cash and US\$10,000,000 or HK\$78,394,000 in 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 Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

## 20. BANK AND OTHER BORROWINGS – *continued*

Notes:

### (c) Other borrowings – Loans from a related company – *continued*

#### 2019 Shareholder's Facility – *continued*

On 25 September 2020, the Group and Avenir 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.

During the year ended 30 September 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\$7,410,000 (net of deferred tax of HK\$1,464,000) was credited to the other reserve for the year ended 30 September 2022.

On 14 September 2022, the Group and Avenir agreed to settle the loan from Avenir of approximately US\$6,800,000 or HK\$53,371,000 by setting off a consideration for disposal of a subsidiary, and a reversal of fair value gain of HK\$1,291,000 (reversal of deferred tax liability HK\$255,000) was debited to the other reserve for the year ended 30 September 2022.

On 13 April 2023, the Group and Avenir mutually agreed to extend the Shareholder's Facility to 30 September 2024.

#### 2022 Shareholder's Facility

On 5 May 2022, the Company entered into a facility agreement with Avenir, the then immediate holding company of the Company, pursuant to which Avenir agreed to make available to the Company an unsecured revolving facility up to the maximum aggregate amount of US\$40,000,000 (the "2022 Shareholder's Facility") for three years from 5 May 2022 to 4 May 2025. The 2022 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.

During the year ended 30 September 2022, the Company drew down approximately US\$6,000,000 or HK\$47,098,000 by cash. The HK\$47,098,000 loan received was initially recognised at a fair value of HK\$45,474,000 which was estimated by discounting the nominal value of the loan at an effective interest rate of 1.17% per annum and as a result, a fair value gain of HK\$1,355,000 (net of deferred tax of HK\$269,000) was credited to the other reserve for the year ended 30 September 2022.

On 14 September 2022, Avenir granted a loan waiver of approximately US\$2,000,000 or HK\$15,697,000 to the Group, and a reversal of fair value gain of HK\$400,000 (net of reversal of deferred tax liability HK\$79,000) was debited to the other reserve for the year ended 30 September 2022.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

## 20. BANK AND OTHER BORROWINGS – *continued*

Notes:

### (c) Other borrowings – Loans from a related company – *continued*

#### **2022 Shareholder's FTX Facility**

On 13 November 2022, the Company entered into a facility agreement with Avenir, the then immediate holding company of the Company, pursuant to which Avenir agreed to make available to the Company an unsecured non-revolving facility up to the maximum aggregate amount of US\$14,000,000 (the "2022 Shareholder's FTX Facility") for four months from 13 November 2022 to 12 March 2023. The 2022 Shareholder's FTX Facility does not bear any interest and will be utilised by the Company for the purpose of covering client asset liability arising from the failure to withdraw cryptocurrency asset from FTX.

During the six month ended 31 March 2023, the Company drew down approximately US\$13,199,455 or HK\$103,417,000 in form of USDT (being the fair value of the USDT units received at the date of drawdown).

The HK\$103,417,000 loan received was initially recognised at a fair value of HK\$102,338,000 which was estimated by discounting the nominal value of the loan at an effective interest rate of 3.15% per annum and as a result, a fair value gain of HK\$901,000 (net of deferred tax of HK\$178,000) was credited to the other reserve for the six months ended 31 March 2023.

During the six months ended 31 March 2023, the Company made partial repayment of USD3,000,000 or HK\$23,505,000. The Company and Avenir mutually agreed to extend the remaining loan of USD10,199,455 or HK\$79,912,000 to 14 November 2024. A fair value gain of HK\$3,113,000 (net of deferred tax of HK\$616,000) was credited to the other reserve for the six months ended 31 March 2023.

#### **Imputed interest on loans from a related company**

For the six months ended 31 March 2023, imputed interest of HK\$6,548,000 (with related deferred tax credit of HK\$1,081,000) (31 March 2022: HK\$3,933,000 (with related deferred tax credit of HK\$649,000)) has been charged to the condensed consolidated statement of profit or loss (notes 9 and 21).

### (d) Other borrowing measured at FVTPL – Loan from a related company

On 3 March 2022, New Huo Solutions Limited ("New Huo Solutions"), a wholly-owned subsidiary of the Group, entered into a loan agreement as borrower with Avenir as lender, pursuant to which Avenir agreed to grant New Huo Solutions a loan of 250,000 filecoin (equivalent to approximately HK\$38,973,000) 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) and interest expense of HK\$8,000 has been charged to the condensed consolidated statement of profit or loss (note 9).

For the six months ended 31 March 2023, an interest of HK\$740,000 was charged to the condensed consolidated statement of profit or loss (note 9) and fair value gain of HK\$96,000 was credited to condensed consolidated statement of profit or loss.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

### 21. 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 (Unaudited)	Loan from a related company measured at fair value HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Carrying amount at 1 October 2022	4,840	1,873	6,713
Charge/(credit) to the condensed consolidated statement of profit or loss (notes 11 and 20(c))	565	(1,081)	(516)
Charged to other reserve in the condensed consolidated statement of change in equity (note 20(c))	–	794	794
Reclassified to assets held for sales (note 18)	(5,405)	–	(5,405)
Currency realignment	–	–	–
<b>Carrying amount at 31 March 2023</b>	<b>–</b>	<b>1,586</b>	<b>1,586</b>

	In respect of withholding tax on undistributed profits of a subsidiary HK\$'000 (Unaudited)	Loan from a related company measured at fair value HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
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 20(c))	380	(649)	(269)
Charged to other reserve in the condensed consolidated statement of change in equity (note 20(c))	–	1,464	1,464
Currency realignment	127	–	127
<b>Carrying amount at 31 March 2022</b>	<b>5,548</b>	<b>2,935</b>	<b>8,483</b>

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 2023, a provision of HK\$565,000 (31 March 2022: HK\$380,000) has been charged to the condensed consolidated statement of profit or loss representing 5% unremitted earnings incurred in the period.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

## 22. SHARE CAPITAL

	Number of ordinary shares of HK\$0.001 each Share	Amount HK\$
<b>Authorised:</b>		
At 1 October 2021, 30 September 2022 and 31 March 2023	500,000,000	500,000
<b>Issued and fully paid:</b>		
At 1 October 2021 (Audited)	307,870,665	307,871
Issue of shares upon exercise of share options (note (i))	1,090,000	1,090
At 30 September 2022 (Audited), 1 October 2022 and 31 March 2023 (Unaudited)	308,960,665	308,961

Notes:

- (i) During the year ended 30 September 2022, the subscription rights attaching to 1,024,000 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 1,090,000 new shares at par value of HK\$0.001 each for a total cash consideration of approximately HK\$3,492,000. Approximately HK\$3,491,000 representing the difference between the subscription price and the par value was credited to share premium. In addition, HK\$1,608,000 representing that portion of the share option reserve in relation to the exercise of the share options during the year ended 30 September 2022, was transferred from the share option reserve to share premium account.
- (ii) All the shares issued during the reporting period ranked *pari passu* in all respects with the then existing shares in issue.

## 23. SHARE PREMIUM

	HK\$'000
At 1 October 2021 (Audited)	107,152
Issue of shares upon exercise of share options	5,099
At 30 September 2022 (Audited), 1 October 2022 and 31 March 2023 (Unaudited)	112,251

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

## 24. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

The Company has adopted a share option scheme for eligible participants of the Group on 27 October 2016, which remains in force for 10 years from the date of adoption. Participants may include: any employee (full time or part-time), Director, consultant or adviser of the Group; any substantial shareholder of the Group; and any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, to be determined by the Board of Directors (the "Board"), based on their contribution or potential contribution to the development and growth of the Group.

Prior to the refreshment of share mandate limit, the total number of shares available for issue under the scheme was 30,000,000 representing 10% of the issued share capital of the Company immediately following the commencement of dealings in the shares of the Company on the Stock Exchange of Hong Kong (the "Previous Share Mandate Limit"). The refreshment of the Previous Share Mandate Limit was approved by the Shareholders of the Company at the annual general meeting on 19 March 2021, allowing the Company to grant further options under the Share Option Scheme for subscription of up to a total of 30,742,766 Shares, which represents 10% of the Company's shares in issue as at the date of the approval of the refreshed limit and 9.95% of the Company's shares in issue as at the date of this interim report.

The maximum entitlement of share options of each eligible person under the Scheme shall not exceed 1% of the shares of the Company. Where any grant of share options under the Scheme to an eligible person would result in the shares issued and to be issued in respect of all share options and awards granted under the share schemes of the Company (including the Scheme and any other share schemes of the Company (as defined under the Listing Rules), where applicable, but excluding any share option lapsed in accordance with the terms of the Scheme) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the shares of the Company in issue (i.e. the 1% Individual Limit), such grant must be separately approved by shareholders of the Company in general meeting with such eligible person and his/her close associates (or associates if the eligible person is a connected person) abstaining from voting.

Subject to the terms in the Scheme, each grant of the share options and awards granted under the share schemes of the Company (which include the Scheme and any other share schemes (as defined under the Listing Rules), where applicable) to a Director, chief executive (other than a proposed Director or a proposed chief executive of the Company) or substantial shareholder, or any of their respective associates, under the Scheme or any other share schemes (as defined under the Listing Rules) shall comply with the requirements of Rule 17.04 of the Listing Rules and shall be subject to approval by the independent non-executive Directors (excluding independent non-executive Director who is a grantee).

Where any grant of share options or awards under the Scheme to an independent non-executive Director or a substantial shareholder (as defined in the Listing Rules) of the Company, or any of their respective associates, would result in the shares issued and to be issued in respect of all share options and awards granted under the share schemes of the Company (including the Scheme and any other share schemes (as defined under the Listing Rules), where applicable, but excluding any share option or awards lapsed in accordance with the terms of the Scheme) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the relevant class of shares in issue, such further grant of the share options or awards must be approved by the shareholders of the Company in general meeting. The grantee, his/her associates and all core connected persons of the Company must abstain from voting in favour at such general meeting.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

## 24. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS – *continued*

Upon acceptance of an option to subscribe for shares, the eligible participant shall pay HK\$1 to the Company as consideration for the grant. The subscription price of a share subject to options granted under the scheme shall be a price determined by the Board and notified to a participant and shall be at least the higher of:

- (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date which share options are offered, which must be a business day;
- (ii) the average closing price of the shares as stated in the daily quotations sheet of the Stock Exchange for the five (5) business days immediately preceding the date which share options are offered; and
- (iii) the nominal value of a share.

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.

On 30 March 2023, taking into account of the consultation conclusion published by the Stock Exchange on 29 July 2022, the Company has amended the Scheme to align with the amendments to the Listing Rules relating to the share schemes of listed issuers which had taken effect from 1 January 2023. Pursuant to the Scheme as amended, the vesting period of share options shall be no less than 12 months and the share options shall be vested on the 1st anniversary of the date on which a share option is granted to a grantee. For details, please refer to the Company's circular dated 1 March 2023 and announcement dated 30 March 2023.

### Share options granted on 3 April 2019:

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

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

	<b>Granted on 3 April 2019</b>
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%

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

## 24. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS – *continued*

The expected volatility is based on historical price volatility of similar listed companies in the past few years. The risk-free rate is the yields of Hong Kong government bonds and treasury bills as extracted from Bloomberg as at 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 have been charged as share-based compensation expense 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.

### **Share options granted on 16 October 2019:**

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

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

	<b>Granted on 16 October 2019</b>
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 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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

## 24. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS – *continued*

### Share options granted on 16 October 2019: – *continued*

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

As at 31 March 2023 and 30 September 2022, there were no outstanding share options granted on 16 October 2019.

### Share options granted on 2 July 2020:

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 vested are exercisable immediately but not exceeding ten years from the date of the grant.

The fair value of the options granted on 2 July 2020 has been calculated by an external valuer using the Black-Scholes Option Pricing Model. The assumptions used were as follows:

	<b>Granted on 2 July 2020</b>
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\$35,000 (31 March 2022: HK\$86,000) have been charged as share-based compensation expenses to profit or loss for the six months ended 31 March 2023.

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.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

### 24. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS – continued

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

#### For the six months ended 31 March 2023

	Date of grant	Exercise price HK\$	Outstanding at 1 October 2022	Granted during the period	Exercised during the period	Forfeited during the period	Lapsed during the period	Outstanding at 31 March 2023
<b>Executive Director</b>								
Mr. Wu Shupeng <sup>#</sup>	3.4.2019	3.13	262,000	-	-	-	(262,000)	-
<b>Employees</b>	3.4.2019	3.13	630,000	-	-	-	(270,000)	360,000
<b>Employees</b>	2.7.2020	3.28	183,334	-	-	-	-	183,334
			1,075,334	-	-	-	(532,000)	543,334
Weighted average exercise price			HK\$3.16	-	-	-	HK\$3.13	HK\$3.18

<sup>#</sup> Appointed as the director of the Company on 18 December 2021 and resigned on 30 November 2022.

Note:

The weighted average closing price of the shares immediately before the dates of exercise of options during the six months ended 31 March 2023 was HK\$3.18.

As at 31 March 2023, the total number of share options outstanding were 543,334 (30 September 2022: 1,075,334).

For the share options outstanding as at 31 March 2023, the weighted average remaining contractual life was 2,349 days (30 September 2022: 2,455 days).

Total share-based compensation expenses of HK\$35,000 have been charged to the condensed consolidated statement of profit or loss for the six months ended 31 March 2023 (31 March 2022: share-based compensation expenses of HK\$369,000).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

## 25. RESERVES

The amounts of the Group's reserves and the movements therein for the period are presented in the condensed consolidated statement of changes in equity on page 22 of this report.

### Share premium

The share premium comprises the excess of the proceeds received over the par value of the shares of the Company issued at a premium, less the amount of expenses incurred in connection with the issue of the shares and on exercise of share options, the amount previously recognised in the share option reserve is transferred to share premium.

### Share option reserve

The fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in the share option reserve. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest and the impact of the revision of these estimates, if any, is recognised in the statement of profit or loss over the remaining vesting period, with a corresponding adjustment to the share option reserve.

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

### Other reserve

The other reserve represents the deemed contribution from the Company's shareholders or its related companies with respect to (i) waiver of loans from/amount due to shareholders or its related companies; (ii) fair value gain on interest-free loans from shareholders or its related company; and (iii) gain on disposal of a subsidiary to a related company.

### Fair value reserve

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of financial assets designated at FVTOCI under HKFRS 9 that are held at the end of the reporting period.

### Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the PRC subsidiaries are required to appropriate 10% of its profit after tax, prepared in accordance with the accounting regulation in the PRC, to the statutory reserve fund until the statutory reserve balance reaches 50% of the registered capital. Such reserve may be used to reduce any losses incurred or to increase capital.

### Translation reserve

The translation reserve comprises the exchange differences arising on the translation of the financial statements of foreign operations.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

## 26. PLEDGE OF ASSETS

At 31 March 2023, the banking facilities of the Company's wholly-owned subsidiaries based in mainland China and HKSAR, amounted to approximately HK\$Nil (30 September 2022: HK\$23,550,000) 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 2023, the amount drawn down under the asset-backed lending facility was HK\$Nil (30 September 2022: HK\$628,000) (note 20).

## 27. DISPOSAL OF A SUBSIDIARY

On 1 November 2022, the Group, through a wholly-owned subsidiary, entered into an agreement with an independent third party to dispose of the entire equity interests in a subsidiary, Win Techno Inc., which was principally engaged in provision of cloud based and data centre related services, including but not limited to data storage and backup, data centre operation and maintenance, at a cash consideration of US\$3,270,000 or HK\$25,542,000. The disposal was completed in November 2022.

Details of the disposal are as follows:

	HK\$'000 (Unaudited)
<hr/>	
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	2,150
Goodwill	174
Right-of-use assets	1,085
Trade and other receivables	60,989
Cash and bank balances	21,093
Trade and other payables	(55,901)
Lease liabilities	(1,092)
Tax payable	(3,084)
<hr/>	
Net assets disposed of	25,414
Cumulative exchange differences in respects of net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	7,192
Loss on disposal recognised in other income (note 7)	(7,064)
<hr/>	
Total cash consideration	25,542
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An analysis of the cash flows in respect of the disposal was as follows:

	HK\$'000
<hr/>	
Net cash inflow arising on disposal:	
Cash consideration	25,542
Less: Cash and bank balances disposed of	(21,093)
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Net cash inflows	4,449
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During the six months period ended 31 March 2023, the consideration of approximately HK\$25,542,000 has been received by the Group.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

### 28. CAPITAL COMMITMENTS

	<b>At 31 March 2023 HK\$'000 (Unaudited)</b>	At 30 September 2022 HK\$'000 (Audited)
Contracted but not provided for: Property, plant and equipment	–	62,363

### 29. 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.

	<b>Six months ended 31 March</b>	
	<b>2023 HK\$'000 (Unaudited)</b>	2022 HK\$'000 (Unaudited)
Data centre services income from a related company*	–	2,851
Consultancy services income from related companies*	–	1,285
Custodian services income from related companies*	<b>45</b>	11,060
Referral services income from a related company*	<b>54</b>	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.

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. With effective from 4 October 2022, Huobi Worldwide is no longer ultimately controlled by Mr. Li and Huobi Worldwide ceased to be a related company of the Company on 4 October 2022.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2023

## 29. RELATED PARTY TRANSACTIONS – continued

During the six months ended 31 March 2022, 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	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Directors' fees	2,223	1,650
Salaries, discretionary bonus, allowances and other benefits	1,876	1,262
Retirement benefits scheme contributions	18	24
Equity-settled share-based payment expenses	–	28
	<b>4,117</b>	2,964

## 30. EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 31 March 2023:

On 26 April 2023, the Company and Mr. Du Jun, the chief executive officer and an executive director of the Company, entered into a subscription agreement ("Subscription I") pursuant to which the parties conditionally agreed that Mr. Du shall subscribe for, and the Company shall allot and issue, 74,700,000 new ordinary shares of nominal value of HK\$0.001 each in the share capital of the Company at HK\$2.08 per share.

On 26 April 2023, the Company and ON CHAIN Technology LIMITED ("On Chain") entered into a subscription agreement ("Subscription II") pursuant to which the parties conditionally agreed that On Chain shall subscribe for, and the Company shall allot and issue, 82,300,000 new ordinary shares of nominal value of HK\$0.001 each in the share capital of the Company at HK\$2.08 per share.

For details, please refer to the Company's announcements dated 26 April 2023 and 18 May 2023.

Up to the date of this report, Subscription I and Subscription II had not yet been completed.

Save as disclosed above, there were no other significant events took place subsequent to 31 March 2023.

## 31. 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 29 May 2023.



## Other Information

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

As at 31 March 2023, 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 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)	125,021,261	40.47%
Mr. Du Jun ("Mr. Du")	Beneficial owner	3,869,446	1.25%

(\*) The percentage has been calculated based on 308,960,665 shares in issue as at 31 March 2023.

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 Avenir Capital Inc. and 100% interest in the total issued shares of HBCapital Limited. Therefore, Mr. Li is deemed to be interested in the shares held by Avenir Capital Inc. and HBCapital 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 2023, 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	8,438,274	2.73%
Avenir Capital Inc. ("Avenir Capital")	Beneficial owner	116,582,987	37.73%
Mr. Li Lin ("Mr. Li")	Interest of controlled corporation (Note 1)	125,021,261 (L)	40.47%
Sequoia Capital CV IV Holdco, Ltd.	Beneficial owner	30,467,072	9.86%
Sequoia Capital CV IV Senior Holdco, Ltd.	Interest of controlled corporation (Note 2)	30,467,072	9.86%
Sequoia Capital China Venture Fund IV, L.P.	Interest of controlled corporation (Note 2)	30,467,072	9.86%
SC China Venture IV Management, L.P.	Interest of controlled corporation (Note 2)	30,467,072	9.86%
SC China Holding Limited	Interest of controlled corporation (Note 2)	36,892,572	11.94%
SNP China Enterprises Limited	Interest of controlled corporation (Note 2)	36,892,572	11.94%
Mr. Shen Nan Peng ("Mr. Shen")	Interest of controlled corporation (Note 2)	36,892,572	11.94%

(\*) The percentage has been calculated based on 308,960,665 shares in issue as at 31 March 2023.

Notes:

- Mr. Li holds 100% interest in the total issued shares of Avenir Capital and 100% interest in the total issued shares of HBCapital. Therefore, Mr. Li is deemed to be interested in the shares held by Avenir Capital and HBCapital for the purpose of Part XV of the SFO.
- Sequoia Capital CV IV Holdco, Ltd. holds 30,467,072 Shares, representing approximately 9.86% 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 11.94% of the total issued share capital of the Company.

## Other Information

Save as disclosed above, as at 31 March 2023, 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 and 30 March 2023. 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: (a) any full-time or part-time employee of the Company and its subsidiaries; and (b) any director (including executive, non-executive or independent non-executive directors) and chief executive officers of the Company and its subsidiaries.

Upon the 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 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 the said annual general meeting of the Company and 9.95% of the issued share capital of the Company as at the date of this interim report. 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 sought by the Company in general meeting for refreshing the 10% limit under the Scheme after three years from the date of shareholders' approval for the last refreshment, such refreshment within the aforementioned three-year period must be approved by shareholders subject to the requirements under Rule 17.03C(1) of the Listing Rules.

The number of options available for grant under the Scheme at the beginning and the end of the Period is 30,742,766. The number of shares that may be issued in respect of the options granted under all schemes of the Company during the Period divided by weighted average number of shares in issue of the Company for the Period is 0.00348.

The maximum entitlement of share options of each eligible person under the Scheme shall not exceed 1% of the shares of the Company. Where any grant of share options under the Scheme to an eligible person would result in the shares issued and to be issued in respect of all share options and awards granted under the share schemes of the Company (including the Scheme and any other share schemes of the Company (as defined under the Listing Rules), where applicable, but excluding any share option lapsed in accordance with the terms of the Scheme) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the shares of the Company in issue (i.e. the 1% Individual Limit), such grant must be separately approved by shareholders of the Company in general meeting with such eligible person and his/her close associates (or associates if the eligible person is a connected person) abstaining from voting.

Subject to the terms in the Scheme, each grant of the share options and awards granted under the share schemes of the Company (which include the Scheme and any other share schemes (as defined under the Listing Rules), where applicable) to a Director, chief executive (other than a proposed Director or a proposed chief executive of the Company) or substantial shareholder, or any of their respective associates, under the Scheme or any other share schemes (as defined under the Listing Rules) shall comply with the requirements of Rule 17.04 of the Listing Rules and shall be subject to approval by the independent non-executive Directors (excluding independent non-executive Director who is a grantee).

Where any grant of share options or awards under the Scheme to an independent non-executive Director or a substantial shareholder (as defined in the Listing Rules) of the Company, or any of their respective associates, would result in the shares issued and to be issued in respect of all share options and awards granted under the share schemes of the Company (including the Scheme and any other share schemes (as defined under the Listing Rules), where applicable, but excluding any share option or awards lapsed in accordance with the terms of the Scheme) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the relevant class of shares in issue, such further grant of the share options or awards must be approved by the shareholders of the Company in general meeting. The grantee, his/her associates and all core connected persons of the Company must abstain from voting in favour at such general meeting.

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's daily quotation sheet on the date which share options are offered, which must be a business day;
- (ii) the average closing price of the shares as stated in the daily quotations sheet of the Stock Exchange for the five (5) business days immediately preceding the date which share options are offered; and
- (iii) the nominal value of a share.

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 24 on page 55 for the details of the exercise price and number of options outstanding during the six months ended 31 March 2023 which have been granted to, exercised and forfeited by the eligible participants.

As of 31 March 2023, 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 30 March 2023 respectively.

On 30 March 2023, taking into account of the consultation conclusion published by the Stock Exchange on 29 July 2022, the Company has amended the Scheme to align with the amendments to the Listing Rules relating to share schemes of listed issuers, which had taken effect from 1 January 2023. Pursuant to the Scheme as amended, the vesting period of share options shall be no less than 12 months and the share options shall be vested on the 1st anniversary of the date on which a share option is granted to a grantee. For details, please refer to the Company's circular dated 1 March 2023 and announcement dated 30 March 2023.

## Other Information

### **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 2023.

### **CAPITAL STRUCTURE**

As at 31 March 2023, the Group's gearing ratio was approximately -660% (30 September 2022: 317.5%). Gearing ratio equals total borrowings divided by net asset value as at the end of the reporting period. The total borrowings of approximately HK\$489.2 million (30 September 2021: HK\$467.1 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 2023 and up to the date of this report.

### **CORPORATE GOVERNANCE CODE**

During the Period 2023, 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 Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

### **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 Dr. LAM Lee G, BBS, JP. 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 2023, 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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