



新火科技
SINOHOPE

SINOHOPE 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

ANNUAL 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*)

(*appointed on 30 November 2022*)

Ms. Zhang Li (*Chief Financial Officer*)

Mr. Wu Shupeng (*Chief Executive Officer*)

(*resigned on 30 November 2022*)

Independent Non-Executive Directors

Mr. Yip Wai Ming

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

(*appointed on 21 April 2023*)

Mr. Yu Chun Kit

Mr. Ngai Matthew Cheuk Yin

(*resigned on 20 April 2023*)

AUDIT COMMITTEE

Mr. Yip Wai Ming (*Chairman*)

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

(*appointed on 21 April 2023*)

Mr. Yu Chun Kit

Mr. Ngai Matthew Cheuk Yin

(*resigned on 20 April 2023*)

REMUNERATION COMMITTEE

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

(*appointed on 21 April 2023*)

Mr. Yip Wai Ming

Mr. Yu Chun Kit

Mr. Ngai Matthew Cheuk Yin (*Former Chairman*)

(*resigned on 20 April 2023*)

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

Mr. Yu Chun Kit (*Chairman*)

Mr. Yip Wai Ming

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

(*appointed on 21 April 2023*)

Mr. Ngai Matthew Cheuk Yin

(*resigned on 20 April 2023*)

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

Unit 702-3, 7/F,

100 Queen's Road Central,

Central, Hong Kong

Tel: (852) 3565 2308

Websites: <http://www.sinohope.com>

<https://www.irasia.com/listco/hk/sinohope/>

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 CPA Limited

801-806 Silvercord, Tower 1

30 Canton Road, Tsimshatsui

Kowloon, Hong Kong

COMPANY SECRETARY

Ms. Lau Ling Yun Agnes

(*appointed on 1 September 2023*)

Mr. Ng Kwan Ho (*resigned on 1 September 2023*)

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Sinohope Technology Holdings Limited (the "Company", together with its subsidiaries, the "Group" or the "Sinohope Tech"), I am pleased to present the annual report of the Group for the year ended 30 September 2023 (the "Period").

EXTERNAL ENVIRONMENT

In 2023, the international situation is volatile and there are increased uncertainties. Black swan events remain unpredictable, causing an impact on the global economy. Geopolitical conflicts and regional wars keep emerging, with the prolonged Russo-Ukrainian war and the escalating Palestinian-Israeli war, resulting in an energy crisis that affects economies of various countries around the world. However, as the impact of the pandemic gradually diminishes, global industrial and supply chains are gradually returning to an unimpeded state.

Looking at the macroeconomic market, governments and central banks around the world have implemented progressively tightening monetary policies to combat high inflation since March 2022. As of December 2023, the Federal Reserve has raised interest rates a total of 11 times, an increase by 525 basis points, pushing the federal funds rate to its highest level in 22 years. However, the curbing effect of the Federal Reserve's interest rate hikes on high inflation is beginning to reveal. In June 2022, the Consumer Price Index (the "CPI"), a closely-watched inflation indicator, reached a peak of year-on-year increase at 9.1%, while the recently announced November CPI increase has fallen slightly for the second consecutive month, increasing by 3.1% year-on-year, decreased for more than 60% from the high point of 9.1%. Since July this year, the Federal Reserve has suspended the increase of interest rate for three consecutive times. The market generally expects that the Federal Reserve may start an interest rate cut cycle after March or June next year.

After the COVID-19 pandemic, the global economy is gradually recovering, and a new wave of technological revolution and industrial transformation is developing in depth. In early 2023, with the widespread application of large language models such as ChatGPT, the development of artificial intelligence ("AI") has provoked people's fantasies of the future, setting off a wave of AI craze around the world. As game-changing technologies, both blockchain and AI have the potential to revolutionize the world. Although the two technologies may seem unrelated on the surface, their integration creates unique synergies.

BUSINESS OVERVIEW

The gradually recovering global economic situation and the emergence of new technologies and trends have also provided opportunities and challenges for Sinohope Tech. During the Period, Sinohope Tech changed its English brand name to SINOHOPE, while its Chinese name remains unchanged, bestowing a new corporate image and identity to the Company overseas. After the change of name, Sinohope Tech will focus more on digital asset custody business and help every enterprise to use digital assets in a safe and convenient manner.

Adhering to the principles of security, compliance, professionalism and diversity of services, Sinohope Tech has built around the strategic position of establishing a "One-Stop Digital Asset Service Platform", using the first-mover advantage in terms of compliant operation to integrate the resources accumulated over the years of development in the industry, creating the industry-leading MPC self-custody platform, supporting users to manage distributed private key fragments and sign collaboratively by using MPC-CMP, mitigating the single-point failure risk of private key and effectively improving transparency and accessibility.

Chairman's Statement

Since its launch, the MPC self custody business of Sinohope Tech has established strategic cooperation relationship with a number of leading companies in the industry, including HashKey Exchange, a licensed retail virtual asset exchange in Hong Kong, Canaan Inc. (NASDAQ: CAN), a world leading mining machine manufacturer, CertiK, a Web3 security agency, and has served more than 50 customers. During the year, the Sinohope Tech MPC self custody business newly launched WaaS (Wallet-as-a-Service), which is a comprehensive set of MPC digital asset custody wallet infrastructure for Web3 developers. Institutions can construct and compile MPC enterprise-level wallets in a more secure and swift manner to serve tens of millions of users and help the businesses develop rapidly.

In June 2023, the digital asset trading platform license regulations issued by the Hong Kong Securities and Futures Commission (the "SFC"), stipulating that trading platforms must apply for a license to operate in Hong Kong, came into effect. For the convenience of institutions and enterprises with an interest in applying for a Hong Kong Virtual Asset Service Provider (the "VASP") license, Sinohope Tech launched the "Hong Kong VASP Licensee Guardian Programme" during the year, which provides IT system level infrastructure facilitation for organizations applying for the VASP licence, and also provides consulting services for the procedure and business framework related to the Hong Kong Trust or Company Service Provider (TCSP) License based on its own business and compliance experience, helping more organizations to develop compliant virtual currency and Web3 businesses in Hong Kong, and to seize the first opportunity in this emerging market.

For the purpose of expanding the virtual asset fund business, Sinohope Tech has formed a series of cooperation with LD Capital US, Alpha Blockchain Capital and Bingo Group under Mr. Stephen Chow during the year. In May this year, Sinohope Tech announced that it would cooperate with LD Capital US to launch a 100% virtual asset investment fund, aiming to provide investment for qualified professional investors with an investment portfolio in 100% virtual assets. The fund is managed by Sinohope Asset Management (Hong Kong) Limited ("Sinohope Asset Management") and adopts an active investment strategy. In July this year, Sinohope Asset Management entered into a technical consultancy agreement with Bingo Success Limited ("Bingo Success"), a wholly-owned subsidiary of Bingo Group Holdings Limited. Sinohope Asset Management will serve as the investment manager of the fund to be established by Bingo Success, and invest in businesses involving the development of intellectual property commercialisation for various products. In October 2023, Sinohope Tech announced that it would cooperate with Alpha Blockchain Capital ("ABC") to launch a 100% virtual asset investment fund – Alpha Blockchain SP1.

In addition, in order to help more developers and enterprises enter the field of Web3 more quickly and conveniently, and attract more outstanding talents and develop more innovative applications for the development of Web3 in Hong Kong at the same time, Sinohope Tech launched a one-stop Web3 product construction solution for developers based on its profound experiences in digital asset custody and full-stack research and development of public chain. This solution provides full-stack blockchain technology and infrastructure support for developers, including complete L1 public chain design, L2 OP/ZK expansion, DeFi/NFT/GameFi applications, MPC/AA wallet service integration, etc., aiming to meet developers' needs for constructing Web3 products quickly, securely and conveniently with low barriers of entry.

MACROCOSMIC POINT

From a global perspective, with new upcoming technologies such as the Metaverse, Web 3.0, AI, digital economy and such, the world is actively embracing a new round of industrial revolution, eager to seize the new industries and new tracks.

Web 3.0 is more than just a technological innovation, it is an innovation of social relations. It will change our fundamental way of living, way of thinking and even our values. Web 3.0 goes beyond user-generated content and social networking to focus on collaboration, knowledge sharing, and personalised experiences. While the transformation is still ongoing, the foundations for a revolutionary shift in the digital landscape are being laid.

Hong Kong is closely following the development trend of Web 3.0 and is creating a new driving force for the economic growth of Hong Kong. Embracing Web 3.0 is a historical opportunity for Hong Kong and a key proposition for maintaining its status as a global financial center. In April this year, Hong Kong established the Institute of Web 3.0 Hong Kong and also launched the Hong Kong Web3 Hub Ecological Fund; in June this year, the SFC officially implemented the new licensing regime for virtual asset service providers, opening up the path in the Web 3.0 field journey; in July this year, the Hong Kong government announced the establishment of a task force for the development of the third generation Internet (Web 3.0), with Financial Secretary Mr. Paul Chan Mo-po as chairman. The task force will discuss and recommend strategies and measures on how to promote Web 3.0 in Hong Kong.

Sinohope Tech is based in Hong Kong and has the first-mover advantage in terms of compliance. Owing to the support of the government and the continuous improvement of local supervision, we believe that as long as we seize the opportunity and focus on the development strategy and core business direction set out by the Company, we can provide differentiated high-quality products and services to the industry and customers. Exploring business direction with a broad vision, we will continue to be optimistic about the development prospects of Hong Kong in the fields of virtual assets, financial technology and Web 3.0 in the future. We will continuously monitor the regulatory developments and improve our business layout. The future development of the Company will be full of potential and imagination.

OUTLOOK

In October 2022, as Asia's financial centre, Hong Kong launched the Policy Statement on the Development of Virtual Assets in Hong Kong for Web3, comprehensively affirming that virtual assets will be the main direction of focus of Hong Kong in the future. In 2023, Hong Kong has made substantial progress in promoting the compliant and healthy development of Web3 and virtual assets. To summarise, the three key directions for the development of Web 3.0 in Hong Kong in 2023 are namely "VASP" licence, e-HKD and stablecoins.

In late May this year, the SFC announced the establishment of a new licencing regime (the "VASP" licence) for centralised virtual asset trading platforms which provide non-security token trading services. In October 2023, Hong Kong Monetary Authority (the "HKMA") published the "e-HKD Pilot Programme Phase 1 Report". In November 2023, Mr. Yue Wai Man, Eddie, the Chief Executive of the HKMA, expressed at the eighth edition of Hong Kong FinTech Week that the first market consultation regarding the stablecoin regulatory framework has been completed, and further optimization will be done according to the opinions collected, and the second market consultation will soon be conducted. It is expected to be submitted to the Legislative Council for consideration at the beginning of next year.

Chairman's Statement

From the above, we can see that Hong Kong is on the fast track in terms of virtual asset compliance, and has the first-mover advantage in the global scene. It is believed that Hong Kong will apply the experience and lessons learnt to the entire virtual asset industry in the future, so as to promote the overall healthy development of the market. However, the virtual asset market in Hong Kong and Asia as a whole is still at an early stage of development, and participation from more professional institutions and support from regulators are needed to nurture the blooming of the market.

Looking ahead, as the Eastern top financial centre out of “Nylonkong”, Web 3.0 can carry many functions and duties in Hong Kong. The prosperity and development of Web 3.0 will not only enhance local capital liquidity and attract global capital investment to the construction of Web 3.0 in Hong Kong, but also enable Hong Kong's leading role in the field of Web 3.0 and complete the historical deed of Hong Kong's FinTech transformation with innovative technologies such as blockchain. Sinohope Tech has been committed to promoting the development of compliant virtual asset professional services and technology and creating inclusive value for society. The Group believes that it will bring reasonable returns to the Group and its shareholders as long as it adheres to the long-term principle, forward looking layout and steady development of compliance business.

On behalf of the Board,

Li Lin
Chairman

Hong Kong, China
28 December 2023

Management Discussion and Analysis

MATERIAL EVENTS

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 US\$3,270,000 (equivalent to approximately HK\$25.5 million). The disposal was completed in November 2022. The said disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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, had a balance of approximately US\$18.1 million cryptocurrencies deposited in cryptocurrency exchange FTX (the "FTX"), out of which approximately US\$13.2 million was client's asset based on the clients' trading request and approximately US\$4.9 million was asset of Hbit Limited. As FTX group entities, including FTX, filed for bankruptcy protection in the United States on 11 November 2022, the said cryptocurrency assets may not be 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 US\$14 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 year ended 30 September 2023, the Company has drawn down a loan under the Shareholder's Facility of approximately US\$13,199,455 (equivalent to approximately HK\$103,599,000) in form of USDT (being the fair value of the USDT units received at the date of drawdown).

Connected transaction – Disposal of Animoca Brands Corporation Limited

On 23 March 2023, the Company entered into a disposal agreement with Wechain Technology Limited, a company incorporated in Hong Kong with limited liability, whose ultimate beneficial owner is Mr. Li Lin, 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 were the entire interest held by the Company, at a consideration of US\$809,000 (equivalent to approximately HK\$6,310,000). Since Mr. Li Lin was interested in approximately 40.47% of the issued shares of the Company as at the date of transaction, he was therefore a connected person of the Company under Rule 14A.07 of the Listing Rules. As Wechain Technology Limited was ultimately controlled by Mr. Li Lin, Wechain Technology Limited was an associate of Mr. Li Lin and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Hence, the transaction contemplated under the said disposal agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Management Discussion and Analysis

For details, 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 Animoca Brands Corporation Limited which was recognised as financial assets of the Company.

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.

On 19 June 2023, all the conditions precedent to the Sale and Purchase Agreement have been fulfilled and the disposal was completed. Upon completion, the Company ceased to hold any interests in the Target Companies and each of the Target Companies ceased to be a direct wholly-owned subsidiary of the Company. Accordingly, the financial results of each of the Target Companies had no longer been consolidated into the consolidated financial statements of the Company.

For details, please refer to the Company's announcements dated 24 March 2023, 19 April 2023, 16 June 2023 and 20 July 2023 and circular dated 25 May 2023.

Change of Address of Principal Place of Business in Hong Kong

The principal place of business of the Company in Hong Kong has been changed to Units 702-3, 7/F, 100 Queen's Road Central, Central, Hong Kong with effect from 1 July 2023.

For details, please refer to the Company's announcement dated 26 June 2023.

Business Cooperation with Bingo Group Holdings Limited

On 18 July 2023, Sinohope Asset Management (Hong Kong) Limited (formerly known as New Huo Asset Management (Hong Kong) Limited) ("SINOHOPE Asset Management"), a wholly-owned subsidiary of the Company, and Bingo Success Limited ("Bingo"), a wholly-owned subsidiary of Bingo Group Holdings Limited which is listed on the GEM Board of the Stock Exchange (stock code: 8220) entered into a technical consultancy services agreement (the "Agreement") for a to-be-established limited partnership fund (the "Fund") in which SINOHOPE Asset Management would be the investment manager and aimed to invest in businesses involving the development of intellectual property commercialisation for various products. Pursuant to the Agreement, Bingo would provide certain technical consultancy services to the Fund.

The partnership would combine the Company's industry-leading virtual asset investment management services and its expertise in investment solutions with Bingo's expertise in movie production, crossover marketing, provision of interactive content, and cinema investment.

For details, please refer to the Company's announcement dated 18 July 2023.

Amendments to the Share Option Scheme

The Share Option Scheme was adopted on 27 October 2016 and amended on 17 November 2020, 30 March 2023 and 28 July 2023 respectively.

In March 2023, the Company amended the Share Option Scheme to align with the amendments to the Listing Rules relating share schemes of listed issuers, which took effect on 1 January 2023 pursuant to the Consultation Conclusions on Proposed Amendments to Listing Rules relating to Share Schemes of Listed Issuers and Housekeeping Rule Amendment published on 29 July 2022.


For details, please refer to the Company's announcements dated 1 March 2023, 30 March 2023 and circular dated 1 March 2023.

The Share Option Scheme was further amended on 28 July 2023 by allowing the vesting period of the Share Options to be longer than one financial year which would allow the Company to assess the Grantee's performance on a sustainable basis and encouraging the Grantee's continuous growth, after having been approved at the extraordinary general meeting held on 28 July 2023.

For details, please refer to the Company's announcements dated 6 July 2023, 28 July 2023 and circular dated 6 July 2023.

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

On 28 October 2022, 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".

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. The corporate website address of the Company has changed from "www.huobitech.com" to "www.newhuotech.com" with effect from 31 October 2022 and the logo of the Company has changed to " 新火科技 New Huo Tech" with effect from 28 October 2022.

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.

On 13 September 2023, the Company further changed its English name from "New Huo Technology Holdings Limited" to "Sinohope Technology Holdings Limited". As regards the dual foreign name in Chinese of the Company, it remains unchanged as "新火科技控股有限公司".

The logo of the Company was changed to " 新火科技 SINOHOPE" with effect from 18 September 2023. The corporate website address of the Company has changed from "http://www.newhuotech.com" to "http://www.sinohope.com" with effect from 25 September 2023.

The new stock short name of the Company was changed from "NEW HUO TECH" to "SINOHOPE TECH" in English with effect from 9:00 a.m. on 16 October 2023. The Chinese stock short name remains unchanged.

For details, please refer to the Company's announcements dated 3 August 2023, 31 August 2023, 18 September 2023, 12 October 2023 and circular dated 10 August 2023.

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 and Mr. Du Jun entered into the Subscription Agreement I pursuant to which the parties conditionally agreed that Mr. Du Jun shall subscribe for, and the Company shall allot and issue, 74,700,000 Subscription Shares I at the Subscription Price. The Subscription Price is HK\$2.08 per Subscription Share, and the aggregate Subscription Price of all Subscription Shares I of HK\$155,376,000.00 payable by Mr. Du Jun shall be payable in cash upon completion of the Subscription I. Since Mr. Du Jun is the chief executive officer and an executive director of the Company and therefore is a connected person of the Company under Chapter 14A of the Listing Rules, transactions contemplated under Subscription Agreement I constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

On 26 April 2023, the Company also entered into the Subscription Agreement II, with ON CHAIN Technology LIMITED pursuant to which the Company has conditionally agreed to allot and issue, and On Chain has conditionally agreed to subscribe for, an aggregate of 82,300,000 Subscription Shares II at the Subscription Price HK\$2.08.

On 10 October 2023, a total of 157,000,000 Subscription Shares have been allotted and issued to Mr. Du Jun and ON CHAIN Technology LIMITED, pursuant to the terms of Subscription Agreement I and Subscription Agreement II, at the Subscription Price of HK\$2.08 per Subscription Share.

Terms defined above would have the same meaning as those defined in the announcement of the Company dated 26 April 2023.

For details, please refer to the announcements of the Company dated 26 April 2023, 30 June 2023, 28 July 2023 and 10 October 2023, and the circular of the Company dated 6 July 2023.

Major and Connected Transactions: Proposed Disposal of Equity Interests in New Huo Solutions Limited, HBTPower Limited, and HBTPower Inc.

On 25 August 2023 (after trading hours of the Stock Exchange),

- (i) the Company as Vendor I and Avenir Cayman Holding Limited as the Purchaser entered into the Sale and Purchase Agreement in relation to the disposal of equity interests in New Huo Solutions Limited (Solutions), pursuant to which (i) Vendor I has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Solutions Sale Shares, representing the entire issued share capital of New Huo Solutions Limited, and (ii) Vendor I has conditionally agreed to assign the Solutions Sale Debt to the Purchaser, at the consideration of HK\$205,706,355.00; and
- (ii) Sinohope Digital Service Limited, formerly known as New Huo Digital Limited, a direct wholly owned subsidiary of the Company, as Vendor II, entered into the Sale and Purchase Agreement (HBTPower) with Avenir Cayman Holding Limited as the Purchaser, pursuant to which (i) Vendor II has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the HBTPower Sale Shares, representing 80% of the entire issued share capital of HBTPower Limited and 80% of the entire issued share capital of HBTPower Inc., and (ii) Vendor II has conditionally agreed to assign the HBTPower Sale Debt to the Purchaser, at the consideration of US\$6,624,740.00 (equivalent to approximately HK\$52,002,023.00).

Since Mr. Li Lin was interested in approximately 40.47% of the issued shares of the Company as at the date of the said disposal transactions, he was therefore a connected person of the Company under Rule 14A.07 of the Listing Rules. As Avenir Cayman Holding Limited was ultimately controlled by Mr. Li Lin, Avenir Cayman Holding Limited was an associate of Mr. Li Lin and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Hence, the transaction contemplated under the said disposal agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Directors considered that the remaining business of the Group after the Disposal, including cryptocurrency trading, provision of technology solution services and provision of asset management services through its licensed corporation in Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance, has constituted the major source of revenue for the Group from 2022. The Group expected that the above restructuring can reduce its debt burden and allow the Group to focus its resources on other core business given the current financial position. The Group expected that the Disposal will not have a material effect on the Group's business operation.

Upon completion, the Group would cease to hold any interests in the issued share capital of New Huo Solutions Limited, HBTPower Limited and HBTPower Inc. (the "Target Companies") and each of the Target Companies would cease to be a subsidiary of the Company. Accordingly, the financial results of each of the Target Companies would no longer be consolidated into the consolidated financial statements of the Group.

For details, please refer to the Company's announcements dated 25 August 2023, 15 September 2023, 16 October 2023, 17 November 2023 and 7 December 2023 and circular dated 17 November 2023 and the terms defined above have the same meanings as those defined therein.

PERFORMANCE REVIEW

The Group recorded a total revenue from continuing operations of approximately HK\$2,833.6 million for the year ended 30 September 2023 ("Year 2023"), representing a significant decrease of approximately 68.7% or HK\$6,223.1 million from approximately HK\$9,056.7 million for the year ended 30 September 2022 ("Year 2022").

The gross profit of the Group was approximately HK\$10.4 million for Year 2023, representing a decrease of approximately 90.6% or approximately HK\$100.5 million from approximately HK\$110.9 million for Year 2022.

The Group recorded a net loss of approximately HK\$288.7 million for Year 2023 compared to the net loss of approximately HK\$206.5 million for Year 2022.

Basic and diluted loss per share of the Group for Year 2023 was HK91.94 cents (Year 2022: basic and diluted loss per share of HK64.79 cents).

BUSINESS REVIEW

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 a wholly-owned subsidiary of the Company, and Sinohope APAC Limited, a wholly-owned subsidiary of the Company, provide data center, cloud-based services, and other specific technology solution services to global customers in blockchain, virtual assets, fintech, big data as well as other innovative technology sectors.

Management Discussion and Analysis

The revenue from technology solution business was approximately HK\$10 million for Year 2023 compared to approximately HK\$80.4 million for Year 2022, representing a decrease of approximately HK\$70.4 million or 87.6%.

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 Year 2023 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 US\$3,270,000 (equivalent to approximately HK\$25.5 million) in November 2022. The disposal was completed in November 2022. The Group will integrate resources and focus on providing other specific technology solution services, which generated a revenue of HK\$2.95 million in Year 2023, to global customers.

Virtual Asset Ecosystem

(i) *Asset management*

The Group has carried on asset management businesses through Sinohope Asset Management (Hong Kong) Limited (formerly known as New Huo Asset Management (Hong Kong) Limited) (the “SINOHOPE Asset Management”). SINOHOPE Asset Management was incorporated in Hong Kong with limited liability for carrying on businesses in Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (the “SFO”) and the “Proforma Terms and Conditions for Licensed Corporations which Manage Portfolios that Invest in Virtual Assets” (“T&C”).

SINOHOPE 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.

SINOHOPE Asset Management is managing six funds containing virtual assets as at the date of this report: Bitcoin tracker fund, Ethereum tracker fund, multi-strategy virtual asset fund, two private equity funds for blockchain mining-related businesses and one private equity fund for blockchain/web3 businesses. SINOHOPE Asset Management shall only provide services to professional investors, as defined in the SFO and its subsidiary legislation.

The revenue generated from the provision of asset management services was approximately HK\$4.3 million for Year 2023, representing a decrease of approximately HK\$4.6 million or 51.7% as compared to approximately HK\$8.9 million for Year 2022 due to the decrease of virtual asset price and net asset value of the ongoing funds.

(ii) *Trust and custodian business*

The custodian business has included two types of business, centralized custodian and MPC self-custody business, which was being carried out through New Huo Trust Company Limited (“New Huo Trust HK”) and Sinohope Digital Limited separately during Year 2023.

New Huo Trust HK, a company incorporated in Hong Kong and an indirectly wholly-owned subsidiary of the Company, obtained a certificate issued by the Registrar of Companies under section 78(1) the Trustee Ordinance (Cap. 29 of the laws of Hong Kong) for registration as a trust company. The centralized custodian provided services including the safekeeping, settlement and other customised services of its clients’ assets.

Sinohope Digital Limited, a company incorporated in Seychelles and an indirectly wholly-owned by the Company, has registered as Money Service Business (MSB) pursuant to the Bank Secrecy Act (BSA) regulations at 31 CFR 1022.380(a)-(f), administered by the Financial crimes Enforcement Network (FinCEN). During Year 2023, the MPC self-custody business launched WaaS (Wallet-as-a-Service), which is a comprehensive set of MPC digital asset custody wallet infrastructure for Web3 developers. Institutions can construct and compile MPC enterprise-level wallets in a more secure and swift manner to serve tens of millions of users and help businesses develop rapidly.

The revenue generated from the provision of custodial, compliance and consultancy services was approximately HK\$1.1 million for Year 2023, representing a decrease of approximately HK\$24.3 million or 95.7% as compared to approximately HK\$25.4 million for Year 2022 due to the decrease of custodian size arising from the drop of virtual asset price and stricter KYC requirements.

(iii) Virtual asset lending and cryptocurrency trading business

During Year 2023, the Group has provided (i) virtual asset lending management 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 was approximately HK\$1.6 million and HK\$2,810.6 million respectively.

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.

During Year 2023, the cost of sales of OTC trading business is approximately HK\$2,813.3 million and recognised a loss of approximately HK\$2.7 million due to market fluctuation.

(iv) 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 Year 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 has been established for the purpose of making investment in the cryptocurrency mining ecosystem. The total subscription amount made by New Huo Solutions was US\$10 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\$3.8 million for Year 2023.

New Huo Solutions invested in New Era Pioneer Mining Fund 1 LPF (the “New Era Fund”) which has been established for the purpose of making investment in the cryptocurrency mining ecosystem. The total subscription amount made by New Huo Solutions was approximately US\$4.8 million (equivalent to approximately HK\$37.5 million). The New Era Fund recorded a loss of approximately HK\$4.2 million during Year 2023.

Management Discussion and Analysis

(v) *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.

Power-related & electrical/electronic products business

During Year 2023, the revenue of the Group from power-related & electrical/electronic products business was approximately HK\$160.9 million, representing a decrease of approximately HK\$235.2 million or 59.4% as compared to approximately HK\$396.1 million for Year 2022. The decrease was primarily due to the sluggish global economic recovery.

During Year 2023, cost of sales, mainly comprising raw materials, direct labour and manufacturing overheads, amounted to approximately HK\$150.8 million, representing a decrease of approximately HK\$171.5 million or approximately 53.2% from approximately HK\$322.3 million for Year 2022.

The gross profit was approximately HK\$10.1 million and approximately HK\$73.8 million, representing a gross profit margin of approximately 6% and approximately 18.6% for Year 2023 and Year 2022 respectively.

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 which were principally engaged in power-related electrical and electronic products business at the consideration of HK\$115,000,308.

On 19 June 2023, all the conditions precedent to the Sale and Purchase Agreement have been fulfilled and completed. Upon completion, the Company ceased to hold any interests in the Target Companies and each of the Target Companies ceased to be a direct wholly-owned subsidiary of the Company, and the Company ceased to engage any business under this segment. The Company recognised an approximately HK\$6 million gain on disposal of the Target Companies.

For details, please refer to the Company's announcements dated 24 March 2023, 19 April 2023, 16 June 2023 and 20 July 2023 and circular dated 25 May 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.

NON-OPERATING EXPENSES OVERVIEW

Other income/(losses)

The Company recognised net losses of approximately HK\$6.2 million for Year 2023 as compared to a net other income of approximately HK\$15.7 million for Year 2022.

Other losses mainly include a net loss on disposal of property, plant and equipment of approximately HK\$6 million due to the change of company office for cost management needs and a fair value loss on financial asset at fair value through profit or loss of approximately HK\$1 million.

Administrative expenses

Administrative expenses have decreased by approximately HK\$68.4 million or approximately 26.8% from approximately HK\$255.2 million for Year 2022 to approximately HK\$186.8 million for Year 2023 because of the implementation of cost management measures. The administrative expenses mainly consist of (1) employee salary and benefit expenses of approximately HK\$86.3 million and one-off severance fee of approximately HK\$10.0 million due to business restructuring and cost management plan and (2) legal, consulting and other professional fee of approximately HK\$7.2 million for business restructuring and license application.

Finance costs

Finance costs from continuing operation have increased by approximately HK\$3 million or approximately 24.8% from approximately HK\$12.1 million for Year 2022 to approximately HK\$15.1 million for Year 2023, in line with the increase of market interest rate.

Loss before income tax

The Group's loss before income tax from continuing operations for Year 2023 was approximately HK\$282.2 million as compared to the re-presented loss before income tax of approximately HK\$189.5 million for Year 2022. The loss before income tax was due to (i) an increase in the expenses for the development of new business of the Company; (ii) the provision of impairment loss of approximately HK\$86 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, and (iii) employment severance expenses and one-off expenses in relation to company personnel restructuring and cost management plan of approximately HK\$15 million.

Income tax expense/(credit)

Income tax expense decreased from approximately HK\$4.2 million of tax expense for Year 2022 to approximately HK\$4.9 million of tax credit for Year 2023.

Loss after income tax

The Group's loss after income tax for Year 2023 from continuing operations was approximately HK\$277.3 million as compared to the re-presented loss after income tax from continuing operation of approximately HK\$193.7 million for Year 2022.

Dividend

The Directors do not recommend the payment of a final dividend for Year 2023 (Year 2022: Nil).

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

We finance our operations primarily through cash generated from operations, bank and other borrowings. The Group's net liquidity position as at 30 September 2023, together with the position as at 30 September 2022 is summarised below:

	30 September 2023 HK\$'000	30 September 2022 HK\$'000
Cash and cash equivalents	320,161	322,633
Less: Interest-bearing bank borrowings	–	(678)
Other borrowings	(467,205)	(466,442)
Net cash	<u>(147,044)</u>	<u>(144,487)</u>

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

As at 30 September 2023, the Group had no floating rate borrowing, the effective interest rates on the Group's floating rate borrowing range from 2.1% to 4.1% per annum as at 30 September 2022.

CASH FLOW FROM OPERATING ACTIVITIES

Net cash used in operating activities was approximately HK\$245.2 million for Year 2023 (Year 2022: net cash generated from operating activities was approximately HK\$314.8 million). The decrease in cash flow in Year 2023 was due to the decrease of cash used in administrative expenses.

CASH FLOW FROM INVESTING ACTIVITIES

Net cash generated from investing activities was approximately HK\$11.5 million for Year 2023 compared to net cash used in investing activities of approximately HK\$133.9 million for Year 2022.

The cash inflows for Year 2023 mainly resulted from the approximately HK\$30 million proceeds from disposal of financial assets at fair value through other comprehensive income and the decrease in pledged bank deposit of approximately HK\$7.9 million.

CASH FLOW FROM FINANCING ACTIVITIES

Net cash generated from financing activities was approximately HK\$302.1 million for Year 2023 compared to approximately HK\$232.8 million generated from financing activities for Year 2022. The inflow for Year 2023 mainly includes approximately HK\$103.6 million in relation to proceeds from loan from a related company, and approximately HK\$324.6 million proceeds from issue of shares.

CAPITAL EXPENDITURE

Capital expenditure in Year 2023, financed by internal resources and credit facilities, amounted to approximately HK\$17.9 million (Year 2022: HK\$20.2 million).

TREASURY MANAGEMENT

During Year 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.

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

For exchange risk management, the Group's foreign currency risk is mainly concentrated on the fluctuation of the US dollar against the Renminbi and Japanese Yen. 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 30 September 2023, the Group's gearing ratio was approximately 218.5% (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\$467.2 million included bank and other borrowings (2022: HK\$467.1 million).

CHARGE ON GROUP ASSETS

As at 30 September 2023, the banking facilities of the Company's wholly-owned subsidiaries which were based in mainland China and HKSAR amounted to HK\$Nil (30 September 2022: HK\$23.6 million), comprising asset-backed lending facility. The facilities were secured against certain bank deposits and corporate guarantees from the Company and in the case of the asset-backed lending facility, an assignment over specific trade receivables. As at 30 September 2023, the amount drawn down under the asset-backed lending facility was HK\$Nil (30 September 2022: HK\$0.7 million).

As at 30 September 2023, approximately 238,087 filecoins (2022: 238,087 filecoins) with carrying amount of HK\$6,255,000 (2022: 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 30 September 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 67.5% and 77.6% of total revenue of the Group for the Year 2023.

No information about major suppliers could be disclosed as a substantial portion of the Group's purchases for cryptocurrencies trading business are through cryptocurrency exchange.

Management Discussion and Analysis

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

COMMITMENTS

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

FOREIGN CURRENCY RISK

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

RISK RELATED TO DIGITAL ASSETS AND RELATED DIGITAL ASSET BUSINESS

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

RISKS RELATED TO SAFEKEEPING OF DIGITAL ASSETS

The Group maintains digital assets in both "hot" (connected to the Internet) and "cold" (not connected to the Internet) wallets. "Hot" wallets are more susceptible to cyber-attacks or potential theft as they are connected to the public internet. To mitigate such risks, the Group has implemented a series of internal controls, including but not limited to the implementation of two-factor authentication, segregation of duties, and day-to-day wallet management.

PRICE RISK OF DIGITAL ASSETS

The Group received cryptocurrencies collateral under lending arrangements with counterparties (the "Cryptocurrencies Collateral") that the Group provides lending management service but is not a party to originate such loan. 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 counterparties is recorded under "collateral payables" and is measured at fair value through profit or loss base on the fair value of relevant cryptocurrencies under 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 Year 2023, the Group provides trust and custody services to its clients and is required to comply with the relevant requirements of the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong) and the guidelines issued by the Companies Registry of Hong Kong. To mitigate such risks, the Group has implemented policies and procedures for Anti-Money-Laundering (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).

SIGNIFICANT INVESTMENTS

Reference are 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 NH Investment SPC (the "Fund Company").

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

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

Management Discussion and Analysis

During the financial year ended 30 September 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 30 September 2023	Percentage of investments held as at 30 September 2023	Performance for the financial year ended 30 September 2023	Size as compared to the Group's total assets as at 30 September 2023	Total amount of dividends received for the financial year ended 30 September 2023
1	New World Pioneer Mining Fund 1 LPF	US\$10 million (equivalent to approximately HK\$78 million)	HK\$57.8 million	50%	profit of HK\$1.9 million	7.72%	-
2	NH Investment SPC - NH Multi-Strategy Crypto Fund SP	US\$15 million (equivalent to approximately HK\$117.1 million)	HK\$106.9 million	96.60%	profit of HK\$3.3 million	14.28%	-

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 is the sole limited partner. The Fund is established for the purpose of making investments in the industry of the cryptocurrency mining ecosystem. The Fund intends to acquire, among others, interests in companies that are engaged in cryptocurrency mining activities and companies that support or otherwise facilitate the cryptocurrency mining ecosystem. The Fund may also acquire interests in mining equipment directly or indirectly through intermediate entities. The Fund aims to make investments that will generate income streams from mining activities or capital appreciation during the investment period of the Fund. Investments may be structured as equity interests, revenue sharing arrangements or other interests as the general partner determines. The Fund's interests in the portfolio investments and temporary investments may be held directly or through one or more special purpose vehicles.

In late March 2022, the Fund through an intermediate entity invested in 100% equity interests in FIL Limited, a company incorporated in Hong Kong with limited liability, which principally engages in the businesses that generate income streams from performing cryptocurrency mining activities. The investment consideration was approximately HK\$148.7 million. FIL Limited was subsequently accounted as joint venture in this consolidated financial statements based on auditor's suggestion.

The Company views the prospects of the cryptocurrency mining ecosystem industry with cautiously optimistic, and therefore hopes to further invest in this industry through a fund channel to enhance its financial returns. As one of the business segments of the Company involves crypto ecosystem (including asset management), investing in the Fund may create synergy effect for the Company's business. Further, with professional experts from the cryptocurrency mining industry being part of the management team of the Fund, the Company is cautiously optimistic in the prospects of the Fund. As at 30 September 2023, the Group held 50% equity interests in the Fund.

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 50 Coins and virtual assets futures, including cryptocurrencies or derivatives that are linked to the Top 50 Coins. The Company views the prospects of the cryptocurrency industry with positivity, and therefore hopes to further invest in Top 50 Coins and virtual assets futures through a fund channel to enhance its financial returns. As one of the business segments of the Company involves crypto ecosystem (including asset management), investing in the Segregated Portfolio may create synergy effect for the Company's business. Further, with professional experts from the cryptocurrency mining industry being part of the management team of the Segregated Portfolio, the Company is cautiously optimistic in the prospects of the Segregated Portfolio. As at 30 September 2022, the Group held 96.6% equity interests in the Fund Company.

On 25 August 2023, the Company as Vendor and Avenir Cayman Holding Limited as the Purchaser entered into the Sale and Purchase Agreement (Solutions), pursuant to which (i) Vendor I has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Solutions Sale Shares, representing the entire issued share capital of New Huo Solutions, and (ii) Vendor has conditionally agreed to assign the Solutions Sale Debt to the Purchaser, at the consideration of HK\$205,706,355.00. As at 30 September 2023, the disposal has not yet been completed.

As at 30 September 2023, the above significant investments have been recognised as assets held for sale.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2023, the Group had 87 employees (30 September 2022: 786 employees) working in mainland China, HKSAR, Japan, Singapore and the USA. The total employment costs (including Directors' remuneration and mandatory provident fund contributions) for Year 2023 amounted to approximately HK\$101.9 million (Year 2022: HK\$215.9 million). The significant decrease in staff cost was mainly due to sales of business, restructuring and austerity. The Company's remuneration policy is set out by the Remuneration Committee on the basis of the employees' merit, qualifications and competence. The Group has also adopted certain bonus programmes, which are determined annually based on certain criteria including performance of the Company and individual employees. Other benefits including share option schemes, insurance policies, retirement benefit plans are offered to eligible employees.

EVENTS AFTER THE REPORTING PERIOD

Grant of Share Options

On 16 October 2023, subject to acceptance of the grantees, an aggregate of 25,400,000 shares options to subscribe for 25,400,000 ordinary shares of HK\$0.001 each in the Company was granted to certain eligible participants at the exercise price of HK\$1.89 per share of the Company, under the share option scheme adopted by the Company on 27 October 2016 and amended on 17 November 2020, 30 March 2023 and 28 July 2023 respectively.

For details, please refer to the Company's announcement dated 16 October 2023.

Major and Connected Transactions: Proposed Disposal of Equity Interests in New Huo Solutions Limited, HBTPower Limited, and HBTPower Inc.

On 25 August 2023 (after trading hours of the Stock Exchange), (i) the Company as Vendor I and Avenir Cayman Holding Limited as the Purchaser entered into the Sale and Purchase Agreement (Solutions) in relation to the disposal of equity interests of New Huo Solutions Limited, pursuant to which (i) Vendor I has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Solutions Sale Shares, representing the entire issued share capital of New Huo Solutions Limited, and (ii) Vendor I has conditionally agreed to assign the Solutions Sale Debt to the Purchaser, at the consideration of HK\$205,706,355.00; and (ii) Sinohope Digital Service Limited (formerly known as New Huo Digital Limited), a direct wholly owned subsidiary of the Company, as Vendor II, entered into the Sale and Purchase Agreement (HBTPower), pursuant to which (i) Vendor II has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the HBTPower Sale Shares, representing 80% of the entire issued share capital of HBTPower Limited and 80% of the entire issued share capital of HBTPower Inc., and (ii) Vendor II has conditionally agreed to assign the HBTPower Sale Debt to the Purchaser, at the consideration of USD6,624,740.00 (equivalent to approximately HK\$52,002,023.00).

At the extraordinary general meeting of the Company held on 7 December 2023, all the proposed resolutions as set out in the notice of the extraordinary general meeting dated 17 November 2023 were duly passed by the Shareholders by way of poll.

Upon completion, the Group will cease to hold any interests in the issued share capital of New Huo Solutions Limited, HBTPower Limited and HBTPower Inc. (the “Target Companies”) and each of the Target Companies will cease to be a 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 Group.

For details, please refer to the Company’s announcements dated 25 August 2023, 15 September 2023, 16 October 2023, 17 November 2023 and 7 December 2023 and circular dated 17 November 2023 and the terms defined above have the same meanings as those defined therein.

OUTLOOK

In October 2022, as Asia’s financial centre, Hong Kong launched the Policy Statement on the Development of Virtual Assets in Hong Kong for Web3, comprehensively affirming that virtual asset will be the main direction of focus of Hong Kong in the future. In 2023, Hong Kong has made substantial progress in promoting the compliant and healthy development of Web3 and virtual assets. To summarize, the three key directions for the development of Web 3.0 in Hong Kong in 2023 are namely “VASP” licence, e-HKD and stablecoins.

In late May this year, the SFC announced the establishment of a new licencing regime (the “VASP” licence) for centralised virtual asset trading platforms which provide non-security token trading services. In October, Hong Kong Monetary Authority (the “HKMA”) published the “e-HKD Pilot Programme Phase 1 Report”. In November, Mr. Yue Wai Man, Eddie, the Chief Executive of the HKMA, expressed at the eighth edition of Hong Kong FinTech Week that the first market consultation regarding the stablecoin regulatory framework has been completed, and further optimization will be done according to the opinions collected, and the second market consultation will soon be conducted. It is expected to be submitted to the Legislative Council for consideration at the beginning of next year.

From the above, we can see that Hong Kong is on the fast track in terms of virtual asset compliance, and has the first-mover advantage in the global scene. It is believed that Hong Kong will apply the experience and lessons learnt to the entire virtual asset industry in the future, so as to promote the overall healthy development of the market. However, the virtual asset market in Hong Kong and Asia as a whole is still at an early stage of development, and participation from more professional institutions and support from regulatory authorities are needed to nurture the blooming of the market. Based in Hong Kong, Sinohope Tech firmly believes that compliance is the main themes for the development of the virtual asset industry. With the support of the Hong Kong government, we believe that the future development of the Company is full of potential and imagination as long as we seize the opportunities to explore the business direction with a broad vision.

Adhering to the principles of security, compliance, professionalism and diversity of services, Sinohope Tech provides diversified virtual asset compliance fund investment management services to institutional and high-net-worth customers on the basis of MPC self-custody and licenced virtual asset custody services. In addition, driven by the new licencing regime of “VASP” in Hong Kong, Sinohope Tech launched the “Hong Kong VASP Licensee Guardian Programme”, which provides IT system level infrastructure facilitation for organizations and enterprises interested in applying for the “VASP” licence, and also provides consultancy services for the procedure and business framework related to the Hong Kong Trust or Company Service Provider (TCSP) License based on its own business and compliance experience, helping more organizations to develop compliant virtual currency and Web3 businesses in Hong Kong, and to seize the first opportunity in this emerging market.

In order to help more developers and enterprises enter the field of Web 3.0 more quickly and conveniently, and attract more outstanding talents and develop more innovative applications for the development of Web 3.0 in Hong Kong at the same time, Sinohope Tech launched a one-stop Web 3.0 product construction solution for developers based on its profound experience in digital asset custody and full-stack research and development of public chain. This solution provides full-stack blockchain technology and infrastructure support for developers, including complete L1 public chain design, L2 OP/ZK expansion, DeFi/NFT/GameFi applications, MPC/AA wallet service integration, etc., aiming to meet developers’ needs for constructing Web 3.0 products quickly, securely and conveniently with low barriers of entry.

Looking ahead, as the Eastern top financial centre out of “Nylonkong”, Web3 can carry many functions and duties in Hong Kong. The prosperity and development of Web3 will not only enhance the local capital liquidity in Hong Kong and attract global capital investment to the construction of Web3 in Hong Kong, but also enable Hong Kong’s leading role in the field of Web3 and complete the historical deed of Hong Kong’s FinTech transformation with innovative technologies such as blockchain. Sinohope Tech has been committed to promoting the development of compliant virtual asset professional services and technology and creating inclusive value for society. The Group believes that it will bring reasonable returns to the Group and shareholders as long as it adheres to the long-term principle, forward looking layout and steady development of compliance business.

Biographical Details of Directors and Senior Management

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

NON-EXECUTIVE DIRECTOR

Mr. Li Lin (“Mr. Li”), aged 41, was appointed as the Chairman of the Board, an executive Director of the Company and Chief Executive Officer (the “CEO”) of the Company on 10 September 2019. Mr. Li resigned as CEO and re-designated as non-executive Director with effect from 18 December 2021.

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

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

Apart from being a non-executive Director of the Company, Mr. Li is also a director of Avenir Cayman Holding Limited which holds 26.83% equity interest in the Company.

EXECUTIVE DIRECTORS

Mr. Du Jun (“Mr. Du”), aged 37, was appointed as the Chief Executive Officer and executive Director of the Company with effect from 30 November 2022.

Mr. Du has served as the co-founder of Huobi Group since November 2013 and was responsible for the strategic planning and management of Huobi Group. During this period, Mr. Du has also served as the co-founder and managing partner of ABCDE Capital since May 2022, responsible for the strategy planning and management of ABCDE Capital, and as the co-founder and director of Chainup Technic Limited since September 2017, responsible for the company’s strategic planning. Prior to that, Mr. Du served as a senior product manager at Tencent between October 2010 and November 2013 and was responsible for Discuz! product design and operation and managing a team of more than 20 people. Before that, Mr. Du served as a product manager at Comsenz Technology Inc. from April 2007 to October 2010 and was responsible for Discuz! product design, and managing a team of more than 10 people.

Mr. Du obtained an EMBA from National University of Singapore in 2023. He has published “Blockchain+: Application and Future of Blockchain from 50 cases in the world” and “Blockchain+: Technological Ecology, Token Economy and Community Autonomy from 50 cases in the world”, both of which are among the best-selling books in JD.com’s internet finance field.

Biographical Details of Directors and Senior Management

Ms. Zhang Li (“Ms. Zhang”), aged 38, was appointed as the Chief Financial Officer of the Company on 26 August 2020. Ms. Zhang was also appointed as executive Director with effect from 18 December 2021.

Ms. Zhang is currently the Chief Financial Officer of the Company. Prior to joining the Group, from December 2017 to August 2020, Ms. Zhang had been responsible for the listing of Hangzhou Canaan Creative Information Technology Co., Ltd. (CAN.Nasdaq) on Nasdaq Stock Market and had subsequently served as the Vice President of that company from March 2018 to August 2020. From September 2015 to May 2019, Ms. Zhang served as a director of Ci Wen Media Co., Ltd. (002343.SZ). From June 2014 to August 2017, Ms. Zhang served as the Vice President and the secretary of the board of directors of Hangzhou Shunwang Technology Co., Ltd. (300113.SZ), during which time Ms. Zhang was responsible for the formulation of its strategic planning, capital market communications and numerous merger and acquisition deals in the gaming industry. From December 2012 to June 2014, Ms. Zhang served as the senior manager of the acquisition and financing department of Guotai Junan Securities Co., Ltd., during which time Ms. Zhang was responsible for the mergers and acquisitions of numerous well-established companies in the Technology, Media and Telecommunications and environmental industries. From October 2009 to September 2012, Ms. Zhang served as a senior auditor of PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所(特殊普通合夥)), during which time Ms. Zhang had handled audit work of numerous multinational companies.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Chun Kit (“Mr. Yu”), aged 34, was appointed as an independent non-executive Director, the Chairman of NCGC, and a member of Audit Committee and the Remuneration Committee on 1 April 2022.

Mr. Yu is the financial controller and company secretary of Boltek Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (stock code: 8601) since 2018. Mr. Yu obtained a Bachelor of Business Administration (Hons) in Accounting & Finance from the Hong Kong Polytechnic University in October 2011. Mr. Yu has been admitted as a member of the Hong Kong Institute of Certified Public Accountants since July 2015. Since September 2019, Mr. Yu Chun Kit has been appointed as a company secretary of Global Uin Intelligence Holdings Limited (formerly known as Global Dining Holdings Limited), a company listed on the Stock Exchange (stock code: 8496).

Biographical Details of Directors and Senior Management

Mr. Yip Wai Ming (“Mr. Yip”), aged 58, was appointed as an independent non-executive Director, the Chairman of the Audit Committee and a member of the NCGC and the Remuneration Committee on 11 October 2018.

Mr. Yip is currently an independent non-executive Director of the following companies listed on The Stock Exchange of Hong Kong: PAX Global Technology Limited (stock code: 0327), Ju Teng International Holdings Limited (stock code: 3336), Far East Horizon Limited (stock code: 3360), Vida China Holdings Limited (stock code: 3639) and Peijia Medical Limited (stock code: 9996). Mr. Yip has more than 30 years of experience in finance and accounting. Mr. Yip graduated from the University of Hong Kong with a bachelor’s degree in social sciences in 1987. He also holds a bachelor’s degree in law from the University of London. Mr. Yip is a fellow of the Association of Chartered Certified Accountants, and a member of the Hong Kong Institute of Certified Public Accountants and the Chinese Institute of Certified Public Accountants.

Dr. LAM, Lee G., BBS, JP (“Dr. Lam”), age 63, was appointed as an independent non-executive Director, the Chairman of the Remuneration Committee and a member of the NCGC and the Audit Committee on 21 April 2023.

Dr. Lam is an executive director of Hong Kong Aerospace Technology Group Limited (Stock Code: 1725, formerly known as Eternity Technology Holdings Limited, Dr. Lam was re-designated from non-executive director on 3 January 2022), the shares of which are listed on the Main Board of the Stock Exchange. He is an independent non-executive director of each of CSI Properties Limited (Stock Code: 497), Vongroup Limited (Stock Code: 318), Mei Ah Entertainment Group Limited (Stock Code: 391), Elife Holdings Limited (Stock Code: 223, formerly known as Sino Resources Group Limited), Hang Pin Living Technology Company Limited (Stock Code: 1682, formerly known as Hua Long Jin Kong Company Limited), Kidsland International Holdings Limited (Stock Code: 2122), Greenland Hong Kong Holdings Limited (Stock Code: 337), Huarong International Financial Holdings Limited (Stock Code: 993), RENHENG Enterprise Holdings Limited (Stock Code: 3628), Sinohope Technology Holdings Limited (formerly known as New Huo Technology Holdings Limited (Stock Code: 1611) and MOS House Group Limited (Stock Code: 1653); and a non-executive director of each of Sunwah Kingsway Capital Holdings Limited (Stock Code: 188), China LNG Group Limited (Stock Code: 931) and Mingfa Group (International) Company Limited (Stock Code: 846, Dr. Lam was re-designated from independent non-executive director on 23 April 2020), the shares of all of which are listed on the Stock Exchange. He is also an independent non-executive director of Asia-Pacific Strategic Investments Limited (Stock Code: 5RA, formerly known as China Real Estate Grp Ltd.), the shares of which are listed on the Singapore Exchange, an independent non-executive director of AustChina Holdings Limited (Stock Code: AUH, formerly known as Coalbank Limited), whose shares are listed on the Australian Securities Exchange, and a non-executive director of Jade Road Investments Limited (Stock Code: JADE, formerly known as Adamas Finance Asia Limited), whose shares are listed on the London Securities Exchange.

COMPANY SECRETARY

Ms. Lau Ling Yun Agnes (“Ms. Lau”), was appointed as the Company Secretary on 1 September 2023. Ms. Lau is a solicitor as defined in the Legal Practitioners Ordinance (Cap. 159 of the Laws of Hong Kong) and hence complies with the requisite qualifications pursuant to Rules 3.28 and 8.17 of the Listing Rules to discharge the functions of the Company Secretary pursuant to the Listing Rules. Ms. Lau obtained Bachelor of Laws and Postgraduate Certificate in Laws from the University of Hong Kong and has extensive experience in general business practices, corporate finance transactions, mergers and acquisitions, corporate restructuring and compliance with the Listing Rules and securities-related laws of Hong Kong. During the year, she has attended no less than 15 hours of relevant professional training as required under Rule 3.29 of the Listing Rules.

SENIOR MANAGEMENT

Mr. Zirong Zhang (“Mr. Zhang”), aged 38, was appointed as the Chief Technology Officer on 22 November 2022. As a senior technical expert, Mr. Zhang has worked at Alibaba and Ant Group for nearly 10 years, specializing in designing high-performance and highly available distributed systems. Mr. Zhang was graduated from the School of Computer Science and Technology of Harbin Institute of Technology with a master’s degree.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board is committed to upholding high standards of corporate governance practices and business ethics in the Company, believing that they are crucial to improving the efficiency and performance of the Group and to safeguarding the interests of the shareholders. The Chairman takes primary responsibility for ensuring that good corporate governance practices and procedures are established. The Board reviews the Company's corporate governance practices from time to time in order to meet the expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance. The principles of corporate governance as adopted by the Company during the year ended 30 September 2023 are set out below.

CORPORATE GOVERNANCE CODE

During the year ended 30 September 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 Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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 C3 of the Listing Rules. Specific enquiries have been made of all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out the Model Code during the year ended 30 September 2023.

CORPORATE GOVERNANCE FUNCTIONS

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

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

1. to develop and review the Company's policies and practices on corporate governance and make recommendations;
2. to review and monitor the training and continuous professional development of Directors and senior management of the Company;
3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors of the Company; and
5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

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

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

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

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

THE BOARD, ROLE AND FUNCTION

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

Composition

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

Non-executive Director

Mr. Li Lin (*Chairman*)

Executive Directors

Mr. Du Jun (*Chief Executive Officer*) (*appointed on 30 November 2022*)

Ms. Zhang Li (*Chief Financial Officer*)

Mr. Wu Shupeng (*Chief Executive Officer*) (*resigned on 30 November 2022*)

Independent non-executive Directors

Mr. Yip Wai Ming

Mr. Yu Chun Kit

Dr. LAM Lee G., *BBS, JP* (*appointed on 21 April 2023*)

Mr. Ngai Matthew Cheuk Yin (*resigned on 20 April 2023*)

Biographical details of the Directors of the Company are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 24 to 26 of this annual report.

Chairman and Chief Executive Officer

On 30 November 2022, Mr. Wu Shupeng (“Mr. Wu”) resigned and Mr. Du Jun (“Mr. Du”) was appointed as the chief executive officer of the Company. Mr. Du has extensive professional experience in the fields of strategic planning and management. The Board believes that he can effectively manage and develop the business of the Group.

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

There was no relationship among the members of the Board during the year ended 30 September 2023.

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

Pursuant to the code provision J of part 1 of the CG Code, listed issuers are required to adopt a board diversity policy. The Board has adopted a board diversity policy with a view to achieving a sustainable and balanced development of our Group. In designing the Board’s composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. This diversity policy is reviewed annually by the NCGC, and where appropriate, revisions will be made with the approval from the Board.

Board and Board Committee Meetings

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

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

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

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

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

Attendance records

The attendance records of all the Directors for Board and committee meetings for the year ended 30 September 2023 are set out below:

Directors	Number of meetings attended/Number of meetings held				
	Full Board	Audit Committee	Remuneration NCGC	Remuneration Committee	AGM ⁽¹⁾
Non-Executive Director					
Mr. Li Lin	5/8	N/A	N/A	N/A	1/1
Executive Directors					
Mr. Du Jun	4/8	N/A	N/A	N/A	0/1
Ms. Zhang Li	8/8	N/A	N/A	N/A	1/1
Mr. Wu Shupeng (resigned on 30 November 2022)	1/8	N/A	N/A	N/A	0/1
Independent non-executive Directors					
Mr. Yip Wai Ming	5/8	2/2	1/1	1/1	1/1
Dr. LAM, Lee G., BBS, JP (appointed on 21 April 2023)	4/8	1/2	0/1	0/1	0/1
Mr. Yu Chun Kit	8/8	2/2	1/1	1/1	1/1
Mr. Ngai Matthew Cheuk Yin (resigned on 20 April 2023)	2/8	0/2	1/1	1/1	1/1
Number of meetings held during the year	8	2			

Note:

(1) AGM held on 30 March 2023.

N/A: not applicable

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

Access to information

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

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

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

Appointments and re-election of Directors

Directors can be nominated by members of the Board during the year ended 30 September 2023 to fill casual vacancies or as an addition to the existing Board. The NCGC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the appointment of new Directors. The NCGC then nominates the most suitable candidate to be appointed to the Board.

In accordance with code provision B.2.2 of part 2 of the CG Code, all Directors are subject to retirement by rotation at least once every three years. Any new Director appointed to fill a casual vacancy shall be subject to be election by shareholders at the first annual general meeting after appointment.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 30 September 2023, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, the number of which must represent at least one-third of the Board, with at least one independent non-executive Director possessing appropriate professional qualifications and accounting and related financial management expertise. The views of the independent non-executive Directors carry weight in the Board's decisions, and their participation helps the Board exercise judgement, make decisions and act objectively in the interests of the Company and its shareholders as a whole.

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

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors' responsibilities for the financial statements and the responsibilities of the external auditor to the shareholders are set out on pages 97 to 99 of this annual report.

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

The Company has established the NCGC with written terms of reference in compliance with code provision B.3 of part 2 of the CG Code. The NCGC was set up on 25 September 2017 to replace the NC previously established on 27 October 2016.

Currently the NCGC comprised three independent non-executive Directors, namely Mr. Yu Chun Kit (Chairman of the NCGC), Mr. Yip Wai Ming and Dr. LAM Lee G., *BBS, JP*, all members are independent non-executive Directors.

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

- review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- review the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy;
- identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- assess the independence of independent non-executive Directors;
- make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors;
- develop and review the policies and practices on corporate governance of the Company and its subsidiaries and make recommendations to the Board;
- review the Company's compliance with the CG Code as set out in Appendix C1 to the Listing Rules and disclosure in the Corporate Governance Report of the Company; and
- conform to any requirement, direction and regulation that may from time to time be contained in the Memorandum and Articles of Association or imposed by the Listing Rules or applicable law.

The Board has adopted a Board diversity policy and the objectives and progress on achieving those objectives are set out on page 29 of this annual report.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee on 27 October 2016 with written terms of reference in compliance with code provision E.1 of part 2 of the CG Code.

Currently, the Remuneration Committee comprised three independent non-executive Directors, namely Dr. LAM Lee G., *BBS, JP* (Chairman of the Remuneration Committee), Mr. Yip Wai Ming and Mr. Yu Chun Kit. All members of the Remuneration Committee are independent non-executive Directors which complies with Rule 3.25 of the Listing Rules.

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

- consult with the Chairman of the Board and/or chief executive about their remuneration proposals for other executive Directors;
- make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
- make recommendations to the Board on the remuneration of non-executive Directors;
- consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries;
- review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct; ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration; and
- conform to any requirement, direction, and regulation that may from time to time be contained in the Memorandum and Articles of Association or imposed by the Listing Rules or applicable law.

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

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

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

During the year ended 30 September 2023, the Remuneration Committee reviewed and approved the share option scheme of the Company adopted on 27 October 2016, and amended on 17 November 2020, 30 March 2023 and 28 July 2023, among which, inter alia, to (i) revise the vesting period of the share options to no less than 12 months in line with the Listing Rules; and (ii) in the absolute discretion of the Remuneration Committee consider imposing any conditions, restrictions or limitations when offering the grant of share options, including performance targets of the grantees. Performance targets may include but not limited to capital value and performance of the Group's business segments and individual performance of the employee participants. The Remuneration Committee was of the view that the aforesaid provided flexibility for the Company to assess the grantees' performance on a sustainable basis and provide incentive and motivation to the grantees continuously, aligning with the purpose of the share option scheme.

Save as disclosed above and in this Annual Report, there were no other material matters relating to the share option scheme that were reviewed and/or approved by the Remuneration Committee during the year ended 30 September 2023.

AUDIT COMMITTEE

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

Currently, the Audit Committee comprised three independent non-executive Directors, namely Mr. Yip Wai Ming (Chairman of the Audit Committee), Mr. Yu Chun Kit and Dr. LAM Lee G., *BBS, JP*.

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

- to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve and review the remuneration and terms of engagement of the external auditors;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to develop and implement policy on engaging external auditor to supply non-audit services;
- to monitor the integrity of financial statements and the annual report and accounts and interim report, and to review significant financial reporting judgements contained in them;
- to discuss the risk management and the internal control systems with the management of our Group to ensure that the management of our Group has performed its duty to have effective internal control systems;

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

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

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

The annual financial results of the Group for the year ended 30 September 2023 have been reviewed by Audit Committee.

AUDITOR'S REMUNERATION

The Directors acknowledge the responsibilities of preparing the financial statements of the Group which give a true and fair view. The statement of the external auditor of the Company about its reporting responsibilities for consolidated financial statements is set out in the section headed "Independent Auditor's Report" on pages 93 to 99 of this annual report.

The total remuneration paid and payable to Moore CPA Limited (the "Moore") in respect of audit services for the year ended 30 September 2023 amounted to approximately HK\$1,800,000.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

For Year 2023, the Board conducted an annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the extent and frequency of communication with the Board in relation to risk management and internal control review; the scope and quality of management's review on risk management and internal control systems; significant failures or weakness identified and their related implications; financial controls; and states of compliance with the Listing Rules. The Board considers the risk management and internal control systems effective and adequate. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

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

COMPANY SECRETARY

The Company Secretary is responsible for facilitating the Board process, as well as communications among Board members. From 10 August 2020, Mr. Ng Kwan Ho had been the Company Secretary of the Company who resigned with effect of 1 September 2023. Ms. Lau Ling Yun Agnes has become the Company Secretary with effect from 1 September 2023. Ms. Lau Ling Yun Agnes is a solicitor as defined in the Legal Practitioners Ordinance (Cap. 159 of the Laws of Hong Kong) and hence complies with the requisite qualifications pursuant to Rules 3.28 and 8.17 of the Listing Rules to discharge the functions of the Company Secretary pursuant to the Listing Rules and have complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS

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

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

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

CONSTITUTIONAL DOCUMENTS

To reflect the change of company name and to conform to the current requirements of the Listing Rules, including but not limited to the Core Shareholder Protection Standards as set out in Appendix A1 to the Listing Rules, the Board has made certain amendments to the memorandum of association and articles of association of the Company.

For details, please refer to the Company's announcements dated 13 October 2022 and 31 August 2023 and circular dated 21 September 2022 and 10 August 2023.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting

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

Procedures for putting forward proposals at a shareholders' meeting

Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the Group at a shareholders' meeting. Proposals shall be sent to the Board or the Company Secretary by written requisition to the Company Secretary at the Company's principal place of business in Hong Kong at Unit 702-3, 7/F, 100 Queen's Road Central, Central, Hong Kong.

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

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

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

Shareholders' enquiries

Shareholders may send their enquiries and concerns to the Board by addressing them to the Company Secretary or relevant personnel by mail to the Company's principal place of business in Hong Kong at Unit 702-3, 7/F, 100 Queen's Road Central, Central, Hong Kong.

INVESTOR RELATIONS

The Company keeps on promoting good investor relations and enhancing communication with the Shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public who may contact the Company by phone at (852) 3565 2308 during normal business hours, or by email at ir@sinohope.com.

Directors' Report

The Directors are pleased to present this annual report and audited consolidated financial statements for the Group for the year ended 30 September 2023.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

The business review and outlook of the Group for the year ended 30 September 2023 are set out in the section headed "Management Discussion and Analysis" on pages 7 to 23 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 September 2023 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 100 to 207 of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 30 September 2023.

SUMMARY OF FINANCIAL INFORMATION

A financial summary of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 208 in this annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 30 September 2023 are set out in notes 18 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Information on the environmental policies and performance of the Company is set out in the section headed "Environmental, Social and Governance Report" on pages 52 to 92 in this annual report.

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

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

SHARE CAPITAL

Details of the Company's share capital are set out in note 31 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year ended 30 September 2023 are set out in the consolidated statement of changes in equity on pages 104 to 105 to the consolidated financial statements.

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

At 30 September 2023, the Company's reserves, for distribution purposes, showed a surplus of approximately HK\$201,862,000 comprising accumulated losses of approximately HK\$380,260,000 and other reserves of approximately HK\$582,122,000.

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

RELATED PARTY TRANSACTIONS

Connected transaction – Disposal of Animoca Brands Corporation Limited

On 23 March 2023, the Company entered into a disposal agreement with Wechain Technology Limited, a company incorporated in Hong Kong with limited liability, whose ultimate beneficial owner is Mr. Li Lin, 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 were the entire interest held by the Company, at a consideration of US\$809,000 (equivalent to approximately HK\$6,310,000). Since Mr. Li Lin was interested in approximately 40.47% of the issued shares of the Company as at the date of transaction, he was therefore a connected person of the Company under Rule 14A.07 of the Listing Rules. As Wechain Technology Limited was ultimately controlled by Mr. Li Lin, Wechain Technology Limited was an associate of Mr. Li Lin and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Hence, the transaction contemplated under the said disposal agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

For details, 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 Animoca Brands Corporation Limited which was recognised as financial assets of the Company.

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

On 26 April 2023, the Company and Mr. Du Jun entered into the Subscription Agreement I pursuant to which the parties conditionally agreed that Mr. Du Jun shall subscribe for, and the Company shall allot and issue, the Subscription Shares I at the Subscription Price. The Subscription Price is HK\$2.08 per Subscription Share, and the aggregate Subscription Price of all Subscription Shares I of HK\$155,376,000.00 payable by Mr. Du Jun shall be payable in cash upon completion of the Subscription I. Since Mr. Du Jun is the chief executive officer and an executive director of the Company and therefore is a connected person of the Company under Chapter 14A of the Listing Rules, transactions contemplated under Subscription Agreement I constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

On 26 April 2023, the Company also entered into the Subscription Agreement II with ON CHAIN Technology LIMITED, pursuant to which the Company has conditionally agreed to allot and issue, and On Chain has conditionally agreed to subscribe for, an aggregate of 82,300,000 Subscription Shares II at the Subscription Price HK\$2.08.

On 10 October 2023, a total of 157,000,000 Subscription Shares have been allotted and issued to Mr. Du Jun and ON CHAIN Technology LIMITED, pursuant to the terms of Subscription Agreement I and Subscription Agreement II, at the Subscription Price of HK\$2.08 per Subscription Share.

Terms defined above would have the same meaning as those defined in the announcement of the Company dated 26 April 2023.

For details, please refer to the announcements dated 26 April 2023, 30 June 2023, 28 July 2023 and 10 October 2023, and the circular of the Company dated 6 July 2023.

Major and Connected Transactions: Proposed Disposal of Equity Interests in New Huo Solutions, HBTPower Limited, and HBTPower Inc.

On 25 August 2023 (after trading hours of the Stock Exchange), (i) the Company as Vendor I and Avenir Cayman Holding Limited as the Purchaser entered into the Sale and Purchase Agreement in relation to the disposal of equity interests in New Huo Solutions Limited (Solutions), pursuant to which (i) Vendor I has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Solutions Sale Shares, representing the entire issued share capital of New Huo Solutions Limited, and (ii) Vendor I has conditionally agreed to assign the Solutions Sale Debt to the Purchaser, at the consideration of HK\$205,706,355.00; and (ii) Sinohope Digital Service Limited, formerly known as New Huo Digital Limited, a direct wholly owned subsidiary of the Company, as Vendor II, entered into the Sale and Purchase Agreement (HBTPower) with Avenir Cayman Holding Limited, pursuant to which (i) Vendor II has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the HBTPower Sale Shares, representing 80% of the entire issued share capital of HBTPower Limited and 80% of the entire issued share capital of HBTPower Inc., and (ii) Vendor II has conditionally agreed to assign the HBTPower Sale Debt to the Purchaser, at the consideration of US\$6,624,740.00 (equivalent to approximately HK\$52,002,023.00).

Since Mr. Li Lin was interested in approximately 40.47% of the issued shares of the Company as at the date of the said disposal transactions, he was therefore a connected person of the Company under Rule 14A.07 of the Listing Rules. As Avenir Cayman Holding Limited was ultimately controlled by Mr. Li Lin, Avenir Cayman Holding Limited was an associate of Mr. Li Lin and therefore a connected person of the Company under Chapter 14A of the Listing Rules. As at the date of the said disposal transactions, Sinohope Digital Service Limited was a wholly-owned subsidiary of the Company. Hence, the transaction contemplated under the Sale and Purchase Agreement (HBTPower) and the Sale and Purchase Agreement (Solutions) constituted connected transactions of the Company under Chapter 14A of the Listing Rules. The Directors consider that the remaining business of the Group after the Disposal, including cryptocurrency trading, provision of technology solution services and provision of asset management services through its licensed corporation in Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance, has constituted the major source of revenue for the Group from 2022.

The Group expected that the above restructuring can reduce the debt burden and allow the Group to focus its resources on other core business given the current financial position. The Group expected that the Disposal will not have a material effect on the Group's business operation. Upon completion, the Group would cease to hold any interests in the issued share capital of New Huo Solutions Limited, HBTPower Limited and HBTPower Inc. (the "Target Companies") and each of the Target Companies would cease to be a 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 Group.

For details, please refer to the Company's announcements dated 25 August 2023, 15 September 2023, 16 October 2023, 17 November 2023 and 7 December 2023 and circular dated 17 November 2023 and the terms defined above have the same meanings as those defined therein.

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

Save as disclosed above and in note 37 to the consolidated financial statements, no other significant related party transactions were conducted by the Group during the year ended 30 September 2023. The Company confirms that it has complied with the disclosure requirements under chapter 14A of the Listing Rules in relation to the related party transactions, among which the above-mentioned also constitute continuing connected transactions of the Group as defined in the Listing Rules.

ISSUE FOR CASH OF EQUITY SECURITIES

On 10 October 2023, the Company allotted and issued a total of 157,000,000 new shares to Mr. Du Ju and ON CHAIN Technology LIMITED (each a "Subscription Share", and collectively, the "Subscription Shares"), a summary of which is set out below. Terms defined hereinbelow would have the same meaning as those defined in the announcement of the Company dated 26 April 2023. For details, please refer to the announcements of the Company dated 26 April 2023, 30 June 2023, 28 July 2023 and 10 October 2023 and the circular of the Company dated 6 July 2023.

Date of completion	10 October 2023
Name of subscriber(s)	Mr. Du Jun and ON CHAIN Technology LIMITED
Number of Shares issued	74,700,000 ordinary shares to Mr. Du Jun (the "Subscription Shares I"); and 82,300,000 ordinary shares to ON CHAIN Technology LIMITED (the "Subscription Shares II")
Class of Subscription Shares issued	Ordinary shares
Aggregate nominal value of Share issued	HK\$74,700.00 for the Subscription Shares I; and HK\$82,300.00 for the Subscription Shares II
Issue price per Subscription Share	HK\$2.08
Net price per Subscription Share	HK\$2.07
Basis for determination of issue price of Subscription Shares	(i) the closing price of HK\$2.30 per Subscription Share as quoted on the Stock Exchange on 26 April 2023; (ii) the average closing price of HK\$2.36 per Subscription Share as quoted on the Stock Exchange for the last five trading days up to and including 25 April 2023; and (iii) the closing price of HK\$2.05 per Subscription Share as quoted on the Stock Exchange on the 3 July 2023

Directors' Report

Gross proceeds	HK\$155.4 million for the Subscription Shares I; and HK\$171.2 million for the Subscription Shares II
Net proceeds	HK\$154.4 million for the Subscription Shares I; and HK\$170.2 million for the Subscription Shares II
Intended use of proceeds	The Company intended to use the net proceeds of (1) approximately HK\$235 million for the repayment of outstanding loans; (2) approximately HK\$40 million for business development; and (3) approximately HK\$50 million for the general working capital of the Group.
Actual use of proceeds	During the year ended 30 September 2023, the Company used the net proceeds of (1) approximately HK\$120 million for the repayment of outstanding loans; (2) approximately HK\$23.5 million for business development; and (3) approximately HK\$50 million for general working capital of the Group.
Reasons for the issue	In light of the prevailing financial conditions of the Group, the Board considered the issue of the Subscription Shares I and the Subscription Shares II to be a suitable financial option as compared to other means of financing as it enables the Group to raise capital in an efficient manner without increasing interest burden on the Group, strengthen the financial position of the Company and represents a good opportunity to broaden the Shareholders' base and capital base of the Company.
Amount of proceeds not yet utilized as at the date of this report and expected timeline of use	<p>As at the date of this report, approximately HK\$131.5 million of net proceeds has not been utilized, among which approximately HK\$105 million will be used for repayment of outstanding loans in around February 2024 and approximately HK\$26.5 million will be used for business development in 2024.</p> <p>The net proceeds have been and will be applied in the manner consistent with the use of proceeds as disclosed in the circular of the Company dated 6 July 2023.</p>

DIRECTORS

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

Non-executive Director

Mr. Li Lin (*Chairman*)

Executive Directors

Mr. Du Jun (*Chief Executive Officer*) (*appointed on 30 November 2022*)

Ms. Zhang Li (*Chief Financial Officer*)

Mr. Wu Shupeng (*Chief Executive Officer*) (*resigned on 30 November 2023*)

Independent Non-Executive Directors

Mr. Yip Wai Ming

Mr. Yu Chun Kit

Dr. LAM Lee G., *BBS, JP* (*appointed on 21 April 2023*)

Mr. Ngai Mathew Cheuk Yin (*resigned on 20 April 2023*)

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

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' BIOGRAPHIES

The biographical details of the Directors of the Company are set out on pages 24 to 26 of this annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors of the Company and the five highest paid individuals in the Group are set out in note 15 to the consolidated financial statements.

EMOLUMENT POLICY

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

RETIREMENT BENEFIT PLANS

Particulars of retirement benefit plans of the Group as at 30 September 2023 are set out in note 29 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS, ARRANGEMENT OR TRANSACTION

Save as disclosed in the related party transactions in note 37 to the consolidated financial statements and the section headed "Related Party Transactions and Continuing Connected Transactions" in Directors' Report from pages 39 to 41 of this report, no Director had a material interest, either directly or indirectly, in any contract, arrangement or transaction of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 30 September 2023.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Year 2023, the businesses of the Group involve the provision of technology solution services to clients. Mr. Du Jun (the "Interested Director"), an executive Director of the Board as well as a substantial Shareholder (as defined under the Listing Rules), held equity interests in company engaging in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group ("Competing Business").

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

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

MANAGEMENT CONTRACTS

As at 30 September 2023, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company", at no time during the year ended 30 September 2023, were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its holdings companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The following is a summary of the principal terms of the share option scheme (the "Scheme") adopted by way of written resolutions passed on 27 October 2016 and amended on 17 November 2020, 30 March 2023 and 28 July 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 for the purpose of recognising and acknowledging the contributions that 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.

Eligible participants of the Scheme may include: any employee of any member of the Group (full-time or part-time) and any director (including executive, non-executive or independent non-executive directors) and chief executive officers of any member of the Group.

As at the date of this report, the total number of shares available for issue under the Scheme was 4,252,766, representing around 0.91% of the issued share capital of the Company. The aggregate number of shares which may be issued upon exercise of all outstanding options granted and to be exercised under the Scheme and any other share options schemes of the Company, must not in aggregate exceed 10% of the Company's shares in issue. The 10% limit may be refreshed at any time by obtaining approval of the Company's shareholders in general meeting provided that the total number of the Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company, must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit.

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

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

The options may be exercised in accordance with the terms of the Share Option Scheme upon being vested at any time during a period as the Board may determine which shall not exceed 10 years from the date of offer subject to the provisions for early termination thereof.

Directors' Report

An offer of the grant of a share option shall remain open for acceptance within 7 days from the date of offer.

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 exercise price of the options granted under the Scheme shall be a price determined by the Board and notified to a participant and shall be at least the higher of:

- (i) the closing price of the shares as stated in the Stock Exchange of Hong Kong's daily quotations sheet on the date of grant of the option;
- (ii) the average closing price of the shares as stated in the Stock Exchange of Hong Kong's daily quotations sheets for the five trading days immediately preceding the date of grant of the option; and
- (iii) the nominal value of a share on the date of grant of the option.

The details of the exercise price and number of options outstanding during the year ended 30 September 2023 which have been granted to, exercised and forfeited by the eligible participants are as follows:

	Date of grant	Exercise price HK\$	Outstanding as at 1 October 2022 Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	Forfeited during the year Number	Outstanding as at 30 September 2023 Number
Executive Director Mr. Wu Shupeng* (resigned on 30 November 2022)	3.4.2019	3.13	262,000	-	-	(262,000)	-	-
Employees	3.4.2019	3.13	630,000	-	-	(630,000)	-	-
Employees	16.10.2019	4.36	-	-	-	-	-	-
Employees	2.7.2020	3.28	183,334	-	-	(130,000)	-	53,334
			<u>1,075,334</u>	<u>-</u>	<u>-</u>	<u>(1,022,000)</u>	<u>-</u>	<u>53,334</u>
Weighted average exercise price			<u>HK\$3.16</u>	<u>-</u>	<u>-</u>	<u>HK\$3.15</u>	<u>-</u>	<u>HK\$3.28</u>

* Mr. Wu Shupeng was appointed as the Executive Director of the Company on 18 December 2021 and resigned on 30 November 2022.

Notes:

For the year ended 30 September 2022, the weighted average closing price of the shares immediately before the dates of exercise of options during the year was HK\$6.20.

As at 30 September 2023, the total number of share options outstanding were 53,334 (30 September 2022: 1,075,334).

For the share options outstanding as at 30 September 2023, the weighted average remaining contractual life was 2,570 days (30 September 2022: 2,455 days).

Total share-based compensation expenses of HK\$41,000 have been charged to the consolidated statement of profit or loss for the year ended 30 September 2023 (30 September 2022: reversal of share-based compensation expenses HK\$465,000).

The number of share options available for grant under the Scheme as at 1 October 2022 and 30 September 2023 was 30,742,766.

Since there was no share options granted under the Scheme during the year ended 30 September 2023, it is not applicable for the Company to set out the number of shares that may be issued in respect of the share options granted under the Scheme during the year ended 30 September 2023 divided by the weighted average number of shares in issue for the year ended 30 September 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 of the aforesaid grants would have been fully vested on 2 July 2023 respectively.

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

On 30 March 2023, the Company has amended the schedule in relation to the vesting, performance and clawback mechanism of the Share Option Scheme. Under the Scheme, the vesting period of Share Options shall be no less than 12 months.

On 28 July 2023, the Share Option Scheme was further amended by allowing the vesting period of the Share Options to be longer than one financial year which would allow the Company to assess the Grantee's performance on a sustainable basis and encouraging the Grantee's continuous growth.

On 16 October 2023, an aggregate of 25,400,000 shares options to subscribe for 25,400,000 ordinary shares of HK\$0.001 each in the Company was granted to certain eligible participants at the exercise price of HK\$1.89 per share of the Company.

The share option scheme has a remaining life of approximately 2.76 years as at the date of this annual report.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the FY2023.

DONATIONS

The Group has not made any donations during the year ended 30 September 2023 (2022: HK\$Nil).

Equity-Linked Agreements

No equity-linked agreements that will or may result in the Company issuing shares or that requires the Company to enter into any agreements that will or may result in the Company issuing shares was entered into by the Company, or subsisting during the year ended 30 September 2023.

Debenture, Convertible Securities, Options, Warrants or Similar Rights

Save for the share options granted as disclosed under the paragraph headed "Share Option Scheme" in the directors' report of this annual report, no other debenture, convertible securities, options, warrants or similar rights were issued or granted by the Company, or subsisting, during the year ended 30 September 2023.

Fund Raising Activities

There were no fund-raising activities conducted by the Company during the year ended 30 September 2023.

Tax Relief and Exemptions

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

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

As at 30 September 2023, the interests and short positions of the Directors or chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Listing Rules, were as follows:

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

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

Name of Directors	Capacity in which Shares were held	Number of Shares (Note 2)	Approximate percentage of the issued share capital
Mr. Li Lin ("Mr. Li") (Note 2)	Interest of controlled corporation (Note 1) (Note 3)	125,021,261	40.47%
Mr. Du Jun (Note 3)	Beneficial owner	3,869,446	1.25%

Notes:

- Mr. Li holds 100% interest in the total issued share capital of Avenir Capital Inc. and HBCapital. Therefore, Mr. Li is deemed to be interested in the shares held by Avenir Capital Inc. and HBCapital for the purpose of Part XV of the SFO.
- The letter "L" denotes the long position in the Shares.
- On 10 October 2023, a total of 157,000,000 subscription shares have been allotted and issued to Mr. Du Jun and ON CHAIN Technology LIMITED, at the subscription price of HK\$2.08 per subscription share. The total number of issued shares has increased to 465,960,665 from 308,960,665. As a result, the number of shares of the Company held by Mr. Du Jun has increased to 78,569,446, representing approximately 16.86% of the total issued shares of the Company, and the percentage shareholding of Mr. Li was diluted from 40.47% to 26.83%. For details, please refer to the announcements of the Company dated 26 April 2023, 30 June 2023, 28 July 2023 and 10 October 2023, and the circular of the Company dated 6 July 2023.

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

As at 30 September 2023, to the best knowledge of the Directors and the senior management of the Company, the following are the persons, who had interests or short positions in the shares and underlying shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name of Shareholders	Capacity in which Shares were held	Number of shares (L) (Note 3)	Appropriate percentage of the issued share capital (Note 4)
Mr. Li Lin ("Mr. Li")	Interest of controlled corporation (Note 1) (Note 4) (Note 5)	125,021,261	40.47%
Avenir Capital Inc. ("Avenir Capital")	Beneficial owner (Note 1) (Note 4) (Note 5)	116,582,987	37.73%
HBCapital Limited ("HBCapital")	Beneficial owner (Note 1) (Note 4) (Note 5)	8,438,274	2.73%
Mr. Shen Nan Peng ("Mr. Shen")	Interest of controlled corporation (Note 2)	36,892,572	11.94%
SC China Enterprises Limited	Interest of controlled corporation (Note 2)	36,892,572	11.94%
SNP China Holding Limited	Interest of controlled corporation (Note 2)	36,892,572	11.94%
SC China Venture IV Management, L.P.	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%
Sequoia Capital CV IV Senior Holdco. Ltd.	Interest of controlled corporation (Note 2)	30,467,072	9.86%
Sequoia Capital CV IV Holdco, Ltd.	Beneficial owner	30,467,072	9.86%

Directors' Report

Notes:

1. 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.
2. 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 2.08% 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 as at the Latest Practicable Date.
3. The letter "L" denotes the long position in the Shares.
4. On 10 October 2023, a total of 157,000,000 subscription shares have been allotted and issued to Mr. Du Jun and ON CHAIN Technology LIMITED, at the subscription price of HK\$2.08 per subscription share. The total number of issued shares has increased to 465,960,665 from 308,960,665. As a result, the appropriate percentage of the issued share capital held by Mr. Li, Avenir Capital and HBCapital has been changed accordingly as well. For details, please refer to the announcements dated 26 April 2023, 30 June 2023, 28 July 2023 and 10 October 2023, and the circular of the Company dated 6 July 2023.
5. On 20 October 2023, Avenir Capital and HBCapital transferred their respective entire shareholding in the Company to Avenir Cayman Holding Limited, a company ultimately controlled by Mr. Li for purpose of restructuring. As a result, Mr. Li hold his interests in 125,021,261 ordinary shares of the Company through its controlled corporation, Avenir Cayman Holding Limited, instead of through Avenir Capital and HBCapital.

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

PUBLIC FLOAT

Based on information that was publicly available to the Company and to the best knowledge of the Board, as at the latest practicable date prior to the issuance of this annual report, the Directors confirm that the Company has maintained at all times sufficient public float requirement as prescribed by the Listing Rules.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 27 to 37 of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDITOR

The financial statements of the Company for the year ended 30 September 2023 were audited by Moore. A resolution will be proposed at the forthcoming Annual General Meeting of the Company to re-appoint Moore as auditor of the Company.

Save as disclosed above, there was no other change of the Company's auditors in any of the preceding three years.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year ended 30 September 2023, the Group was not aware of material non-compliance with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

On behalf of the Board,

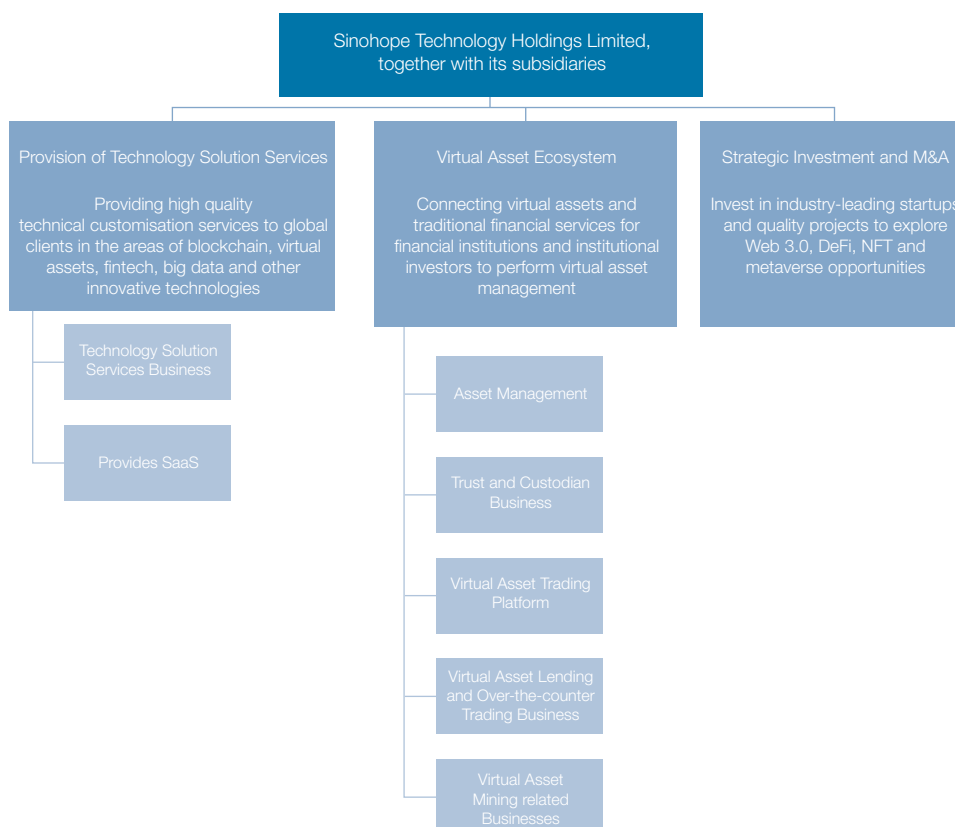
Li Lin
Chairman
HKSAR
28 December 2023

Environmental, Social and Governance Report

ABOUT THE GROUP

Sinohope Technology Holdings Limited (the “Company”, together with its subsidiaries, collectively referred to as the “Group” or “we”) is principally engaged in the contract manufacturing of a wide range of power-related and electrical/electronic products on an electronic manufacturing services basis and the provision of technology solution services and other multifarious services relating to the virtual asset ecosystem. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (“HKEX”) in 2016 (stock code: 1611) to meet future development needs. To respond to the global trend of digital economy development, the Group successfully disposed of its power-related and electrical/electronic products business on 19 June 2023 to devote more resources to building a compliant leading one-stop digital asset platform to bridge traditional finance and digital asset world.

The three major business segments of the Group have currently been changed to digital asset services, advanced technology and strategic Investment Portfolio Management, including digital asset exchange, asset management, digital asset custody, mining, software-as-a-service (SaaS), data center, investment and ventures, CeFi, DeFi, Web3.0, NFT, Metaverse and infrastructure trackraces.



Adhering to its corporate philosophy of “Compliant, Professional, Diversified and Efficient”, the Group is actively participating in digital assets compliance process, and license-driven in business development, in order to provide institutional and individual investors with safe and compliant digital asset investment experiences. The Group’s subsidiaries have currently successfully obtained a number of licenses and qualifications, including:

License and Qualifications



SECURITIES AND
FUTURES COMMISSION
證券及期貨事務監察委員會

Type 4 (advising on securities) and
Type 9 (asset management) under the
Securities and Futures Commission of
Hong Kong



Trust or Company Service Provider
License (Hong Kong)



Money Service Business
License from the United States FinCEN



CMIC
Crypto Market
Integrity Coalition

The Sole Asian Founding Coalition
Member of Crypto Market
Integrity Coalition



BLOCKCHAIN
ASSOCIATION
SINGAPORE

Collaboration with the Blockchain
Association Singapore



FINTECH ASSOCIATION
OF HONG KONG

Member of FinTech Association
of Hong Kong

The Group shows significant advantages of diverse business led by its compliance licenses, and the services have also been well recognized by the capital market and investors. The Group has obtained numerous awards during the period in recognition of its outstanding performance. The Company was invited to attend the 2023 Inter-Pacific Bar Association (IPBA) Conference in Dubai in March 2023. Ms. Amanda Li, Deputy Director of Legal Affairs of Sinohope Technology, was invited to be the speaker on the topic of the digital art field/NFT/Web3.0. She had a comprehensive sharing and in-depth exchanges with the guests on the rise of digital art.

Environmental, Social and Governance Report

Major Awards

December 2022

Organizer and Event

TADS AWARDS
(Tokenized Assets & Digitized Securities Awards)

Award

Awarded with “DeFi & Asset Management solution” and the Rising Star in the “Ecosystem Excellence” category

May 2022

Hong Kong Most Outstanding Business Awards 2022 Ceremony held by Corphub

Awarded with “Hong Kong Outstanding Asset Management Business Award” (香港傑出資產管理企業大獎)

January 2022

The 6th Annual Golden HK Stock Awards Ceremony (第六屆金港股年度頒獎盛典) co-organised by Zhi Tong Financial (智通財經) and Royal Flush Financial (同花順財經)

Continuously be awarded with the “Best New Economy Company” award

Awarded with “Best CFO” award

December 2021

“Listed Company Awards of Excellence” ceremony organised by Hong Kong Economic Journal

Awarded with “Listed Company Awards of Excellence 2021”

September 2021

Hong Kong Investor Relations Association

Awarded with “Certificate of Merit” (優秀榮譽證書)

March 2021

China Institutional Investor Conference and 14th Golden Cicada Awards Ceremony Organised by China Times

Awarded with “Listed Company Outstanding Brand Award 2020” (2020年度上市公司傑出品牌獎)

January 2021

The 5th Annual Golden HK Stock Awards Ceremony (第五屆金港股年度頒獎盛典) co-organised by Zhi Tong Financial (智通財經) and Royal Flush Financial (同花順財經)

Awarded with the “Best New Economy Company” award

ABOUT THIS REPORT

The Group is pleased to present its seventh Environmental, Social and Governance (“ESG”) Report (the “Report”) in order to present our ESG and sustainability goals, strategies and performance to our stakeholders.

Reporting Period and Scope

The Report covers the period from 1 October 2022 to 30 September 2023 (the “Reporting Period”).

Unless otherwise stated, the Report covers the Group’s principal businesses, including the contract manufacturing of a wide range of power-related and electrical/electronic products on an electronic manufacturing services basis, the provision of technology solution services, and other multifarious services relating to the virtual asset ecosystem. During the Reporting Period, the office and warehouse in Japan were disposed of in November 2022, and the power-related and electrical/electronic products businesses in Mainland China were disposed of on 19 June 2023. Therefore, unless otherwise stated, the key performance indicators in the Report present the performance of office in Mainland China, office in Hong Kong, and the factory in Mainland China up to 19 June 2023, so as to better reflect the Group’s actual situation.

Reporting Standards and Principles

The Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “Guide”) as set out in Appendix C2 to the Rules Governing the Listing of Securities on the Main Board of HKEX. The Report has been prepared in full compliance with the mandatory disclosure requirements and “Comply or explain” provisions stipulated in the Guide and has been approved by the board of directors (the “Board”) of the Group.

The Report strictly adheres to the following reporting principles:

Materiality	The Group communicates with the stakeholders through various channels to understand their opinions. The Board also conducts internal meetings to analyse and identify material ESG issues. Material issues are disclosed in the Report.
Quantitative	The Group calculates the key performance indicators (“KPIs”) with reference to “Appendix 2: Reporting Guidance on Environmental KPIs” and “Appendix 3: Reporting Guidance on Social KPIs” of “How to Prepare an ESG Report” published by HKEX and discloses them in a quantitative manner where appropriate.
Balance	The Report presents the Group’s ESG performance during the Reporting Period in an objective and impartial manner to reflect the actual situation.
Consistency	The Group adopts consistent statistical and disclosure approach to allow for meaningful comparison of data over time. Any changes in reporting scope or methods to be clearly stated in the Report for stakeholders’ reference.

Report Publication

The Report is published in both Chinese and English. It is uploaded to the HKEX's website and the Company's official website (www.sinohope.com). Should there be any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

Feedback

The Group highly values stakeholders' opinions and suggestions, and understands that the feedback enables us to continually strengthen our sustainability performance. You are welcome to provide us with your valuable opinions on our ESG report or the Group's sustainability performance or strategies via mail to Unit 702-3, 7/F, 100 Queen's Road Central, Central, Hong Kong.

ESG GOVERNANCE STRUCTURE

The Company attaches great importance to its ESG commitment and is dedicated to fully integrating the factors into our decision-making process. We have established a governance framework to ensure our ESG strategies are aligned with the company's strategic growth and advocate incorporating ESG elements into our business operations. Our ESG governance structure consists of the Board and the Taskforce that work together to drive our ESG strategies.



The Board

- Has full responsibility for the Company's ESG strategy and reporting, including setting and overseeing related goals and policy directions.
- Regularly discusses and reviews the Group's ESG-related risks and opportunities, performance, goals and measures with the assistance of the Taskforce.
- Ensures the effectiveness of ESG risk management and internal control mechanism.



The Taskforce

- Comprised of core members from various departments of the Group and reports progress to the Board on a regular basis. It assists and supports the Board's oversight of ESG-related issues.
- Responsible for collecting and analysing ESG data, monitoring and evaluating the Group's ESG performance to ensure compliance with relevant laws and regulations as well as preparing ESG reports.
- Arranges meetings regularly to discuss and review ESG-related issues including but not limited to the effectiveness of our current ESG performance, policies and procedures, and sustainability strategy goals.

In addition, we have engaged Riskory Consultancy Limited, an independent ESG consultant, to assist in preparation of ESG Report and provide related consultancy services. For the Group's corporate governance structure and other related information, please refer to the Corporate Governance Report of the Annual Report.

STAKEHOLDER ENGAGEMENT

The Group believes stakeholders have a significant impact on the Group’s sustainability development and therefore attaches great importance to stakeholder engagement and communication. We maintain close communication with key stakeholders through various channels and proactively collect their opinions and expectations to assist us in formulating operational and ESG strategies, enhancing the Group’s governance capabilities and ESG performance, as well as continuing to create greater value.

Major Stakeholders	Expectations and Concerns	Communication Channels
 Customers	<ul style="list-style-type: none"> Quality products and services Protection of customers’ rights 	<ul style="list-style-type: none"> Customer service hotline Customer satisfactory surveys
 Employees	<ul style="list-style-type: none"> Improvement of the policies of manufacturing companies Employee compensation and benefits Training management 	<ul style="list-style-type: none"> Employee suggestion forms and suggestion boxes Regular meetings and management communication (such as email and phone calls) Intranet Field trip Job performance evaluation
 Shareholders and investors	<ul style="list-style-type: none"> Investment returns Corporate governance Business compliance Protection of the voting rights of shareholders and investors Appointment of directors 	<ul style="list-style-type: none"> Annual general meeting Financial reports Announcements and circulars
 Government and regulatory authorities	<ul style="list-style-type: none"> Compliance with laws and regulations Supporting research and development of high-tech products 	<ul style="list-style-type: none"> Legal advisor Meetings Field Trip
 Suppliers	<ul style="list-style-type: none"> Selection of suppliers Sustainable supply chain 	<ul style="list-style-type: none"> On-site audit management system Supplier management meeting and events
 NGOs, industry chamber of commerce, and communities	<ul style="list-style-type: none"> Community participation Business compliance Environmental protection awareness 	<ul style="list-style-type: none"> Community investment plan ESG reports

MATERIALITY ASSESSMENT

To effectively identify material issues, the management of the Group carried out ESG assessment to review and identify 26 material issues of concern to stakeholders. Through continuous communication with stakeholders, evaluation of the Group's actual business operations and industry characteristics, and with reference to the Sustainability Accounting Standards Board (SASB) and MSCI's industry materiality issues classification as well as the material issues disclosed by industry peers, the Group have reviewed the issues identified in 2022 and assessed and determined the material issues for the Reporting Period.

Material Issues	Materiality
Environment	
Energy Management	Most Important
Climate Change Management	Important
Emissions Control	
Waste Management	
Water Management	
Noise Pollution	Relevant
Business Operation's Impact on Environment	
Employment	
Labour Standards	Most Important
Employment and Welfare	
Occupational Health and Safety	
Development and Training	
Employee engagement, Diversity and Inclusion	Important
Operation	
Anti-corruption, fraud, monopoly, money laundering	Most Important
Product Quality and Safety Responsibility	
Protection of Consumer Privacy and Data Security	
Intellectual Property Rights	
Supply Chain Management	Important
Corporate Governance and Risk Management	
Customer Services	Relevant
Marketing and Product Labelling	
Responsible Investment and Access to Finance	
Consumer Financial Protection	
Financial Technology, Technology Inclusion, and Digitalisation	
Business Ethics	
Product Design and Lifecycle Management	
Community	
Corporate Social Responsibility and Community Investment	Important

ENVIRONMENT

As an industry leader and socially responsible corporate, the Group fully recognizes its responsibility for environmental protection and is committed to sustainable operations. To achieve low-carbon and sustainable business operations, we continually strive to enhance resource efficiency and are dedicated to minimizing our environmental impact.

To regulate environmental management, the Group utilizes standardized management systems and formulates environmental protection policies, which are circulated to employees. We strictly comply with environmental laws and regulations, including but not limited to:

- The Environmental Protection Law of the People's Republic of China;
- The Water Pollution Prevention and Control Law of the People's Republic of China;
- The Atmospheric Pollution Prevention and Control Law of the People's Republic of China;
- The Law of the People's Republic of China on Noise Pollution Prevention and Control;
- Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Wastes;
- The Air Pollution Control Ordinance (Cap. 311 of the Laws of Hong Kong);
- The Water Pollution Control Ordinance (Cap. 358 of the Laws of Hong Kong); and
- The Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong).

The Group's office and factory in Mainland China are mainly engaged in power-related and electrical/electronic products business, while the Hong Kong office provides technology solution services and other multifarious services relating to the virtual asset ecosystem. Therefore, the Group's environmental impact is mainly from the factory in Mainland China, while the offices are mainly used for administrative and data collection, storage and processing purposes, therefore the environmental impact is relatively small.

For the business of manufacture of power-related and electrical/electronic products, we have established policies such as the Operational Control Procedures (《運行控制程序》), Standards for Water and Power Conservation Measures (《節約水電措施標準》), and Standards for Resource Conservation Measures (《節約資源措施標準》) to provide guidance for resource management. The internationally recognized ISO14001:2015 Environmental Management System (the "EMS") has been implemented and the Environmental Management System Manual (《環境管理體系手冊》) has been developed in the factory in Mainland China. The Manual clearly states that the Group must strictly comply with all local environmental regulations and laws, and systematically control and manage the identified environmental risks and opportunities, as well as continually improve to meet the evolving long-term needs of our customers. We regularly review the above measures and procedures to ensure that they remain applicable. All employees are formally notified of the implementation of the guidelines during induction training and when the guidelines are updated.

Environmental, Social and Governance Report

Although the Group does not generate significant emissions in the course of providing technology solution services and other multifarious services in relation to the virtual asset ecosystem, the Group formulates relevant internal guidelines, strictly complies with all local environmental laws and regulations, and manages emissions generated from and resource use in our business activities to minimize environmental impact to the greatest extent.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste that would have a significant impact on the Group.

EMISSIONS

Air Emissions

The Group's air emissions are mainly generated from the production processes at factory in Mainland China and fuel consumption by vehicles. During the Reporting Period, the Group's emission data is as follows:

	Unit	2023	2022
Nitrogen Oxides (NO _x)	kg	6.87	24.75
Sulphur Oxides (SO _x)	kg	0.09	0.11
Particulate Matter (PM)	kg	0.51	1.28

The Group has actively implemented the following emission reduction measures in its operations and is committed to minimizing air emissions from its operations and ensuring compliance with the statutory emission standards.

Air emissions are generated in the production processes of power-related and electrical/electronic products (such as wave soldering, immersion tin, injection molding, alcohol wiping and sparking machines). The Group has installed a number of ventilation systems and gas treatment facilities across the factory to ensure the air emissions generated are diluted through chimneys before being released into the atmosphere. In the meantime, to meet Level 3 of the second period under the "Atmospheric Pollutant Emission Limits" (《大氣污染物排放限值》) (DD44/27-2001), we have actively implemented the following measures:

Air Emissions Reduction

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

On the other hand, the Group has also adopted various measures to reduce air emissions from vehicles.

Vehicle Air Emissions Reduction

- Switch off the engine when the vehicle is idling;
- Perform efficient planning on driving routes to minimise route repetition and optimise fuel consumption;
- Use unleaded fuel and low-sulphur fuel according to the laws and regulations;
- Eliminate non-compliant vehicles in accordance with national emission policy regulations (national standard IV);
- Undergo maintenance service regularly to ensure optimal engine performance and fuel use; and
- Optimise operational procedures to increase efficiency and reduce vehicle idling rates.

Greenhouse Gas Emissions

Greenhouse gas (“GHG”) generated in our daily operations are mainly the direct GHG emissions from vehicle fuel combustion, the energy indirect greenhouse gas emissions from purchased electricity, and other indirect GHG emissions including air travel and paper disposal into landfills.

During the Reporting Period, the Group’s emissions data is as follows:

	Unit	2023	2022
Direct GHG emissions (Scope 1)¹			
• Gasoline and diesel consumed	tCO ₂ e	16.87	20.32
Energy indirect GHG emissions (Scope 2)¹			
• Purchased electricity	tCO ₂ e	1,177.89	1,783.95
Other indirect GHG emissions (Scope 3)¹			
• Air travel and paper disposed into landfills	tCO ₂ e	5.97	35.18
Total GHG emissions	tCO ₂ e	1,200.73	1,839.45
Intensity²	tCO ₂ e/HK\$1,000,000 of revenue	0.40	0.19

Notes:

1. GHG emission data is presented in terms of carbon dioxide equivalent and is based on, but not limited to, “The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards” issued by the World Resources Institute and the World Business Council for Sustainable Development, “How to prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs” issued by HKEX, and “Global Warming Potential Values” from the IPCC Sixth Assessment Report, 2021 (AR6).
2. The unit used for 2022 intensity data has been adjusted to improve relevance and comparability.

Environmental, Social and Governance Report

The Group strives to reduce the GHG emissions intensity. To achieve the target, we have implemented various emission reduction measures.

GHG Emissions Reduction

Direct GHG Emissions (Scope 1)

- Proactively adopt the measures described in the “Air Emissions” section under “Emissions”.

Energy Indirect GHG Emissions (Scope 2)

- Adopt energy-saving measures. Related measures will be detailed in the “Energy Management” section under “Use of Resources”.

Other Indirect GHG Emissions (Scope 3)

- Use air travel only when necessary, and prefer conference calls and network conferences as communication methods to reduce the number of business trips; and
- Measures to reduce waste paper disposal at landfills are detailed in the “Waste Management” section under “Emissions”.

In the coming year, the Group will continue to strive to reduce greenhouse gas emissions and explore more feasible emission reduction measures.

Waste Management

The solid waste generated by the Group can be divided into hazardous and non-hazardous waste. We have established effective waste treatment strategy and policy to properly handle waste. During the Reporting Period, the Group’s relevant data is as follows:

	Unit	2023	2022
Total Hazardous Waste	tonnes	0.19	1.02
Hazardous Waste Intensity	kg/HK\$1,000,000 of revenue	0.06	0.11
Total Non-hazardous Waste (paper)	tonnes	6.35	5.56
Non-hazardous Waste Intensity ³	kg/HK\$1,000,000 of revenue	2.12	0.59

Note:

- The unit used for 2022 intensity data has been adjusted to improve relevance and comparability.

Hazardous Waste

Hazardous waste is mainly from the toxic and hazardous industrial waste generated in the production process at the factory in Mainland China, including waste oil rags, oil gloves, waste thinner, thinner, alcohol, waste cutting fluid, punching fluid, waste tin residue, oily residue, waste oil (such as printing oil, motor oil), etc.

To regulate the toxic and hazardous waste management and minimize environmental impact, we have established the Toxic and Hazardous Waste Management Standards (《有毒有害廢物管理標準》) to prevent the spread and leakage, and formulated the Emergency Response Plan (《應急響應計劃》) to respond to any leakage. The Quality System Department of the Group is responsible for identifying the toxic and hazardous waste and filling in the Toxic and Hazardous Waste List (《有毒有害廢物清單》). Each department will categorize and place them in dedicated containers for the toxic and hazardous solid waste and liquids according to the requirements. The Group has engaged qualified personnel to regularly collect such waste in accordance with the Toxic and Hazardous Waste Management Standards (《有毒有害廢物管理標準》). To ensure work safety, adequate trainings are arranged for employees.

In addition to the aforementioned hazardous waste, the factory in Mainland China also generates wasted activated carbon during the production process, which adsorbs a large amount of volatile organic compounds. Therefore, we engaged licensed operators in accordance with relevant laws and regulations to recycle and properly handle the wasted activated carbon, to avoid secondary environmental pollution.

The Group is committed to reducing hazardous waste. During the Reporting Period, the Group utilized laser engraving technology to replace imprint technology, thus reducing the generation of hazardous waste.

Non-hazardous Waste

Non-hazardous waste generated by the Group in daily operations includes paper, metals, slag, plastics, and general wastes. They are classified into recyclable and non-recyclable wastes, and then centrally placed in designated collection areas and regularly recycled by waste collectors. To maintain clean collection areas, we have appointed a management responsible person to handle the wastes in a timely manner. The Group strives to reduce the total intensity of non-hazardous waste and has implemented the following waste reduction measures:

Waste Reduction Measures

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

Environmental, Social and Governance Report

In the coming year, the Group will continue to promote paperless operations and strengthen the entire information technology system to reduce the generation of non-hazardous waste, and to minimize the risks and impacts of waste on the environment.

USE OF RESOURCES

Energy Management

Gasoline and electricity consumption are the main sources of the Group's energy consumption. During the Reporting Period, the energy consumption data is as follows:

	Unit	2023	2022
Direct Energy Consumption (Gasoline)	MWh	49.67	63.63
Direct Energy Consumption (Diesel)	MWh	8.97	11.24
Indirect Energy Consumption (Purchased Energy)	MWh	2,060.38	3,480.36
Total Energy Consumption	MWh	2,119.02	3,555.23
Intensity ⁴	MWh/HK\$1,000,000 of revenue	0.71	0.38

Note:

4. The unit used for 2022 intensity data has been adjusted to improve relevance and comparability.

During the Reporting Period, the Group actively promoted energy saving, increased energy and resource use efficiency, and strived to reduce total energy consumption intensity.

To achieve energy saving and high efficiency of electricity usage, the Group has established the following rules and regulations covering lighting, machinery and equipment, and air conditioning equipment:

Lighting

- Turn off unnecessary lighting;
- Regularly clean light tubes or bulbs to ensure luminous efficiency and appropriate illumination;
- Turn off lights when off duty or when people leave; and
- Use natural light as much as possible without affecting work.

Equipment

- Introduce the energy-saving equipment when purchasing and improving new and expanded factory and equipment;
- Minimize energy consumption when equipment is not in production; and
- Avoid activating equipment prematurely and idling equipment.

Air Conditioning

- Keep doors, windows, and entrances closed to prevent loss of air conditioning in establishments where air conditioning is used;
- Set indoor temperature to a suitable temperature and not lower than 26°C;
- Do not use fans when the air conditioning is on;
- Use the timer function as needed, air conditioning must be turned off after leaving the room; and
- Properly maintain air conditioning equipment to ensure cooling effect.

The Group will continue to strive to reduce energy consumption and gradually phase out low-efficiency equipment at the end of equipment lifecycles.

Environmental, Social and Governance Report

Water Management

The Group fully recognizes the importance of water resources. Our water use in daily operations is mainly from water use in offices and factory. The water consumption of offices is managed by the property management office, and the relevant data is currently not available. Where possible, we will enhance data collection processes to collect relevant data in the future. Based on the business nature of the Group, we did not encounter any significant issues in sourcing water that is fit for purpose during the Reporting Period. The Group's water consumption data was as follows:

	Unit	2023	2022
Total Water Consumption	m ³	11,237.00	12,903.73
Intensity ⁵	m ³ /HK\$1,000,000 of revenue	3.75	1.37

Note:

5. The unit used for 2022 intensity data has been adjusted to improve relevance and comparability.

The Group strives to reduce total water consumption intensity. To promote the idea of "Water Conservation Starts with Me" and encourage employees to develop the habit of water-saving, the Group has established specific water-saving guidelines and measures based on water consumption characteristics, including:

Water Saving Measures

- Use induction water switches and flow restriction measures for domestic water recovery and recycling;
- Inspect and maintain water storage, distribution, and consumption facilities regularly, and promptly solve problems identified to prevent wastage of water resources; and
- Post reminder slogans such as "water conservation is everyone's responsibility" on public water occasions to promote the concept of "water conservation" in the public mind.

Use of Packaging Materials

The Group's packaging materials are mainly carton boxes for products. We have been committed to reducing the usage of packaging materials. During the Reporting Period, the consumption data for packaging materials is as follows:

	Unit	2023	2022
Total Packaging Material Consumption	tonnes	38.56	111.24
Intensity ⁶	tonnes/HK\$1,000,000 of revenue	0.01	0.01

Note:

6. The unit used for 2022 intensity data has been adjusted to improve relevance and comparability.

THE ENVIRONMENT AND NATURAL RESOURCES

The Group has always placed great emphasis on the impact of its business on the environment and the use of natural resources. We are committed to identifying and mitigating related impacts and integrating the principles of sustainability into every operational aspect. For the power-related and electrical/electronic products businesses, the Group conducts assessments on potential environmental impacts in order to better understand and manage our operational footprint. To reduce accidental risks and ensure business continuity, we have implemented stringent procedures to prevent chemical leakages or spills into the environment, as well as regularly conducted emergency response drills and exercises.

The Group is committed to environmental protection while proactively managing the impact of its business on the environment and natural resources. We strive to achieving the goal of environmentally sustainability and integrating environmental protection concepts into internal management and daily business operations. Therefore, we have implemented a number of resource use and emission reduction measures, and actively promote environmental awareness among employees to encourage them to make suggestions of innovative ideas to reduce environmental damage and assist the Group in achieving more sustainable operations. Relevant details are described in the “Emissions” and “Use of Resources” sections.

Noise Pollution

The Group’s factory in Mainland China may generate noise in the production process. In addition to complying with environmental regulations and international standards and properly protecting the natural environment, the Group has also established the Noise Pollution Control Standards (《噪音污染控制標準》) in accordance with the National Noise Control Standards (《國家噪聲控制標準》) and implemented the following measures to effectively control noise pollution, protect employee health, and reduce negative impacts on the environment and surrounding communities.

Noise Pollution Reduction

- Design facilities with strong sound insulation and shock absorption effects;
- Timely and properly maintain equipment to reduce noise at the source; and
- Require employees working in noise-intensive environments (such as metalworkers and ultrasonic welding machine operators) to wear earplugs or earmuffs.

CLIMATE CHANGE

Climate Change Management

The Group fully understands the importance of identifying and responding to significant climate risks, and proactively manages potential climate risks that may impact the Group's business. We have established risk management policies in identifying and mitigating various risks, especially the climate change related risks. To develop appropriate risk response strategies, the Board also holds regular meetings to maintain close communication and cooperation with senior management to explicitly identify and assess climate-related risks.

Climate Risks and Response Measures

Physical Risks

Increasing frequency and severity of extreme weather events caused by climate change.

Potential Impacts

Damage to power grids and communication infrastructure, causing employee injuries, business interruptions, reduced production capacity and productivity of the Group, or exposing the Group to risks associated with non-performance and delayed performance.

Response Measures

The Group adopts flexible work arrangements and precautionary measures under adverse or extreme weather conditions.

Transition Risks

Climate regulations and rules will become increasingly stringent with higher requirements for climate-related information disclosure.

Potential Impacts

Increasingly stringent environmental laws and regulations will increase the Group's compliance costs and may even expose the Group to higher risks of claims and lawsuits for failure to comply with relevant laws and regulations.

Failure to meet climate change compliance requirements will increase the Group's relevant capital investment and compliance costs, as well as affect the Company's reputation.

Response Measures

To respond to policy and legal risks as well as reputation risks, the Group regularly monitors existing and emerging climate-related trends, policies and regulations, and prepares to alert top management when necessary, in order to avoid increased costs, fines for violations and/or reputation risks due to delayed response.

SOCIAL

Employment

We fully understand that our employees are the key to driving our continuous innovation and maintaining competitiveness. They are the Group's most important asset. The Group adheres to the principle of "equality for all" and is committed to the people-oriented management philosophy. To build harmonious labour relations, the Group is committed to safeguarding the occupational health and safety of employees, adhering to democratic management, and protecting the interests of employees while respecting and valuing the enthusiasm, initiative and creativity of employees.

To regulate human resource management and guide employees' daily business conduct, the Group has established human resources policy documents such as Human Resources Management Procedures (《人力資源管理程序》) and Employee Handbook (《員工手冊》) to ensure full respect and protection of the legitimate rights and interests of all employees. We strictly comply with labour laws and regulations, including but not limited to:

- Labour Law of the People's Republic of China;
- Labour Contract Law of the People's Republic of China;
- Employment Ordinance (Cap. 57 of the Laws of Hong Kong); and
- Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong).

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination and other benefits and welfare that would have a significant impact on the Group.

Recruitment, Promotion and Dismissal

The Group is committed to implementing strategies to strengthen human resources and continuously improving the talent recruitment and screening process. To meet the Group's current and future development needs, the Group recruits talents through improved, transparent and fair recruitment mechanisms. To attract and hire outstanding talents, we adhere to ethical standards, knowledge, ability, experience and physical fitness as recruitment criteria, and are committed to the principles of fairness, equality, and openness.

Environmental, Social and Governance Report

As at 30 September 2023, the Group had 87 employees (30 September 2022: 786 employees). The distribution of employees is as follows:

Employees No.	Unit	2023 ⁷
By Gender		
Male	person	50
Female	person	37
By Age Group		
Under 30 years old	person	36
31-40 years old	person	46
41-50 years old	person	5
Over 50 years old	person	0
By Geographical Region		
Mainland China	person	62
Hong Kong	person	23
Singapore	person	2
By Employment Type		
Full-time	person	87
Part-time	person	0

Note:

7. 2023 employee data included office in Mainland China and Hong Kong office.

To protect the interests of employees and the Company, the management of employee promotions, transfers and demotions is based on clear criteria and procedures. Employee promotions are based on their work performance, capabilities, potential, and the Company's needs, and can only be implemented with the approval of relevant procedures.

Regarding employee termination, the Group follows internal regulations and relevant national laws and regulations to handle related procedures. To continuously optimize the Group's operation mechanism, the Group arranges an exit interview for employees to understand the underlying reasons they leave the Group. During the Reporting Period, the employee turnover rate is as follows:

Turnover Rate ⁸	Unit	2023 ⁹
By Gender		
Male	percentage	124
Female	percentage	146
By Age Group		
Under 30 years old	percentage	150
31-40 years old	percentage	122
41-50 years old	percentage	120
Over 50 years old	percentage	0
By Geographical Region		
Mainland China	percentage	152
Hong Kong	percentage	87
Singapore	percentage	100

Notes:

- The employee turnover is calculated by dividing the total number of employee turnover during the reporting period by the total number of employee at the end of the period, and the percentage may exceed 100%.
- Due to business adjustments, employees from factory in Mainland China related to the disposed power-related and electrical/electronic products businesses are excluded in the calculation of 2023 turnover rate, in order to reflect the actual business operations. 2023 employee data include office in Mainland China and Hong Kong office.

Remuneration and Benefits

The Group has formulated the Employee Handbook (《員工手冊》) in accordance with relevant regulations to ensure that legitimate rights and interests of employees in remunerations, working hours, holidays, etc. are fully respected and protected.

The Group has established a fair, equitable, reasonable and competitive remuneration system. The remuneration of employees consists of post salary and performance bonus, and is determined based on their job positions, work experience, relevant expertise and work performance. The Group will make salary adjustment plans based on its business performance, results, market data, and current remuneration status.

The Group makes social insurance contributions for employees in accordance with the relevant laws and regulations. Pursuant to the Mandatory Provident Fund Schemes Ordinance, we make regular contributions for eligible employees in Hong Kong. Employees of the Group's subsidiaries in Mainland China are required to participate in the state-managed retirement benefit scheme operated by the PRC government.

Environmental, Social and Governance Report

In addition, the Employee Handbook (《員工手冊》) stipulates employees' working hours and holidays. In addition to basic statutory holidays, employees are entitled to paid annual leave, marriage leave, maternity leave, paternity leave, and sick leave, etc. Although the Group emphasizes work efficiency and does not encourage employees to work overtime under normal circumstances, they may work overtime as appropriate according to work requirements.

Equal Opportunities, Diversity and Anti-discrimination

A diverse talent pool is the key to the Group's sustainable growth. We are committed to building and maintaining an inclusive, cooperative and mutually supportive workplace culture with zero tolerance for any form of sexual harassment or abuse at work. The Group strives to provide equal opportunities in all aspects and maintaining a workplace free of discrimination based on race, religion, colour, gender, physical or mental disability, age, place of origin, marital status and sexual orientation, physical or verbal harassment.

Employee Participation

The Group highly values employees' opinions and suggestions, and collects feedback through annual employee satisfaction surveys to understand their level of satisfaction relating to management strategy, business objectives, product quality, training opportunities, safety, remuneration packages, working conditions, and any other aspects related to the Group. To address and improve the situation, the Group will analyze areas of employee dissatisfaction indicated in the survey results and report to top management, after which corrective and preventive plans will be launched.

Team spirit is also one of the Group's core values. To strengthen connections between employees and promote work-life balance, the Group has arranged a series of corporate and social activities for employees to enhance corporate culture and their sense of belonging. During the Reporting Period, the Group organized various corporate activities and team-building dinners, providing good opportunities for all employees to relax and communicate.

Health and Safety

Adhering to the philosophy of "safety first", the Group is committed to providing a healthy and safe working environment for all employees. To prevent occupational hazards and safeguard employee wellbeing, we have established comprehensive work safety policies and management procedures, and strictly comply with relevant laws and regulations, including but not limited to:

- Labour Law of the People's Republic of China;
- Law of the People's Republic of China on Work Safety;
- Law of the People's Republic of China on the Prevention and Control of Occupational Diseases;
- Fire Control Law of the People's Republic of China;
- Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong); and
- Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong).

During the Reporting Period, we were not aware of any material non-compliance with health and safety-related laws and regulations that would have a significant impact on the Group.

In the past three years (including the Reporting Period), the Group has not recorded any work-related fatalities or serious bodily injuries. In addition, during the Reporting Period, the Group did not have any claims or compensation to employees for work-related injuries or fatalities, and was not aware of any material violations of laws and regulations relating to employee health and safety.

	Unit	2023 ¹⁰
Number of work injury cases	case	1
Lost days due to work injury	day	77

Note:

- Work injuries in 2023 were involved in the factory in Mainland China, and the business was successfully disposed of in June 2023.

Safe Production Management System

For the power-related and electrical/electronic products businesses, the Group strives to strengthen its commitment to safety management. We have implemented 5S management (Seiri, Seiton, Seiso, Seiketsu and Shitsuke) in the manufacturing facilities to promote a safe and efficient workplace, reduce the risk of occupational injury or accident, and enhance employees' productivity, performance and morale. Employees working under potential occupational hazards are required to wear protective equipment such as masks and earmuffs. Safety facilities such as exhaust ventilation systems are also installed at work sites, along with first aid boxes and medicines. To further prevent work-related injuries, the Group conducts regular inspections to ensure production operations are fully covered and properly implemented, and any problems encountered will be corrected immediately.

The Group has established the Production and Service Operation Procedures (《生產和服務運作程序》) and Production Process Management Procedures (《生產過程管理程序》) as a guidance for production workers. To further enhance employees' safety awareness, the Group provides regular occupational safety education and training, and special training to employees on special occasions when deemed necessary. The Group will assess the relevant safety knowledge of employees (such as knowledge of safe operations and handling emergencies) before commencing work.

In addition to safety training, the Group has also established the fire safety work methods in accordance with the National Engineering Building Fire Control Standards (《國家工程建築火災控制標準》) and established a fire control system for the power-related and electrical/electronic products businesses. To maintain zero accidents, fire drills and other emergency drills are conducted periodically at the Group's factory in Mainland China.

Environmental, Social and Governance Report

Safe Working Environment

The Group has established workplace health and safety policies and requires employees to strictly comply with the relevant policies as set out in the Employee Handbook (《員工手冊》). Relevant departments are responsible for monitoring the workplace and promptly resolving any unsafe conditions.

To ensure employees' occupational health and safety, the Group has implemented various measures as follows:

Work Safety Measures

- Ensure sufficient space between workstations and clean public areas such as corridors and pantries;
- Arrange professional service providers for regular cleaning;
- Maintain adequate ventilation and lighting systems in the offices;
- Provide adjustable chairs;
- Prohibit smoking and alcohol abuse at the workplace; and
- Install various fire-fighting facilities in offices and warehouses, including fire sprinkler systems, fire extinguishers, fire hoses, etc., which are regularly maintained by external professional teams.

Development and Training

The Group firmly believes that providing employees with proper and adequate training is crucial, as it not only improve their job performance and product quality, but also inspire work potential and promote team spirit.

To assist the Group in coordinating with its operational policies and organizational development needs, all employees will receive appropriate and necessary training to enrich their expertise and skills, as well as improve their work quality and capability. To enhance employees' professional skills and facilitate their career development, we are committed to providing employees with extensive training activities that combine internal training, external training and new employee education. During the Reporting Period, employee training data is as follows:

	2023 ¹¹
Percentage of employees trained by gender¹² (%)	
Male	100
Female	100
Percentage of employees trained by employee category¹² (%)	
Senior Management	100
General Staff	100
Average training hours completed per employee by gender (hours)	
Male	1.52
Female	1.35
Average training hours completed per employee by employee category (hours)	
Senior Management	5.50
General Staff	1.04

Notes:

- 2023 employee data includes office in Mainland China and Hong Kong office.
- The formula for calculating the percentage of employees trained by employee category (%) is as follows:

Training ratio of employees by category = (Number of trained employees by category)/(Number of employees at the end of the Reporting Period by category) * 100

Training Management and Courses

For the business of providing technical solutions services and the virtual asset ecosystem, the Group provides employees with a range of internal and external courses to facilitate work-related technologies and knowledge. To assist new employees in integrating effectively into the work culture, we provide comprehensive induction training to ensure they understand the Group's values and culture. The induction training includes the Group's structure, profiles of different departments, code of conduct, overview of corporate policies and procedures, and other key human resources-related information. In addition, the Group also provides employees with training on market and regulatory updates, business ethics, compliance, anti-money laundering, insider trading, information security and cyber risk awareness, and conflicts of interest. Such trainings not only assist employees in meeting the requirements of continuous professional training and increasing their knowledge and understanding of different investment products and industries but also keep employees informed of the latest rules and regulations.

For the power-related and electrical/electronic products business, the Group has established the Training Operation Program (《培訓作業程序》) in accordance with international standards such as ISO 9001:2015, IATF 16949:2016 and ISO 14001:2015. This aims to improve the professional standards of factory employees and enhance their technical knowledge and work efficiency, thereby promoting continuous improvement of the overall quality of the Group and environment. The Group provides pre-job training for employees in accordance with relevant procedures, covering corporate culture, production safety, occupational health, environmental protection and professional skills.

In addition, the training and development plans are formulated and implemented based on the needs of different departments and business strategies each year. These plans include customized internal and external training programs for employees. The internal training includes different courses, such as manual soldering training, tooling equipment manufacturing training, and familiarity with electronic components. The external training includes inviting external experts to the factory or sending employees to external institutions for training. After the completion of training, the Group will evaluate the effectiveness of training programs and record the results to continuously optimize and improve training quality.

Moreover, to help new employees adapt to the new working environment, they are required to participate in induction training covering the Group's business philosophy, product quality policies and objectives, safety precautions, occupational health, ISO9001 standard and ISO14001 standard, etc. At the Group's manufacturing facilities, all employees undergo training and acquire the necessary skills and knowledge before starting the work. To ensure workers are aware of the latest practices, the Group also organizes refresher training programs.

The Group also emphasizes production safety training for employees, and related policies are detailed in the "Safe Production Management System" section.

Labour Standards

The Group strictly prohibits the child labour and forced labour, and complies with our existing Anti-Slavery Regulations (《反奴隸制規定》) and local relevant laws and regulations, including but not limited to:

- Labour Law of the People's Republic of China;
- Labour Contract Law of the People's Republic of China; and
- Employment Ordinance (Cap. 57 of the Laws of Hong Kong).

The Group has established a comprehensive recruitment process, including reviewing candidates' backgrounds and formal reporting procedures for handling any specific situations. The Group also conducts regular reviews and inspections to prevent the use of child labour or forced labour in operations. The Group complies with relevant laws on labour standards, such as the content of mandatory labour in the International Labour Organization framework. The Group respects human rights and is committed to protecting all employees, and no employee of any position shall be forced to work against their personal will.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to preventing child and forced labour that would have a significant impact on the Group.

Prevention of Child Labour

The Group adheres to regulations and strictly prohibits the uses of any child labour and forced labour in its Hong Kong and Mainland China operations. The Group's recruitment requirements stipulate that only employees over the age of 18 are recruited and require all new employees to provide certified true copies of personal information to ensure they fulfil the legal working age requirements of local labour laws and regulations. The Human Resources department strictly verifies their information, including physical examination results, academic certificates, ID cards, and account information. The Human Resources department also screens out job candidates under 18 years old. In addition, the Group conducts child labour inspections each year to verify the true age of employees. If any cases of hiring the workers below the legal working age are discovered, we will promptly take necessary remedial actions, including terminating the employment, and reporting to relevant government departments.

Prevention of Forced Labour

In addition, to eliminate any forced labour, the Human Resources department of the Group is committed to ensuring that employees have adequate rest period and regulating the duly approval for all overtime work. We are committed not to force employees to work against their personal will, impose corporal punishment, coercion or any other form of undue pressure to require them to work overtime.

Moreover, on the basis of voluntary overtime, the Group is committed not to force employees to work overtime in order to avoid violating labour standards and depriving employees of their rights. The Group will not charge deposits or withhold identity documents from new employees. The Human Resources department also regularly checks attendance records and investigate any overtime situations. The Group prohibits punitive measures, management methods and behaviors for any reason, such as abuse, corporal punishment, violence, mental stress, sexual harassment (inappropriate language, posture and physical contact), sexual abuse, etc.

Supply Chain Management

The Group fully understands the importance of building win-win and long-term relationships with suppliers for corporates, and is committed to building a responsible and sustainable supply chain system. During the Reporting Period, the Group had a total of 409 suppliers, with main suppliers located in Mainland China and Hong Kong, and others including Singapore, India, the United States, etc., categorized as follows:

Distribution of Suppliers by Geographical Region	Unit	2023
Mainland China	supplier	291
Hong Kong	supplier	85
Others	supplier	33

Fair and Open Procurement

The Group strictly implements the relevant provisions of “Shop Around Three” in the procurement process, and ensures procurement is conducted in an open, fair and impartial manner without discriminating against any supplier. In addition, to prevent conflicts of interest, employees and other individuals who have an interest in the relevant suppliers will not be allowed to participate in related procurement activities.

Business Ethics

The Group also emphasizes the integrity of suppliers and partners. The Group only selects suppliers and partners with good past business records and no serious violations or unethical business conduct. The Group adopts zero tolerance for bribery and corruption and strictly prohibits suppliers and partners from obtaining procurement contracts or partnerships through any form of transfer of benefits.

Provision of Technology Solutions Services and Variety of Services in the Virtual Asset Ecosystem

The Group maintains close cooperative relationships with suppliers providing information technology, professional and marketing services. To standardize and optimize the procurement process, we have established the Acceptance and Supplier Scoring Procedure (《驗收及供應商評分流程》) and a Supplier Introduction Process (《供應商引入流程》). The procurement team is responsible for executing policies, approving procurement procedures, and conducting qualification reviews of suppliers and contractors to ensure all employees involved in procurement strictly comply with the procurement code. There are three stages in the supplier selection process – supplier introduction portal, feedback on assessment results, and supplier information qualification assessment. During the Reporting Period, all suppliers of the Group underwent the Group’s standardized procurement process.

In addition, the Group encourages suppliers to pursue sustainability. In feasible situations, besides considering criteria such as price, reputation, proactivity in dealing with problems, customer service, product quality and experience, the Group will also consider the environmental, community and ethical values of the suppliers, and prioritize the suppliers with the environmental and social commitment. The Group maintains close communication with suppliers to share the latest knowledge on quality, safety and good environmental practices, and to provide necessary guidance on implementing green practices throughout the entire supply chain.

Power-related and Electrical/electronic Products Business

As a manufacturer of electric and electronic products, we rely on the stable support of various suppliers and contractors. They provide a wide range of raw materials, components and sub-components that are crucial to our product supply and business operations. Selecting suitable suppliers and contractors has significant impact on product and service quality. We are committed to establishing partnerships with suppliers with outstanding performance in technical capability, stability, reliability and social responsibility. To achieve efficient operations and maintain a sustainable supply chain, we have established a comprehensive supplier management mechanism. To conduct comprehensive assessments of suppliers' qualifications and performance, we have established the Supplier Qualification Management Guidelines (《供應商資格管理指引》) and the Supplier Competency Assessment Form (《供應商能力評核表》). During the Reporting Period, assessments had been conducted on 30 key suppliers.

To ensure product quality, environmental protection, and the well-being of end users, all new suppliers must complete a qualification pre-assessment document for evaluation of technical capabilities, quality management, safety and environmental compliance. Meanwhile, the suppliers are required to submit product samples together with the relevant declarations in compliance with international and national standards, such as the Directive on Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment ("RoHS"), and the Registration, Evaluation, Authorisation and Restriction ("REACH"). This process assists the Group in fairly assessing potential candidates and selecting the most suitable suppliers to support the Group's operations, while reducing potential environmental and social risks. Only suppliers meeting our standards can become approved material or service providers.

The Group believes continuous improvement is important in daily operations. We conduct quarterly performance evaluations of existing suppliers and contractors, and continuously assess their performance. If the supplier fails to meet the Group's performance standards, we will issue a corrective action plan to the supplier for performance improvement (where applicable). If necessary, the Group will also closely monitor the suppliers' business practices through on-site inspections. Any non-compliance found during site visits will be reported to management, and corrective action plans will be executed to promptly rectify the identified risks.

Product Responsibility

The Group is committed to continuously improving the Group's quality control system, optimizing the integrated management of product manufacturing, consistently meeting customer expectations, and has implemented different management systems. During the Reporting Period, no products sold or shipped by the Group were recalled for safety and health reasons. We strictly comply with relevant laws and regulations, including but not limited to:

- Law of the People's Republic of China on the Protection of Consumer Rights and Interests;
- Patent Law of the People's Republic of China;
- Sale of Goods Ordinance (Cap. 26 of the Laws of Hong Kong);
- Copyright Ordinance (Cap. 528 of the Laws of Hong Kong);
- Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong); and
- Trade Marks Ordinance (Cap. 559 of the Laws of Hong Kong).

Environmental, Social and Governance Report

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided, and methods of redress that would have a significant impact on the Group.

Asset Security Protection

As a digital asset trust service provider, we adopt self-developed security systems and rigorous risk management systems to ensure the security of customer assets.

The Group's technologies include but are not limited to:

Military-grade Secure Private Keys Storage in Hardware Security Module

Adopt the world class tamper resistant Hardware Security Module (HSM) to safeguard and manage cryptographic private keys

Globally Distributed Multi-signature Cold Wallets

M/n consensus algorithm with key sharding and multiple signature authorization distributed globally to further enhance the security of your assets

Proven Anti-Money Laundering System

Effective and internationally recognized AML system to ensure the security and compliance of each digital asset transaction

Multiple Security Protection Mechanisms

Security protection technology and multiple signature mechanism are tested, validated and certified to the industry security standard

Thorough Platform Security Penetration Testings

Regular security penetration testings on our platform which meets the ISO27001 Cybersecurity standard

Internal and External Emergency Responses Mechanism

Multiple response mechanisms to tackle on-chain security incidents and Blockchain double-spending

As a licensed asset management company, the Group has a comprehensive set of risk control procedures, including but not limited to reputational risk, legal risk, regulatory and compliance risk, operational risk, market risk, liquidity risk, and credit risk. The Investment Committee sets specific restrictions for different risk types, such as maximum position for each coin and sector, and minimum liquidity standards. The system automatically sends post-trade reports and risk reports to the corresponding fund manager based on pre-trade and post-trade compliance checks and risk controls for timely processing. For market risk, we use historical data and the Monte Carlo simulation to conduct the back-testing to calculate value-at-risk and assess potential losses. The stress testing using multiple qualitative and quantitative assumptions is conducted to determine the impact of abnormal market fluctuations on the fund.

Quality Control

The Group has established a quality management system and formulated the Quality Manual (《質量手冊》) in accordance with the requirements of ISO9001:2015 and IATF16949:2016 standards as well as the business characteristics of the power-related and electrical/electronic products business. To prevent major product defects during manufacturing, we effectively implement the quality management system and manage and resolve product safety and quality assurance issues throughout the entire production cycle (from product design, material selection and procurement to product manufacturing and delivery). The production process management plans are formulated according to customer requirements and the compliance regulations in applicable laws and regulations (especially product safety regulations) for comprehensive quality control and monitoring of our production operations. The Quality Assurance Department conducts routine quality checks to ensure manufactured products meet the specified product drawings, specifications and predetermined quality standards. The Group also conducts annual assessments to identify any non-conforming products, analyze the root causes and determine appropriate solutions to prevent similar incidents from recurring. During the operation period of the factory in Mainland China, it had a product recall program to ensure product safety and provide assurance to customers, including quality spot checks and testing procedures before the products were dispatched. During the Reporting Period, the Group did not recall any products for safety and health reasons.

To ensure the continuous improvement of the quality control system, quality technology, and costs, all employees of the Group must strictly implement the provisions of the Quality Manual (《質量手冊》) and the requirements of other quality control systems, and have the following responsibilities:

Product Quality Assurance Responsibilities

- Actively participate in various activities of the quality control system, implement the quality policy at work, and strive to achieve the company's quality objectives, continuously promote more efficient development of the quality system, while ensuring product quality, process capabilities and performance;
- Focus on customers, meet customer requirements, improve customer satisfaction, and exceed customer expectations;
- Strictly implement the system documents to prevent any inconsistencies with the quality control system requirements;
- Encourage and support employees' innovative spirit; and
- Any improvement opportunities and other issues discovered by employees regarding the quality control system shall be promptly submitted to the Company through the prescribed channels.

Customer Service

The Group highly values customer feedback and regards customer suggestions and complaints as opportunities for continuous improvement. To ensure timely responses to complaints or opinions related to products and services, we have established different feedback channels and detailed handling procedures. During the Reporting Period, the Group received a total of 27 customer complaints and all have been properly handled. The complaint cases involved the factory in Mainland China and which was successfully disposed of in June 2023.

For compliance management, as a professional asset management enterprise, we have formulated a Compliance Manual (《合規手冊》) that stipulates the detailed procedures for handling customer complaints. When a complaint is received from a customer or a third party, the employee must immediately prepare a complaint summary record and report to the Group's Compliance Officer. The Compliance Officer should contact the complainant as soon as possible on the same day as the complaint, acknowledging receipt of the complaint and investigating it. The Compliance Officer should then discuss the validity and grounds of the complaint with relevant employees and, if deemed necessary, in consultation with the directors, provide a clear explanation to the complainant and take necessary remedial actions. We ensure that all complaints will be properly and promptly handled, and the related cases and details will be properly documented to minimize recurrence of similar incidents.

For the power-related and electrical/electronic products business of the Group, we focus on providing customers with high-quality products, and have established the Customer-Related Process Procedures (《與顧客相關的過程程序》) and Information Exchange Procedures (《資訊交流程序》) to communicate effectively with customers in different aspects, including:

Customer Communication

- Pre-sales service: Provide product information to customers promptly to assist them in understanding and using the Company's products with confidence;
- In-sales service: Process and revise contracts/orders;
- After-sales service: Handle customers' feedback on the products after delivery, including customer complaints;
- Use of hazardous substances, the possibility of contamination, the incorporation of processes or products, and the changes affecting the characteristics of the product;
- Disposal or control of customer property; and
- Formulate specific requirements for emergency measures when the relationship is critical.

Privacy Protection

The Group is committed to providing secure and compliant data center and cloud-related services to customers in the global blockchain, virtual asset, fintech, big data and other innovative technology industries. Accordingly, we fully understand the importance of customers' personal data and strictly comply with the Personal Data (Privacy) Ordinance to protect the privacy, confidentiality and security of personal information held by the Group. We have developed the Privacy Policy (《隱私政策》) to provide guidance on the collection, use, processing, disclosure, sharing, transfer and protection of personal data.

The Group has established the Personal Information Management Manual (《個人信息管理手冊》) to regulate employees' use and protection of personal information and confidential information, avoiding leakage of customer and supplier privacy. The detailed procedures established to protect consumer data and privacy are clearly stated in the manual, including the purpose of collecting and using personal information, restrictions on the use of personal information, and procedures for handling sensitive information. The Group has also established the Data Security Policy (《數據安全政策》) to further ensure proper handling of personal information of customers and suppliers. To increase employees' awareness of data security, we also conduct regular training. In addition to policies that must be complied with regarding data management and prevention of data leakage, the Group has appointed an Information Safety Officer to oversee the company's proper management.

Furthermore, to provide secure asset management services, the Group has established the Compliance Manual (《合規手冊》) outlining the acts or practices of the data protection principles, including the purposes and procedure of personal data collection, the accuracy and duration of personal data retention and the use of personal data, etc. The Group will take all reasonably practicable steps to ensure the accuracy of personal data and strictly prohibit the disclosure of customer transaction data to other third parties without reasonable grounds and consent.

Intellectual Property Rights

To govern the internal information technology management of the Group, the relevant policies have been established. The Information Technology Department is responsible for obtaining proper licenses for the software, hardware and information used by the Group in business operations. Duplication or downloading of information, software, and images from the internet must be approved by relevant departments.

To prevent any infringement (such as counterfeit trademarks), we closely monitor the infringement in the market and periodically review our intellectual property portfolios, including trademarks, designs and patents, around the world.

Advertising and Labeling

Based on the business nature of the Group, the Group only conducts limited publicity activities. Therefore, the Group's business operations do not involve significant risks relating to advertising and labeling.

Anti-corruption

The Group upholds promoting honesty, fairness and transparency in all business activities. We are committed to building a fair, honest, open, transparent and standardized internal management atmosphere, and requiring all employees, especially the management, to strictly abide by the code of conduct of honesty and integrity. The Group has established the Risk Management Department to ensure full compliance with relevant laws and regulations by formulating the Compliance Manual (《合規手冊》). We strictly comply with laws and regulations relating to the prevention of bribery, extortion, fraud, money laundering and corruption, including but not limited to:

- Company Law of the People's Republic of China;
- Anti-Unfair Competition Law of the People's Republic of China;
- Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong); and
- Competition Ordinance (Cap. 619 of the Laws of Hong Kong).

During the Reporting Period, there were no concluded legal cases regarding corrupt practices brought against the Company and its employees. The Group was not aware of any material non-compliance with laws and regulations relating to the prevention of bribery, extortion, fraud and money laundering that would have a significant impact on the Group.

Anti-corruption Practices

The Group has established the Anti-corruption Policy (《反貪腐政策》) and the Code of Prevention of Bribery and Confidentiality (《防止賄賂及保密守則》) that require employees to strictly follow in all business transactions to ensure all employees perform their duties with high standards of business ethics and professional conduct. All employees must sign an agreement to comply with the provisions and codes of conduct under the Code of Prevention of Bribery and Confidentiality (《防止賄賂及保密守則》). It includes strictly prohibiting all employees from directly or indirectly soliciting or accepting any benefits in the form of money, gifts and hospitality or personal benefits. Any violators will be punished. In the meantime, leveraging its extensive compliance knowledge and industry experience, the Group provides strategic advice to regulatory authorities and participates in the discussion and formulation of laws and regulations. As at the publication date of the Report, the Group has circulated relevant guidelines on anti-money laundering and counter-terrorist financing to the Board and relevant employees to provide them with a clear understanding of their corresponding roles and responsibilities under relevant laws and regulations regarding anti-corruption and business ethics. The Group also continues to strengthen compliance training and encourage employees to proactively learn about the latest trends and developments of global anti-money laundering and compliance work.

To provide a fair and competitive business environment and maintain long-term business partnerships with suppliers and contractors, the Group requires all suppliers and contractors to sign and strictly abide by the Abolition of Corruption and Rebate Agreement (《杜絕貪污及回扣協議書》). The agreement prohibits providing benefits such as gifts and rebates to the Group's employees. If the Group discovers any suppliers or contractors failing to comply with the rules under this agreement, we will terminate the business relationships with them.

Whistle-blowing Mechanism

The Group strictly prohibits any improper acts such as bribery, extortion, fraud and money laundering. Stakeholders can report any suspected misconduct to the senior management of the Group with full details and evidence. The management will investigate any suspicious or illegal acts to protect the Group's interests. To protect whistle-blowers from unfair dismissal or victimisation, the Group advocates a confidentiality mechanism. When criminality is suspected, the management will report to relevant regulators or law enforcement authorities when necessary.

Community Investment

The Group has always attached great importance to corporate social responsibility and is committed to promoting social harmony and supporting a sustainable future. We not only focus on short-term business targets, but also long-term sustainability. This includes helping disadvantaged groups, addressing climate change and protecting the ecological environment, as well as nurturing professional talents for the technology industry. Integrating the industry and our own business characteristics and strengths, we will continue to look for opportunities to contribute to society and fulfill our corporate responsibilities and mission.

HKEX ESG REPORTING GUIDE INDEX

Subject Areas, Aspects and KPIs		Section
Mandatory Disclosure Requirements		
Governance Structure	A statement from the board containing the following elements: <ul style="list-style-type: none"> (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses. 	ESG Governance Structure
Reporting Principles	A description of, or an explanation on, the application of the Reporting Principles in the preparation of the ESG report (Materiality, Quantitative, and Consistency).	About this Report – Reporting Period and Scope

Environmental, Social and Governance Report

Subject Areas, Aspects and KPIs

Section

Reporting Boundary

A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report.

About this Report – Reporting Standards and Principles

“Comply or explain” Provisions

A. Environmental

Aspect A1: Emissions

General Disclosure

Information on:

Environment

- (a) the policies; and
- (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

KPI A1.1

The types of emissions and respective emissions data.

Emissions – Air Emissions

KPI A1.2

Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity.

Emissions – Greenhouse Gas Emissions

KPI A1.3

Total hazardous waste produced (in tonnes) and, where appropriate, intensity.

Emissions – Waste Management

KPI A1.4

Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.

Emissions – Waste Management

KPI A1.5

Description of emission target(s) set and steps taken to achieve them.

Emissions – Air Emissions, Greenhouse Gas Emissions

KPI A1.6

Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.

Emissions – Waste Management

Subject Areas, Aspects and KPIs	Section
Aspect A2: Use of Resources	
General Disclosure	Policies on the efficient use of resources, including energy, water, and other raw materials. Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type in total (kWh in '000s) and intensity. Use of Resources – Energy Management
KPI A2.2	Water consumption in total and intensity. Use of Resources – Water Management
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them. Use of Resources – Energy Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them. Use of Resources – Water Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. Use of Resources – Use of Packaging Materials
Aspect A3: The Environment and Natural Resources	
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources. The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. The Environment and Natural Resources

Environmental, Social and Governance Report

Subject Areas, Aspects and KPIs

Aspect A4: Climate Change

General Disclosure

Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.

Section

Climate Change – Climate Change Management

KPI A4.1

Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.

Climate Change – Climate Risks and Response Measures

B. Social

Aspect B1: Employment

General Disclosure

Information on:
 (a) the policies; and
 (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

Employment

KPI B1.1

Total workforce by gender, employment type, age group and geographical region.

Employment – Recruitment, Promotion and Dismissal

KPI B1.2

Employee turnover rate by gender, age group and geographical region.

Employment – Recruitment, Promotion and Dismissal

Subject Areas, Aspects and KPIs	Section
Aspect B2: Health and Safety	
General Disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.</p>
KPI B2.1	<p>Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.</p>
KPI B2.2	<p>Lost days due to work injury.</p>
KPI B2.3	<p>Description of occupational health and safety measures adopted, and how they are implemented and monitored.</p>
Aspect B3: Development and Training	
General Disclosure	<p>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p>
KPI B3.1	<p>The percentage of employees trained by gender and employee category.</p>
KPI B3.2	<p>The average training hours completed per employee by gender and employee category.</p>

Environmental, Social and Governance Report

Subject Areas, Aspects and KPIs

Section

Aspect B4: Labour Standards

General Disclosure

Information on:

Labour Standards

- (a) the policies; and
- (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.

KPI B4.1

Description of measures to review employment practices to avoid child and forced labour.

Labour Standards – Prevention of Child Labour, Prevention of Forced Labour

KPI B4.2

Description of steps taken to eliminate such practices when discovered.

Labour Standards – Prevention of Child Labour, Prevention of Forced Labour

Aspect B5: Supply Chain Management

General Disclosure

Policies on managing environmental and social risks of the supply chain.

Supply Chain Management

KPI B5.1

Number of suppliers by geographical region.

Supply Chain Management

KPI B5.2

Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.

Supply Chain Management

KPI B5.3

Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.

Supply Chain Management

KPI B5.4

Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.

Supply Chain Management

Subject Areas, Aspects and KPIs

Section

Aspect B6: Product Responsibility

General Disclosure	Information on:	Product Responsibility
	(a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility – Quality Control
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility – Customer Service
B KPI 6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility – Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility – Asset Security Protection, Quality Control
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility – Privacy Protection

Environmental, Social and Governance Report

Subject Areas, Aspects and KPIs

Aspect B7: Anti-corruption

General Disclosure

Information on:

- (a) the policies; and
- (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.

Section

Anti-Corruption

KPI B7.1

Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.

Anti-Corruption

KPI B7.2

Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.

Anti-Corruption – Whistle-blowing Mechanism

KPI B7.3

Description of anti-corruption training provided to directors and staff.

Anti-Corruption – Anti-corruption Practices

Aspect B8: Community Investment

General Disclosure

Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.

Community Investment

KPI B8.1

Focus areas of contribution.

Community Investment

KPI B8.2

Resources contributed to the focus area.

Community Investment

Independent Auditor's Report



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大華馬施雲
會計師事務所有限公司

To the Shareholders of Sinohope Technology Holdings Limited
(formerly known as New Huo Technology Holdings Limited)
(Incorporated in the British Virgin Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Sinohope Technology Holdings Limited (formerly known as New Huo Technology Holdings Limited) (the “Company”) and its subsidiaries (together the “Group”) set out on pages 100 to 207, which comprise the consolidated statement of financial position as at 30 September 2023, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 September 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Key audit matter

Accounting of cryptocurrencies transactions and balances

(Refer to Notes 3 and 22 to the consolidated financial statements)

As at 30 September 2023, the Group had cryptocurrencies of approximately HK\$15,051,000 as disclosed in Note 22.

We identified the accounting of cryptocurrencies transactions as a key audit matter due to the fact that HKFRSs do not explicitly discuss crypto-asset transactions. Consequently, management needs to apply judgements as to how to account for such transactions and exercise significant judgements in determining appropriate accounting policies based on the existing accounting framework and the facts and circumstances of the Group's cryptocurrencies transactions.

We identified the evaluation of the existence and control of the cryptocurrencies held as a key audit matter due to the subjective auditor judgement involved in determining the nature and extent of audit evidence required to address the risks of material misstatement related to the existence and rights and obligations of the cryptocurrencies held.

How our audit addressed the key audit matter

Our procedures included, but not limited to the followings:

- Obtained understanding, evaluated and validated management's processes and key controls in relation to cryptocurrencies transactions and balance with the assistance of our IT professionals with expertise in the IT industry (the "IT Expert");
- Obtained understanding and evaluated the accounting policies adopted by management for its cryptocurrencies transactions and balances, based on the contractual and business arrangements with respective counterparties;
- Evaluated management's rationale for the selection and application of the accounting policies to account for cryptocurrencies transactions and balances;
- Confirmed the title to and balance of the Group's cryptocurrencies as at 30 September 2023 held in own wallet, on a sample basis, with the assistance of the IT Expert;
- Independently and directly confirmed the balance of the Group's cryptocurrencies as at 30 September 2023 held on exchange institutions;
- Independently obtained evidence from public blockchains to test the occurrence and existence of cryptocurrencies transactions and balances respectively, on a sample basis, and evaluated the relevance and reliability of audit evidence obtained from publicly available blockchains records, with the assistance of the IT Expert;
- Performed a site visitation of the hosting facility where the Group's mining equipment is located, which included an observation of the physical and environmental controls; and
- Assessed the disclosures to the financial statements.

KEY AUDIT MATTERS – continued**Key audit matter****Impairment assessment of amount due from a former subsidiary**

(Refer to Notes 24 to the consolidated financial statements)

As at 30 September 2023, the Group had an amount due from a former subsidiary, net of allowance for credit loss of approximately HK\$76,063,000 as disclosed in note 24.

The Group had recognized an expected credit loss (“ECL”) on amount due from a former subsidiary of approximately HK\$5,450,000 during the year ended 30 September 2023.

The ECL assessment of the amount due from a former subsidiary required management to make significant judgments based on the contractual cash flows expected to receive, based on the evidence of credit risk, time value of money and forward-looking information.

In estimating the expected credit loss, the Group engaged an independent qualified external valuer to perform the ECL assessment and worked with the external valuer to establish inputs to the ECL assessment.

We identified ECL of amount due from a former subsidiary as a key audit matter due to its significance to the consolidated financial statements and its involvement of management's significant accounting estimations and judgments.

How our audit addressed the key audit matter

Our procedures included, but not limited to the followings:

- Obtained an understanding of and evaluated management's process in estimation of the expected credit loss on amount due from a former subsidiary;
- Obtained direct written confirmation of the principal, terms and outstanding balance of the amount due from a former subsidiary;
- Evaluated the competence, capabilities, objectivity and independence of the external valuer;
- With the assistance of our internal valuation specialists, discussed with the management and the external valuer their methodology and the key estimates and assumptions adopted in their ECL assessment; and
- Assessed the appropriateness of inputs and assumptions applied in the determination of expected credit loss of amount due from a former subsidiary, including staging classification, probability of default, loss given default and forward-looking information.

KEY AUDIT MATTERS – *continued*

Key audit matter

Impairment assessment of fiat currencies and cryptocurrencies deposited in cryptocurrency exchange FTX (“FTX”)

(Refer to Note 24(b) to the consolidated financial statements)

As at 30 September 2023, the Group had fiat currencies and cryptocurrencies deposited in FTX with original amounts of HK\$107,169,000 and HK\$34,579,000, respectively (“FTX Deposits”) as disclosed in note 24(b).

On 11 November 2022, FTX group entities, including FTX, has filed for bankruptcy protection in the United States. The Group completed the submission of a claim of FTX Deposits against FTX to the liquidator of FTX (“FTX Claims”).

Up to the date of this report, the Group is not able to withdraw the FTX Deposits from FTX and the bankruptcy proceedings of FTX have not yet been completed.

The management performed impairment assessment on FTX Deposits and assessed the recoverable amount of FTX Deposits.

For the purpose of impairment assessment, the recoverable amount of FTX Deposits has been determined based on their fair value less costs of disposal, which is calculated based on available market price less incremental costs for assignment of the FTX Claims.

We identified the impairment assessment of FTX Deposits as a key audit matter due to its significance to the consolidated financial statements and its involvement of management's significant accounting estimations and judgments.

How our audit addressed the key audit matter

Our procedures included, but not limited to the followings:

- Obtained an understanding of and evaluated management's process in estimation of the recoverable amount on FTX Deposits;
- Reviewed the documents relating to the submission of FTX Claims;
- Arranged direct written confirmation of the outstanding balance of the FTX Claims from liquidator of FTX and performed alternative procedure by checking correspondence between the Group and liquidator;
- Discussed with the management their methodology and the key estimates and assumptions adopted in their impairment assessment;
- Reviewed the correspondence between the Group, agent and the potential buyers for the determination of the price and related costs;
- Independently obtained evidence from internet to check the existence of market, market price and transaction of the FTX Claims; and
- Assessed the appropriateness of inputs and assumptions applied in the determination of recoverable amount of FTX Deposits.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditors report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITORS RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

AUDITORS RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

– *continued*

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Groups internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Groups ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

AUDITORS RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

– continued

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

Moore CPA Limited
Certified Public Accountants

Chan King Keung
Practising Certificate Number: P06057

Hong Kong, 28 December 2023

Consolidated Statement of Profit or Loss

For the year ended 30 September 2023

	Notes	2023 HK\$'000	2022 HK\$'000 (re-presented)
Continuing operations			
Revenue			
Cryptocurrency trading business	6	2,810,576	8,939,449
Other business		22,993	117,277
		2,833,569	9,056,726
Cost of sales and services			
Cryptocurrency trading business		(2,813,284)	(8,941,077)
Other business		(9,896)	(4,799)
		(2,823,180)	(8,945,876)
Gross profit		10,389	110,850
Other income and (losses)/gains	7	(6,206)	15,740
Fair value gains/(losses) on cryptocurrencies		14,044	(28,018)
Interest income	8	22	647
Impairment loss on other assets	24(b)	(85,897)	–
Impairment loss on other receivables	24(a)	(5,450)	–
Impairment loss on property, plant and equipment	18	9,986	–
Administrative expenses		(186,798)	(255,232)
Loss on disposal of subsidiaries	43	(1,108)	–
Share of result of a joint venture		3,877	(21,414)
Finance costs	9	(15,060)	(12,086)
Loss before income tax	10	(282,173)	(189,513)
Income tax credit/(expense)	12	4,891	(4,186)
Loss for the year from continuing operations		(277,282)	(193,699)
Discontinued operations			
Loss for the year from discontinued operation	13	(11,412)	(12,802)
Loss for the year		(288,694)	(206,501)
Loss for the year attributable to owners of the Company			
– from continuing operations		(275,959)	(186,868)
– from discontinued operations		(11,412)	(12,802)
		(287,371)	(199,670)
Loss for the year attributable to non-controlling interests			
– from continuing operations		(1,323)	(6,831)
– from discontinued operations		–	–
		(1,323)	(6,831)
		(288,694)	(206,501)

Consolidated Statement of Other Comprehensive Income

For the year ended 30 September 2023

	Note	2023 HK\$'000	2022 HK\$'000 (re-presented)
Loss for the year		(288,694)	(206,501)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on the translation of financial statements of foreign operations		(1,009)	(15,131)
Reclassification of translation reserve upon disposal of subsidiaries		23,894	–
Item that will not be reclassified subsequently to profit or loss:			
Charge in fair value of equity instruments at fair value through other comprehensive income		(957)	2,609
Other comprehensive income/(loss) for the year, net of tax		21,928	(12,522)
Total comprehensive loss for the year		(266,766)	(219,023)
Total comprehensive loss attributable to:			
Owners of the Company		(265,443)	(212,192)
Non-controlling interests		(1,323)	(6,831)
		(266,766)	(219,023)
Total comprehensive loss attributable to owners of the Company:			
– from continuing operations		(251,625)	(189,578)
– from discontinued operations		(13,818)	(22,614)
		(265,443)	(212,192)
Loss per share	17	2023 HK cents	2022 HK cents
– from continuing operations		88.29	60.64
– from discontinued operations		3.65	4.15
Basic and diluted		91.94	64.79

Consolidated Statement of Financial Position

As at 30 September 2023

	Notes	2023 HK\$'000	2022 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	18	1,094	47,989
Right-of-use assets	28(a)	–	120,001
Goodwill	19	–	174
Investment in a joint venture	20	–	53,154
Financial assets at fair value through other comprehensive income	23	–	38,962
Other receivables	24	76,063	–
Total non-current assets		77,157	260,280
Current assets			
Inventories	21	–	44,109
Cryptocurrencies	22	15,051	294,489
Trade and other receivables	24	64,411	135,467
Loan receivable		–	582
Amount due from a joint venture		–	54
Financial assets at fair value through profit or loss	23	–	1,328
Pledged bank deposit	25	–	7,850
Time deposits with original maturity of over three months	25	1,500	1,600
Cash and cash equivalents	25	320,161	322,633
		401,123	808,112
Assets classified as held for sale	14	270,364	–
Total current assets		671,487	808,112
Current liabilities			
Trade and other payables	26	12,549	158,689
Collateral payables	22(a)	–	124,758
Bank and other borrowings	27	359,107	678
Lease liabilities	28(b)	–	90,491
Tax payable		412	40,947
		372,068	415,563
Liabilities associated with assets classified as held for sale	14	52,562	–
Total current liabilities		424,630	415,563
Net current assets		246,857	392,549
Total assets less current liabilities		327,014	652,829

Consolidated Statement of Financial Position

As at 30 September 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Non-current liabilities			
Bank and other borrowings	27	108,098	466,442
Lease liabilities	28(b)	–	32,588
Deferred tax liabilities	30	2,140	6,713
Total non-current liabilities		110,238	505,743
Net assets		213,776	147,086
EQUITY			
Share capital	31	309	309
Reserves	34	204,299	134,620
Amounts recognised in other comprehensive income and accumulated in equity relating to assets held for sale		1,742	–
Total equity attributable to owners of the Company		206,350	134,929
Non-controlling interests		7,426	12,157
Total equity		213,776	147,086

The consolidated financial statements on pages 100 to 207 were approved and authorised for issue by the Board of Directors on 28 December 2023 and are signed on its behalf by:

Du Jun
Director

Zhang Li
Director

Consolidated Statement of Changes in Equity

For the year ended 30 September 2023

	Share capital HK\$'000	Share premium* HK\$'000	Share option reserve* HK\$'000	Other reserve* HK\$'000	Capital reserve* HK\$'000	FVTOCI reserve* HK\$'000	Statutory reserve* HK\$'000	Translation reserve* HK\$'000	Accumulated losses* HK\$'000	Attributable to owners of the Company HK\$'000	Non-controlling Interests HK\$'000	Total HK\$'000
At 1 October 2022	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 33)	-	-	41	-	-	-	-	-	-	41	-	41
Transfer of share option reserve upon the lapse of share options	-	-	(1,619)	-	-	-	-	-	1,619	-	-	-
Proceeds from issue of shares (note 34)	-	-	-	-	324,605	-	-	-	-	324,605	-	324,605
Fair value gain on loans from a related party measured at fair value on inception, net of deferred tax (note 27(c))	-	-	-	12,218	-	-	-	-	-	12,218	-	12,218
Transaction with owners	-	-	(1,578)	12,218	324,605	-	-	-	1,619	336,864	-	336,864
Loss for the year	-	-	-	-	-	-	-	-	(287,371)	(287,371)	(1,323)	(288,694)
Transfer of fair value reserve to accumulated losses upon derecognition of FVTOCI	-	-	-	-	-	(3,460)	-	-	3,460	-	-	-
Exchange differences arising on the translation of financial statements of foreign operations	-	-	-	-	-	-	(1,009)	-	-	(1,009)	-	(1,009)
Reclassification of reserves upon disposal of subsidiaries	-	-	-	(9,113)	-	-	(7,956)	-	17,069	-	-	-
Reclassification of translation reserves upon disposal of subsidiaries	-	-	-	-	-	-	-	23,894	-	23,894	-	23,894
Change in fair value of equity investments at fair value through other comprehensive income	-	-	-	-	-	(957)	-	-	-	(957)	-	(957)
Total comprehensive income for the year	-	-	-	(9,113)	-	(4,417)	(7,956)	22,885	(266,842)	(265,443)	(1,323)	(266,766)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(3,408)	(3,408)
At 30 September 2023	309	112,251	74	101,135	324,605	(1,808)	-	317	(330,533)	206,350	7,426	213,776

* The total reserves as at 30 September 2023 is HK\$206,041,000 (2022: HK\$134,620,000).

Consolidated Statement of Changes in Equity

For the year ended 30 September 2023

	Share capital HK\$'000	Share premium* HK\$'000	Share option reserve* HK\$'000	Other reserve* HK\$'000	Fair value reserve* HK\$'000	Statutory reserve* HK\$'000	Translation reserve* HK\$'000	Retained profits/ losses)* HK\$'000	Attributable to owners of the Company HK\$'000	Non-controlling Interests HK\$'000	Total HK\$'000
At 1 October 2021	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 31(i))	1	5,099	(1,608)	-	-	-	-	-	3,492	-	3,492
Equity-settled share-based compensation expenses (note 33)	-	-	465	-	-	-	-	-	465	-	465
Transfer of share option reserve upon the lapse of share options	-	-	(403)	-	-	-	-	403	-	-	-
Fair value gain on loans from a related party measured at fair value on inception, net of deferred tax (note 27(c))	-	-	-	8,765	-	-	-	-	8,765	-	8,765
Gain on disposal of a subsidiary to a related company	-	-	-	42,694	-	-	(906)	-	41,788	-	41,788
Waiver of loans from a related company (note 27(c))	-	-	-	15,697	-	-	-	-	15,697	-	15,697
Reversal of fair value gain on loan modification from a related company, net of deferred tax (note 27(c))	-	-	-	(1,691)	-	-	-	-	(1,691)	-	(1,691)
Transaction with owners	1	5,099	(1,546)	65,465	-	-	(906)	403	68,516	-	68,516
Loss for the year	-	-	-	-	-	-	-	(199,670)	(199,670)	(6,831)	(206,501)
Other comprehensive income											
Exchange differences arising on the translation of financial statements of foreign operations	-	-	-	-	-	-	(15,131)	-	(15,131)	-	(15,131)
Change in fair value of equity investments at fair value through other comprehensive income	-	-	-	-	2,609	-	-	-	2,609	-	2,609
Total comprehensive income for the year	-	-	-	-	2,609	-	(15,131)	(199,670)	(212,192)	(6,831)	(219,023)
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	19,262	19,262
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(274)	(274)
At 30 September 2022	309	112,251	1,652	98,030	2,609	7,956	(22,568)	(65,310)	134,929	12,157	147,086

Consolidated Statement of Cash Flows

For the year ended 30 September 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Cash flows from operating activities			
Loss before income tax			
– for continuing operations		(282,173)	(189,513)
– for discontinuing operations		(12,685)	(6,874)
		(294,858)	(196,387)
Adjustments for:			
Amortisation of other intangible asset		–	382
Depreciation of property, plant and equipment	18	11,513	11,886
Depreciation of right-of-use assets	28(a)	23,133	35,169
Gain on lease modification	7	(251)	(5,245)
Recognise equity-settled share-based compensation expenses	11	41	465
Loss on disposal of intangible asset	7	–	903
Loss on disposal of property, plant and equipment	7	6,033	11
Imputed interest expense on other loans from a related company	9	13,145	9,972
Interest expense on other loan from a former controlling shareholder		973	2,400
Interest expense on bank borrowings		156	174
Interest expense on lease liabilities	28(b)	4,684	5,660
Interest expense on other loans from a related company	9	492	785
Interest income	8	(22)	(700)
Impairment loss on inventories	10	4,072	2,289
Impairment loss on amount due from a former subsidiary	24(a)	5,450	–
Impairment loss on property, plant and equipment	18	9,986	–
Loss on disposal of subsidiaries	43	1,108	–
Fair value gain on convertible loan receivable		–	(262)
Fair value (gain)/loss on cryptocurrencies		(14,044)	28,018
Impairment loss on other assets	24(b)	85,897	–
Fair value loss/(gain) on financial assets at fair value through profit and loss	7	1,001	(1,083)
Share of result of a joint venture	20	(3,877)	21,414
		(145,368)	(84,149)
Operating loss before working capital changes			
Decrease in inventories		13,571	20,951
Decrease/(Increase) in cryptocurrencies		190,084	(335,232)
(Increase)/decrease in trade and other receivables		(132,765)	14,250
Decrease/(increase) in loan receivable		582	(582)
Decrease/(increase) in amount due from a joint venture		54	(54)
Decrease in trade and other payables		(13,972)	(39,901)
(Decrease)/increase in collateral payables		(124,758)	124,758
Decrease in contract liabilities		–	(3,347)
		(212,572)	(303,306)
Cash used in operations			
Income tax paid		(32,617)	(11,532)
		(245,189)	(314,838)

Consolidated Statement of Cash Flows

For the year ended 30 September 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Cash flows from investing activities			
Disposal of a subsidiary, net of cash disposed of	43	(13,627)	(12,133)
Purchase of property, plant and equipment	18	(17,887)	(19,267)
Purchase of other intangible asset		–	(936)
Purchase of financial assets		–	(24,637)
Purchase of convertible loan receivable		–	(4,863)
Proceeds from disposal of property, plant and equipment		1,120	3,386
Capital injection into a joint venture		–	(74,568)
Proceeds from disposal of financial assets at fair value through other comprehensive income		30,044	–
Proceeds from disposal of financial assets at fair value through profit or loss		327	–
Decrease in amount due from a former subsidiary		3,527	–
Increase in time deposits with original maturity of over three months		100	(1,600)
Decrease in pledged bank deposit		7,850	–
Interest received on bank deposits and bank balances		22	700
Net cash generated from/(used from) investing activities		<u>11,476</u>	<u>(133,918)</u>
Cash flow from financing activities			
Proceeds from loans from a related company		103,598	281,179
Net cash outflow in trust receipts and export loans		(678)	(13,309)
Repayments of principal portion of lease liabilities		(18,984)	(30,369)
Repayments of interest portion of lease liabilities		(4,684)	(5,660)
Repayments of other loan from a former controlling shareholder		(60,000)	–
Repayment of loans from a related company		(34,718)	–
Interest paid on bank borrowings		(156)	(174)
Interest paid on other borrowings		(3,517)	(2,038)
Proceeds from issue of shares		324,605	–
Issue of shares of share option		–	3,492
Dividend paid to non-controlling interests		(3,408)	(274)
Net cash generated from financing activities		<u>302,058</u>	<u>232,847</u>
Net increase/(decrease) in cash and cash equivalents		61,291	(215,909)
Cash and cash equivalents at beginning of the year		322,633	552,175
Effect of foreign exchange rate changes		(218)	(13,633)
Cash and cash equivalents classified as held for sale		(63,545)	–
Cash and cash equivalents at end of the year	25	<u>320,161</u>	<u>322,633</u>

MAJOR NON-CASH TRANSACTIONS

During the year ended 30 September 2023, the Group had following major non-cash transactions:

- (i) additions to right-of-use assets and lease liabilities of HK\$2,549,000 (2022: HK\$118,325,000) and HK\$2,549,000 (2022: HK\$118,325,000) respectively, in respect of the lease arrangements for the leased office properties and factories (note 27);
- (ii) the Group settled the loan from a former subsidiary of HK\$80,000,000 by setting off the consideration receivable for disposal of that former subsidiary with the purchaser (2022: settled loans from a related company of HK\$53,371,000 by setting off the consideration receivable for disposal of a subsidiary to that related company); and
- (iii) there is an increase in amount due from a former subsidiary of HK\$85,040,000, as a result of the disposal of Pantene Group (note 43(b)).

During the year ended 30 September 2022, the Group had following major non-cash transactions:

- (i) capital contribution by non-controlling interests through additions to property, plant and equipment and cryptocurrencies of HK\$7,163,000 and HK\$12,099,000 respectively; and
- (ii) waiver of loans from a related company amounting to HK\$15,697,000.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

1. GENERAL INFORMATION

Sinohope Technology Holdings Limited (formerly known as 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 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.

In the opinion of the directors, the ultimate controlling party is Mr. Li Lin (李林) (“Mr. Li”). Upon issuance of new ordinary shares of the Company on 10 October 2023, the effective interest of Mr. Li has decreased from 40.47% to 26.83%.

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

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

2. ADOPTION OF NEW OR AMENDED HKFRSs

(a) Adoption of new or amended HKFRSs – effective from 1 October 2022

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

Amendments to HKFRS 3	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
Amendments to Accounting Guideline 5	Merger Accounting to Common Control Combinations

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

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

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

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement ³
HK Interpretation 5 (2020)	Presentation of financial statement – classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules ¹
Amendments to HKAS 21	Lack of Exchangeability ⁴

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

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

⁴ Effective for annual periods beginning on or after 1 January 2025.

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

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

The consolidated financial statements have been prepared under the historical cost basis except for financial assets at fair value through other comprehensive income ("FVTOCI"), loan receivable, financial assets at fair value through profit or loss ("FVTPL"), cryptocurrencies, collateral payables and other borrowings at FVTPL. The measurement bases are fully described in the accounting policies below.

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

Business combination and basis of consolidation

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Business combination and basis of consolidation – *continued*

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

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

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

Subsidiaries

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

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

Joint ventures

A joint venture is a type of joint arrangement whereby the parties have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method, less any impairment losses, unless it is classified as held for sale. Adjustments are made to bring into line any dissimilar accounting policies that may exist. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Joint ventures – *continued*

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to zero and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated income statement. Goodwill arising from the acquisition of joint ventures is included as part of the Group's investments in joint ventures.

When an investment in a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5.

Revenue recognition

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue recognition – *continued*

Principal versus agent

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

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

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

- (a) whether the entity is primarily responsible for fulfilling the promise to provide the specified good or service;
- (b) whether the entity has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer (for example, if the customer has a right of return); and
- (c) whether the entity has discretion in establishing the price for the specified good or service, indicating that the entity has the ability to direct the use of that good or service and obtain substantially all of the remaining benefits.

Contract liabilities

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

Performance obligation and timing of recognition

- (i) Cryptocurrency trading

The Group trades cryptocurrencies over-the-counter and in cryptocurrency exchange. Transaction price is derived by unit price of cryptocurrencies and transaction volume. Cryptocurrency trading is recognised at a point in time upon each trade transaction is completed.

The sale amounts received from counterparties are recorded as revenue on a gross basis and the associated cost as cost of revenues, as the Company is the principal in the trading transaction. The Company has concluded it is the principal because it controls the cryptocurrencies before delivery to the counterparties, it is primarily responsible for the delivery of the cryptocurrencies to the counterparties, it is exposed to risks arising from fluctuations of the market price and inventory risk of cryptocurrencies before delivery to counterparties, and has discretion in setting prices charged to counterparties.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue recognition – *continued*

Performance obligation and timing of recognition – continued

(ii) Cryptocurrency mining services

The Group engaged in the provision of storage and transaction verification services within cryptocurrency network and received cryptocurrency reward as consideration for these services.

Revenue is recognised over time as those services are provided and measured based on the fair value of the cryptocurrencies earned.

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

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

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

(iv) Provision of technology solution services (including data centre services, cloud-related services and Software as a services income)

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

(v) Consultancy services income

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

(vi) Custodian services

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition – continued

Performance obligation and timing of recognition – continued

(vii) Asset management services

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

Revenue from fund subscription services is recognised at a point of time when the relevant subscription is completed.

(viii) Other income

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

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

Goodwill

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Goodwill – *continued*

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

Other Intangible assets

Domain name

(i) Acquired intangible assets

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

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

Domain name	15 years
Software	3 years

(ii) Subsequent expenditure

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

(iii) Derecognition of intangible assets

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**Other Intangible assets – continued***Domain name – continued*

(iv) Impairment of intangible assets

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

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

Property, plant and equipment

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments

(i) *Financial assets*

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

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

Debt instruments

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

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

FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Debt investments at FVTOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

(ii) *Impairment loss on financial assets*

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

(ii) *Impairment loss on financial assets – continued*

Write-off

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

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

(iii) *Financial liabilities*

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

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

(iii) Financial liabilities – continued

Financial liabilities at amortised cost

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

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

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Derecognition

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

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

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

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group's derivative contracts are held for trading and do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and included in "other income and gain/(loss), net". Trading derivatives are classified as a current asset or liability.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Borrowing costs

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

Other borrowings at FVTPL

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

Inventories

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

Cryptocurrencies

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

The Group provides lending management service under lending arrangements 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 or loss base on the fair value of relevant cryptocurrencies under current liabilities. The collateral shall be returned to the counterparties upon their settlement of the loans at respective maturity dates. It is classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

The Group received cryptocurrencies and held on behalf of customers under a custodian agreement. Since the Group is unable to utilise such cryptocurrencies for its own economic benefits, it is not recorded as cryptocurrencies of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Cash and cash equivalents

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

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

Provisions and contingent liabilities

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

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

Impairment of assets (other than financial assets)

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Taxation

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

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

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

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

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

Foreign currencies

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Foreign currencies – *continued*

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

Leases

The Group as a lessee

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

Right-of-use asset

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

Lease liability

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Leases – *continued*

Lease liability – continued

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

Equity-settled share-based payment transactions

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

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

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

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

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

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

Retirement benefits costs

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Retirement benefits costs – *continued*

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

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

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

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

Government grants

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Non-current assets held for sale

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for financial assets within the scope of HKFRS 9 which continue to be measured in accordance with the accounting policies as set out in respective sections.

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned. Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

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For the year ended 30 September 2023

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Accounting for cryptocurrencies

HKFRSs do not specifically address accounting for cryptocurrencies. Accordingly, for the preparation of the consolidated financial statements, management needs to apply judgement in determining appropriate accounting policies based on the facts and circumstances of the Group's holding of cryptocurrencies. The Group trades cryptocurrencies over-the-counter and in cryptocurrency exchange, by purchasing cryptocurrencies with a view to their resale in the near future, and generating a profit from fluctuations in the prices, the Group applies the guidance in HKAS 2 for commodity broker-traders and measures the cryptocurrencies at fair value less costs to sell. The Group considers that there are no significant "costs to sell" associated with virtual assets and hence the measurement of virtual assets is based on their fair values with changes in fair values recognized in profit or loss in the period of the changes.

The sale amounts received from counterparties are recorded as revenue on a gross basis and the associated cost as cost of revenues, as the Company is the principal in the trading transaction. The Company has concluded it is the principal because it controls the cryptocurrencies before delivery to the counterparties, it is primarily responsible for the delivery of the cryptocurrencies to the counterparties, it is exposed to risks arising from fluctuations of the market price and inventory risk of cryptocurrencies before delivery to counterparties, and has discretion in setting prices charged to counterparties.

Furthermore, in determining fair values, management needs to apply judgement to identify the relevant available markets, and to consider accessibility to and activity within those markets in order to identify the principal cryptocurrency markets for the Group.

Useful life of cryptocurrency mining equipment

The cryptocurrency mining equipment is used to generate cryptocurrency. The rate at which the Group generates cryptocurrency and consumes the economic benefits of its cryptocurrency mining equipment is influenced by the complexity of the cryptocurrency mining process which is driven by the algorithms contained within the cryptocurrency open source software.

Based on the Group and the industry's limited history to date, management is limited by the market data available. Furthermore, the data available also includes data derived from the use of economic modelling to forecast future cryptocurrencies and the assumptions included in such forecasts, including cryptocurrencies' price and network difficulty, are derived from management's assumptions which are inherently judgmental.

Based on current data available, management has determined that the straight-line method of amortization best reflects the current expected useful life of cryptocurrency mining equipment. Management will review their estimates at each reporting date and will revise such estimates as and when data become available. Management will review the appropriateness of its assumption related to residual value at each reporting date.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – *continued*

Impairment of trade receivables

The Group uses provision matrix to calculate impairment of trade receivables. The ECL rates are based on the past collection history as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At the end of the reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for impairment individually. Where the expectation is different from the original estimate, such differences will affect the carrying amount of receivables and thus the impairment loss in the period in which such estimate is changed. Further information is disclosed in note 24.

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

Property, plant and equipment and right-of-use assets are assessed at the end of the reporting period to identify indications that they may be impaired. If any such indication exists, the recoverable amount of the assets is estimated. The calculation of the fair value less cost of disposal, which is higher than the value-in-use, is based on available data from binding sales transactions in an arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculations is determined based on cash flow projections with reasonable assumptions that represent management's best estimate of the range of economic conditions over the remaining useful life of the assets. Changes in facts and circumstances, whether related of fair value less costs of disposal or value-in-use calculation, may result in revisions to whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future years.

Impairment of inventories (other than cryptocurrencies)

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

Estimation of incremental borrowing rate for lease liabilities

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – *continued*

Estimates of current tax and deferred tax

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

Estimation of fair value of financial instruments

The fair value of financial instruments that are not traded in active markets are determined by using valuation techniques according to the nature of the financial instruments. These include discounted cash flow method and option pricing models. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Details of the key assumptions used, the impact of changes to these assumptions and the carrying amounts of financial assets at FVTOCI and financial assets at FVTPL are disclosed in note 40 respectively.

Valuation of equity-settled share-based payment transactions

The fair values of share options have been calculated using the Binomial Option Pricing Model and the Black-Scholes Option Pricing Model which require the input of highly subjective assumptions, including the expected volatility of the share price. Because changes in subjective assumptions can materially affect the fair value estimate, in the opinion of the Directors, the existing model may not always necessarily produce a reliable single measure of the fair value of the share options. Details of the assumptions used are set out in note 33.

Determination of consolidation scope

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

Assets held as custodian

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – *continued*

Impairment of due from a former subsidiary

The Group measures the impairment of due from a former subsidiary based on an expected credit loss model. The allowance for ECL on the due from a former subsidiary is calculated based on loss rates which are reference to the default rates from international credit rating agencies and historical data, adjusted for forward-looking futures specific to the debtor and the economic environment. Specifically, a credit loss is the present value of the difference between (i) the contractual cash flows that are due to an entity under the contract and (ii) the cash flows that the entity expects to receive. Such assessment involves a high degree of estimation and uncertainty. When the actual future cash flows are less or more than expected, material ECLs or material reversal of ECLs may arise, accordingly. As at 30 September 2023, the carrying amount of amount due from a former subsidiary amounted to HK\$81,513,000. Expected credit loss amounting to HK\$5,450,000 was recognised for the year ended 30 September 2023.

Impairment of other asset

As detailed in note 24(b) to these consolidated financial statements, in view of liquidation of the cryptocurrency exchange FTX, the Group performed impairment assessment on the other asset (i.e. the FTX Deposits) based on an expected credit loss model, given that the other asset has been defaulted. In determining the expected credit loss of other asset, the directors of the Company have exercised their judgement in determining the loss given default. The recoverable amount of the other assets has been determined based on their fair value less costs of disposal which is with reference to price quoted by online claim pricing service providers. The costs of disposal were estimated based on the incremental costs for assignment of the FTX Claims, such as agency fees. Whilst the Group considers valuation of the Group's other asset is the best estimates, the greater market uncertainty depending on development of liquidation of FTX, which have led to higher degree of uncertainties in respect of the valuation in the current year. Changes to these assumptions would result in changes in the expected credit loss of the Group's other assets and the corresponding adjustments to the amount of impairment loss reported in the consolidated statement of profit or loss.

As at 30 September 2023, the carrying amount of the Group's other assets is HK\$55,851,000, which is net of impairment loss of HK\$85,897,000 recognised during the year ended 30 September 2023.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

5. SEGMENT INFORMATION

As disclosed in Note 14, the Group ceased its existing contract manufacturing operations upon the disposal of the shareholding in Pantene Industrial Co. Limited (“Pantene”) and its subsidiaries (the “Pantene Group”) during the year ended 30 September 2023 (see Note 43(b)) and its contract manufacturing business was classified as discontinued operations. Comparative figures have been re-presented to reflect the cessation of the contract manufacturing business as discontinued operations, and segment information in this note includes only continuing operations.

The Group has determined its operating segments and prepared segmental information based on regular internal financial information reported to the chief operating decision makers, i.e. the executive Directors of the Company, who are responsible for making strategic decisions. The executive Directors review the Group’s internal reporting in order to assess performance and allocate resources and have determined the operating segments based on these reports.

During the year ended 30 September 2023, the Group principally operates in one business segment, which is virtual assets ecosystem. Other businesses were considered relatively insignificant for the year ended 30 September 2023.

During the year ended 30 September 2022, the Group had two reportable and operating segments as follows:

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

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

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

Segment assets include all assets other than unallocated corporate assets (mainly comprising certain property, plant and equipment, right-of-use assets, other receivables, 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 Consolidated Financial Statements

For the year ended 30 September 2023

5. SEGMENT INFORMATION – *continued*

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

For the year ended 30 September 2022 (re-presented)

	Continuing operations		
	Provision of technology solution services HK\$'000	Virtual asset ecosystem HK\$'000	Total HK\$'000
Revenue from external customers	80,561	8,976,165	9,056,726
Segment results	63,929	(142,430)	(78,501)
Unallocated corporate income			
Interest income			7
Sundry income			2,380
Fair value gain on financial assets			1,345
Unallocated corporate expenses			
Administrative expenses			(109,910)
Finance costs			(4,834)
Loss before income tax			189,513

There were no inter-segment transactions during the years ended 30 September 2022.

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

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

5. SEGMENT INFORMATION – *continued*

As at 30 September 2022 (re-presented)

	Continuing operations		
	Provision of technology solution services HK\$'000	Virtual asset ecosystem HK\$'000	Total HK\$'000
Segment assets	111,906	523,325	635,231
Assets allocated to discontinued operation			347,002
Unallocated corporate assets			
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
Total assets			1,068,392
Segment liabilities	81,072	170,615	251,687
Liabilities allocated to discontinued operation			174,531
Unallocated corporate liabilities			
Other payables			6,256
Tax payable			8,166
Other borrowings			466,442
Lease liabilities			7,511
Deferred tax liabilities			6,713
Total liabilities			921,306

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

5. SEGMENT INFORMATION – *continued*

Other segment information

For the year ended 30 September 2022 (re-presented)

	Continuing operations		
	Provision of technology solution services HK\$'000	Virtual asset ecosystem HK\$'000	Total HK\$'000
Amortisation of other intangible asset	-	230	230
Net gain on derivatives	-	(8,171)	(8,171)
Depreciation of property, plant and equipment	2,055	2,851	4,906
Depreciation of right-of-use assets	5,242	6,661	11,903
Gains on lease modification	-	(1,128)	(1,128)
Capital expenditure	2,165	9,664	11,829
Loss on disposal of intangible assets	-	903	903
Loss on disposal of property, plant and equipment	-	11	11
Interest expenses	639	6,613	7,252
Interest income	(17)	(623)	(640)
Provision for impairment loss on inventories	-	-	-
Income tax expense/(credit)	5,824	(1,017)	4,807

Notes to the Consolidated Financial Statements

For the year ended 30 September 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 revenue information is based on the location of the customers or location of trading cryptocurrencies.

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

	2023 HK\$'000	2022 HK\$'000 (re-presented)
Continuing operations:		
Customer A	–	7,284,622
Customer B	<u>1,913,019</u>	<u>–</u>

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

	2023 HK\$'000	2022 HK\$'000
HKSAR	77,157	126,531
Mainland China	–	99,067
Japan	–	3,467
USA	–	<u>31,215</u>
	<u>77,157</u>	<u>260,280</u>

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

6. REVENUE

Revenue mainly includes cryptocurrency trading, provision of technology solution services and provision of virtual asset ecosystem for the year.

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

	2023 HK\$'000	2022 HK\$'000 (re-presented)
Continuing operations		
Cryptocurrency trading	<u>2,810,576</u>	<u>8,939,289</u>
Revenue recognised at a point in time	<u>2,810,576</u>	<u>8,939,289</u>
Cryptocurrency mining services	5,788	–
Provision of custodian services	1,103	25,393
Provision of asset management services	4,283	8,902
Provision of lending management services	1,618	1,952
Provision of technology solution services	10,000	7,615
Provision of consultancy services	<u>201</u>	<u>792</u>
Revenue recognised over time	<u>22,993</u>	<u>117,437</u>
Total revenue	<u>2,833,569</u>	<u>9,056,726</u>

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

7. OTHER INCOME AND (LOSSES)/GAINS

	2023 HK\$'000	2022 HK\$'000 (re-presented)
Continuing operations		
Net gain on derivatives	112	8,171
Gain on lease modification	251	1,128
Government grants (note)	301	1,669
Sundry income	164	4,341
Fair value gain on convertible loan receivable	–	262
Fair value (losses)/gains on financial asset at FVTPL	(1,001)	1,083
Loss on disposal of intangible asset	–	(903)
Loss on disposal of property, plant and equipment	(6,033)	(11)
	<u>(6,206)</u>	<u>15,740</u>

Note:

The government grants in the year ended 30 September 2023 mainly represent the subsidy amounting to HK\$277,000 (2022: HK\$1,350,000) under the Employment Support Scheme provided by the HKSAR Government and subsidies amounting to HK\$24,000 (2022: HK\$654,000) 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

	2023 HK\$'000	2022 HK\$'000 (re-presented)
Continuing operations		
Interest income on bank deposits and balances	19	49
Interest income on loan receivable	3	598
	<u>22</u>	<u>647</u>

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

9. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000 (re-presented)
Continuing operations		
Interest on bank borrowings	1	9
Imputed interest on other loans from a related company (note 27(c))	13,145	9,972
Interest on other loans from a related company (note 27(d))	492	785
Interest expenses on lease liabilities (note 28(b))	<u>1,422</u>	<u>1,320</u>
	<u><u>15,060</u></u>	<u><u>12,086</u></u>

10. LOSS BEFORE INCOME TAX

	2023 HK\$'000	2022 HK\$'000 (re-presented)
Loss before income tax is arrived at after charging/(crediting):		
Continuing operations		
Amortisation of other intangible asset (included in administrative expenses)	–	382
Auditors' remuneration		
– audit services	1,820	1,376
– other services	800	438
Cost of inventories recognised as expenses		
– cryptocurrency trading business	2,813,284	8,941,077
Depreciation of property, plant and equipment (note 18)	8,317	7,971
Depreciation of right-of-use assets (note 28(a))	11,463	17,795
Low-value assets lease expenses	–	698
Short-term lease expenses (note 28(a))	1,362	1,300
Cloud storage and technical support expenses	30,181	21,092
Employee benefit expenses (note 11)	<u>101,892</u>	<u>153,147</u>

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

10. LOSS BEFORE INCOME TAX – *continued*

	2023 HK\$'000	2022 HK\$'000 (re-presented)
Discontinued operations		
Auditors' remuneration		
– audit services	–	527
Cost of inventories recognised as expenses		
– other business	146,720	318,490
Depreciation of property, plant and equipment (note 18)	3,196	3,914
Depreciation of right-of-use assets (note 28(a))	11,670	17,374
Short-term lease expenses (note 28(a))	515	1,650
Provision for impairment loss on inventories (note 21)	4,072	2,289
Employee benefit expenses (note 11)	41,816	62,769
	<u>41,816</u>	<u>62,769</u>

11. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2023 HK\$'000	2022 HK\$'000 (re-presented)
Continuing operations		
Staff salaries, allowances and welfare	88,641	131,902
Provident fund contributions (note 29)	12,613	19,678
Mandatory provident fund obligations (note 29)	597	1,102
Recognition of share-based compensation expenses (note 33)	41	465
	<u>101,892</u>	<u>153,147</u>

	2023 HK\$'000	2022 HK\$'000
Discontinued operations		
Staff salaries, allowances and welfare	13,324	21,009
Provident fund contributions (note 29)	970	1,143
Mandatory provident fund obligations (note 29)	172	232
Direct labour costs	27,350	40,385
	<u>41,816</u>	<u>62,769</u>

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

12. INCOME TAX (CREDIT)/EXPENSE

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

	2023 HK\$'000	2022 HK\$'000 (re-presented)
Continuing operations		
Current tax income – HK SAR:		
Provision for the year	262	7
Over provision in respect of prior years	(2,887)	–
	<u>(2,625)</u>	<u>7</u>
Current income tax – Overseas:		
Provision for the year:		
Japan	(143)	5,816
Mainland China	–	9
	<u>(143)</u>	<u>5,825</u>
Deferred tax (note 30)	<u>(2,123)</u>	<u>(1,646)</u>
Income tax (credit)/expense	<u><u>(4,891)</u></u>	<u><u>4,186</u></u>

Hong Kong profits tax is calculated at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits for the year, except for the first HK\$2,000,000 of a qualified entity's assessable profit which is calculated at the rate of 8.25%, in accordance with the new two-tiered tax rate regime with effect from the year of assessment 2018/2019.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

12. INCOME TAX (CREDIT)/EXPENSE – continued

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

	2023 HK\$'000	2022 HK\$'000 (re-presented)
Loss before income tax (from continuing operations)	<u>(282,173)</u>	<u>(189,513)</u>
Tax thereon at domestic rates applicable to profits or losses in the jurisdictions concerned	(57,082)	(29,592)
Tax effect of non-deductible expenses	10,859	9,397
Tax effect of non-taxable income	(5,732)	(3,938)
Tax effect of temporary differences not recognised	1,248	212
Tax effect of tax losses not recognised	48,703	28,107
Over provision in respect of prior years	<u>(2,887)</u>	–
Income tax (credit)/expense	<u>(4,891)</u>	<u>4,186</u>

13. DISCONTINUED OPERATION

Disposal of entire equity interest in the Pantene Group

The principal business and activity of the Pantene Group is sale and distribution of power-related and electrical/electronic products in the PRC (the “Contract Manufacturing Business”). Upon the completion of the disposal of the Pantene Group, the Group ceased to engage in the Contract Manufacturing Business. Accordingly, the operation of Contract Manufacturing Business was classified as discontinued operation.

The loss for the year from the discontinued operations is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been re-presented as discontinued operations.

	2023 HK\$'000	2022 HK\$'000
Loss of Contract Manufacturing Business for the period/year	(11,412)	(10,402)
Gain on disposal of subsidiaries (note 43(b))	<u>5,955</u>	–
	<u>(5,457)</u>	<u>(10,402)</u>

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

13. DISCONTINUED OPERATION – *continued*

The (loss)/profit for the period/year from discontinued operations

	2023 HK\$'000	2022 HK\$'000
Revenue	160,926	396,138
Cost of sales	<u>(150,792)</u>	<u>(322,294)</u>
Gross profit	10,134	13,844
Other income and gains	1,716	9,989
Interest income	627	658
Selling and distribution expenses	(2,170)	(5,359)
Administrative expenses	(18,601)	(79,101)
Finance costs	<u>(4,391)</u>	<u>(6,905)</u>
Loss before income tax	(12,685)	(6,874)
Income tax credit/(expense)	<u>1,273</u>	<u>(5,928)</u>
Loss for the period/year	(11,412)	(12,802)
Gain on disposal of subsidiaries	<u>5,955</u>	<u>–</u>
Loss for the period/year from discontinued operations	<u><u>(5,457)</u></u>	<u><u>(12,802)</u></u>

The net cash flows incurred by discontinued operations are as follows:

	2023 HK\$'000	2022 HK\$'000
Operating activities	10,334	43,082
Investing activities	(14,102)	1,645
Financing activities	<u>(75,369)</u>	<u>(30,927)</u>
Net cash (outflow)/inflow	<u><u>(79,137)</u></u>	<u><u>10,510</u></u>

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

14. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

On 25 August 2023, the Group and Avenir Cayman Holding Limited (the “Purchaser”), the then immediate holding company of the Company, entered into a sale and purchase agreement, pursuant to which the Group has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the entire issued share capital of New Huo Solutions Limited, at a consideration of approximately HK\$205,706,000, and the entire issued share capital of HBTPower Limited and HBTPower Inc., at a total consideration of approximately US\$6,625,000 (equivalent to HK\$52,002,000) (the “Target Companies”). The total consideration is approximately HK\$257,708,000. For details, please refer to the Company’s announcements dated 25 August 2023 and the circular dated 17 November 2023 respectively.

The disposal of the Target Companies were passed by the shareholders of the Company at the extraordinary general meeting held on 7 December 2023. The directors of the Company are of the view that the Target Companies will be disposed of within twelve months from the end of the reporting period. Accordingly, corresponding assets and liabilities associated with the Target Companies have been classified as held for sale and are presented separately in the consolidated statement of financial position (see below).

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

	HK\$'000
Property, plant and equipment (note 18)	3,773
Right-of-use assets (note 28(a))	27,144
Trade and other receivables	46,650
Investment in joint venture (note 20)	57,031
Cryptocurrencies (note a)	64,260
Financial assets at FVTOCI (note 23(iii))	7,961
Cash and bank balances	63,545
	<hr/>
Total assets classified as held for sale	270,364
	<hr/>
Trade and other payable	17,908
Amounts due to related party (note b)	4,935
Lease liabilities (note 28(b))	28,966
Tax payable	710
Deferred tax liabilities (note 30)	43
	<hr/>
Total liabilities associated with assets classified as held for sale	52,562
	<hr/>

Notes:

- (a) As at 30 September 2023, approximately 238,027 Filecoins carrying amount of HK\$6,255,000 were pledged for cryptocurrency mining business.
- (b) As at 30 September 2023, there was amounts due to related company of HK\$4,935,000 in which Mr. Li Lin, a Director of the Company, has beneficial interests. The amounts are unsecured, interest-free and repayable on demand.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

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

The loss for the year from the Target Companies, which are included in continuing operations of the Group, are disclosed as follows:

	2023 HK\$'000
Revenue	346,875
Cost of sales	<u>(346,353)</u>
Gross profit	522
Other income and gains	737
Fair value gain on cryptocurrencies	13,819
Administrative expenses	(21,317)
Share of result of a joint venture	3,877
Finance costs	<u>(1,590)</u>
Loss before income tax	(4,164)
Income tax expense	<u>-</u>
Loss for the year	<u><u>(4,164)</u></u>

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For the year ended 30 September 2023

15. DIRECTORS' EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS

Continuing and discontinued operations

(a) Directors' emoluments

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

	Fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Retirement benefits scheme contribution HK\$'000	Discretionary bonuses HK\$'000	Share-based compensation expenses HK\$'000	Total HK\$'000
Year ended 30 September 2023						
<i>Executive Directors</i>						
Mr. Du Jun (resigned on 30 November 2022)	1,003	803	-	7	-	1,813
Ms. Zhang Li (appointed on 18 December 2021)	1,200	225	-	3	-	1,428
Mr. Wu Shupeng (appointed on 18 November 2021, resigned on 30 November 2022)	200	1,413	-	3	-	1,616
<i>Non-executive Director</i>						
Mr. Li Lin	1,200	-	-	-	-	1,200
<i>Independent non-executive Directors</i>						
Mr. Yu Chun Kit	260	-	-	-	-	260
Mr. Yip Wai Ming	260	-	-	-	-	260
Dr. Lam, Lee G., <i>BBS, JP</i> (appointed on 21 April 2023)	106	-	-	-	-	106
Mr. Ngai Matthew Cheuk Yin (resigned on 20 April 2023)	153	-	-	-	-	153
Total	4,382	2,441	-	13	-	6,836

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

15. DIRECTORS' EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS – continued

Continuing and discontinued operations – continued

(a) Directors' emoluments – continued

	Fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Retirement benefits scheme contribution HK\$'000	Discretionary bonuses HK\$'000	Share-based compensation expenses HK\$'000	Total HK\$'000
Year ended 30 September 2022						
Executive Directors						
Mr. Li Lin (resigned on 18 December 2021)	300	385	-	-	-	685
Mr. Wu Shupeng (appointed on 18 November 2021, resigned on 30 November 2022)	945	756	-	15	22	1,738
Ms. Zhang Li (appointed on 18 December 2021)	945	360	-	-	-	1,305
Non-executive Director						
Mr. Li Lin (appointed on 18 December 2021)	900	-	-	-	-	900
Independent non-executive Directors						
Mr. Yu Chun Kit (appointed on 1 April 2022)	120	-	-	-	-	120
Mr. Yip Wai Ming	240	-	20	-	-	260
Mr. Ngai Matthew Cheuk Yin (resigned on 20 April 2023)	240	-	20	-	-	260
Mr. Duan Xiongfei (resigned on 1 April 2022)	120	-	20	-	-	140
Total	3,810	1,501	60	15	22	5,408

During the year, none of the Directors waived or agreed to waive any emoluments and there were no emoluments paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office (2022: HK\$Nil).

The executive Directors' emoluments were mainly for their services in connection with management of the affairs of the Company and the Group.

The non-executive Director and independent non-executive Directors' emoluments shown above were for their services as directors of the Company.

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

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

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

Continuing and discontinued operations – *continued*

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, four (2022: one) of Directors of the Company whose emoluments are included in note 13(a) above. The emoluments of the remaining one (2022: four) individual are as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries, allowances and other benefits	1,179	9,544
Bonus	–	1,535
Retirement benefit scheme contribution	18	72
	<u>1,197</u>	<u>11,151</u>

Their emoluments were within the following bands:

	2023 Number of individuals	2022 Number of individuals
Nil to HK\$1,000,000	–	–
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	–	2
HK\$2,000,001 to HK\$2,500,000	–	–
HK\$2,500,001 to HK\$3,000,000	–	–
HK\$3,000,001 to HK\$3,500,000	–	1
HK\$3,500,001 to HK\$4,000,000	–	1
	<u>–</u>	<u>1</u>

During the year, none of the five highest paid individuals waived or agreed to waive any emoluments and there were no emoluments paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office (2022: HK\$Nil).

15. DIRECTORS' EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS – continued**Continuing and discontinued operations – continued****(c) Senior management's emoluments**

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

	2023 Number of individuals	2022 Number of individuals
Nil to HK\$1,000,000	–	–
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	–	–
HK\$2,000,001 to HK\$2,500,000	–	–
HK\$2,500,001 to HK\$3,000,000	–	–
HK\$3,000,001 to HK\$3,500,000	–	–
HK\$3,500,001 to HK\$4,000,000	–	1

16. DIVIDENDS

There was no interim dividend for the years ended 30 September 2023 and 2022.

The Directors do not recommend the payment of a final dividend for the years ended 30 September 2023 and 2022.

17. 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 312,564,775 (2022: 308,174,123) in issue or issuable during the year.

	2023 HK\$'000	2022 HK\$'000 (re-presented)
Loss attributable to owners of the Company		
– for continuing operations	(272,959)	(186,868)
– for discontinuing operations	(11,412)	(12,802)
	<u>(284,371)</u>	<u>(199,670)</u>
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>312,564,775</u>	<u>308,174,123</u>

Diluted loss per share

There was no diluted loss per share for the years ended 30 September 2023 and 2022 as the exercise of share options would result in a reduction in loss per share for continuing operations for the years. Accordingly, the diluted loss per share was the same as the basic loss per share for the years ended 30 September 2023 and 2022.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Plant and machinery HK\$'000	Total HK\$'000
Cost					
At 1 October 2021	21,644	48,829	4,147	50,732	125,352
Additions	2,859	10,557	940	12,074	26,430
Disposals	(6,095)	(383)	–	(1,151)	(7,629)
Disposal of a subsidiary	–	–	–	(391)	(391)
Currency realignment	(1,015)	(5,325)	(129)	(536)	(7,005)
At 30 September 2022 and 1 October 2022	17,393	53,678	4,958	60,728	136,757
Additions	11,365	3,412	–	3,110	17,887
Disposals	(8,925)	(4,444)	(374)	(6,871)	(20,614)
Disposal of a subsidiary	(13,787)	(44,808)	(3,625)	(46,328)	(108,548)
Transferred to assets held for sale (note 14)	–	–	–	(7,149)	(7,149)
Currency realignment	(375)	(223)	(20)	(176)	(794)
At 30 September 2023	<u>5,671</u>	<u>7,615</u>	<u>939</u>	<u>3,314</u>	<u>17,539</u>
Accumulated depreciation and impairment					
At 1 October 2021	5,559	39,691	3,606	36,995	85,851
Provided for the year	3,976	5,020	324	2,566	11,886
Disposals	(3,594)	(322)	–	(316)	(4,232)
Disposal of a subsidiary	–	–	–	(123)	(123)
Currency realignment	(559)	(3,636)	(129)	(290)	(4,614)
At 30 September 2022 and 1 October 2022	5,382	40,753	3,801	38,832	88,768
Provided for the year	3,243	3,658	419	4,193	11,513
Disposals	(3,940)	(3,355)	(374)	(5,792)	(13,461)
Impairment for the year (note)	2,925	5,752	–	1,309	9,986
Disposal of a subsidiary	(1,866)	(40,153)	(3,331)	(31,850)	(77,200)
Transferred to assets held for sale (note 14)	–	–	–	(3,376)	(3,376)
Currency realignment	(73)	310	(20)	(2)	215
At 30 September 2023	<u>5,671</u>	<u>6,965</u>	<u>495</u>	<u>3,314</u>	<u>16,445</u>
Carrying values					
At 30 September 2023	<u>–</u>	<u>650</u>	<u>444</u>	<u>–</u>	<u>1,094</u>
At 30 September 2022	<u>12,011</u>	<u>12,925</u>	<u>1,157</u>	<u>21,896</u>	<u>47,989</u>

18. PROPERTY, PLANT AND EQUIPMENT – continued

Note:

The Group recorded loss for the years ended 30 September 2023 and 2022. The management of the Group concluded there was impairment indication for property, plant and equipment under cash generating units (“CUGs”) of virtual asset ecosystem and provision of technology solutions services and conducted a review of the recoverable amount of the property, plant and equipment.

For the purpose of impairment assessment, the recoverable amount of property, plant and equipment is estimated individually and has been determined based on the higher of value-in-use or their fair value less costs of disposal.

The computer equipment and motor vehicle were written down to its recoverable amount of HK\$1,094,000, which was determined by reference to their fair value less costs of disposal. The main valuation inputs used were the market value (available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices) and incremental costs for disposing of these assets. The fair value of the computer equipment and motor vehicle is classified as a level 3 fair value.

The management assessed that both value-in-use and fair value less costs of disposal for leasehold improvements and plant and machinery were Nil.

Based on the result of the assessment, the management of the Group determined that the recoverable amount of the property, plant and equipment was less than the carrying amount. Accordingly, an impairment loss of HK\$9,986,000 (2022: Nil) on property, plant and equipment has been recognised in profit or loss for the year ended 30 September 2023.

19. GOODWILL

The net carrying amount of goodwill is analysed as follows:

	2023 HK\$'000	2022 HK\$'000
Cost		
At 1 October	174	174
Less: Disposal of a subsidiary (note 43(a))	(174)	–
	<u>–</u>	<u>174</u>
At 30 September	–	174
Accumulated impairment		
At 1 October and 30 September	–	–
	<u>–</u>	<u>–</u>
Net carrying amount		
At 30 September	<u>–</u>	<u>174</u>

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

20. INVESTMENT IN A JOINT VENTURE

	2023 HK\$'000	2022 HK\$'000
Unlisted equity investment:		
Share of net assets	57,030	53,154
Reclassified to assets held for sale (note 14)	<u>(57,030)</u>	<u>–</u>
	<u>–</u>	<u>53,154</u>

Details of the Group's joint venture at 30 September 2023 and 2022 are as follows:

Name of joint venture	Form of business structure	Place of incorporation	Effective interest held by the Group		Proportion of voting rights held by the Group		Principal activities
			2023	2022	2023	2022	
FIL Limited (note)	Incorporated	BVI	50%	50%	50%	50%	Filecoin mining activity

Note:

References are made to the Company's announcements dated 8 February 2022 and 4 March 2022 and the subscription agreements dated 7 February 2022 and 4 March 2022, New Huo Solution Limited, a directly wholly-owned subsidiary of the Company, and other investor agreed to subscribe the partnership interest (the "Subscriptions") in a New World Pioneer Mining Fund 1 LPF (the "Fund") which is established for the purpose of making investment into the cryptocurrency mining ecosystem. The Fund, through an intermediate company, invested in FIL Limited during the year ended 30 September 2022. Upon completion of the Subscriptions, the Group holds effective 50% voting shares of FIL Limited. The decisions about the relevant activities that significantly affect the returns of FIL Limited require the unanimous consent of both the Group and another investor. Therefore, the Group has joint control over FIL Limited and is accounted for using the equity method in these consolidated financial statements.

As at 30 September 2023, the investment in a joint venture was classified as asset held for sale (note 14).

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For the year ended 30 September 2023

20. INVESTMENT IN A JOINT VENTURE – *continued*

Summarised financial information in respect of the Group's joint venture as at 30 September 2022 is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

FIL Limited

	2022 HK\$'000
Non-current assets	<u>33,516</u>
Current assets	<u>95,592</u>
Current liabilities	<u>(22,800)</u>
Non-current liabilities	<u>–</u>

	2022 HK\$'000
Revenue	<u>12,263</u>
Loss for the year	<u>(42,828)</u>
Total comprehensive expense for the year	<u>(42,828)</u>

The above loss for the year includes the following:

Depreciation and amortisation	<u>(13,537)</u>
Impairment of property, plant and equipment	<u>(36,532)</u>

Reconciliation of the above summarised financial information to the carrying amount of the investment in the joint venture recognised in the consolidated financial statements:

	2022 HK\$'000
Net assets of FIL Limited	106,308
Proportion of the Group's equity interests in FIL Limited	<u>50%</u>
Carrying amount of the Group's interests in FIL Limited	<u>53,154</u>

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

21. INVENTORIES

	2023 HK\$'000	2022 HK\$'000
Raw materials	–	14,086
Work-in-progress	–	3,713
Finished goods	–	26,310
	<u>–</u>	<u>26,310</u>
	<u>–</u>	<u>44,109</u>

At 30 September 2022, the carrying amount of inventories carried at the lower of cost and net realisable value amounted to HK\$44,109,000, after provision for impairment of HK\$8,576,000. During the year ended 30 September 2023, impairment losses of HK\$4,072,000 (2022: HK\$2,289,000) have been recognised in the consolidated statement of profit or loss under discontinued operations (note 10).

22. CRYPTOCURRENCIES

	2023 HK\$'000	2022 HK\$'000
Cryptocurrencies		
Held in own wallets of the Group	13,882	99,811
Held on exchange institutions	1,169	194,678
	<u>15,051</u>	<u>294,489</u>
Representing:		
Bitcoin (“BTC”)	279	172,562
USDT	12,339	77,391
USDC	24	18,806
Filecoin (note b)	1,971	15,846
ETH	240	2,295
Others	198	7,589
	<u>15,051</u>	<u>294,489</u>

Notes:

- (a) As at 30 September 2022, there were cryptocurrencies with fair value of approximately 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. All cryptocurrency collateral has been returned to the counterparties during the year ended 30 September 2023 after settlement of such loan.
- (b) As at 30 September 2023, approximately 238,027 (2022: 238,027) Filecoins with carrying amount of HK\$6,255,000 (2022: HK\$10,613,000) were pledged for cryptocurrency mining business. Such cryptocurrencies were classified as asset held for sale as at 30 September 2023 (note 14).

Notes to the Consolidated Financial Statements

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

	2023 HK\$'000	2022 HK\$'000
Non-current		
Financial assets at FVTOCI (note i)		
- Unlisted equity investment in Company A (note ii)	-	5,425
- Unlisted equity investment in Company B (note iii)	-	8,900
- Unlisted equity investment in Company C (note iv)	-	609
- Unlisted equity investment in Company D (note v)	-	548
- Unlisted equity investment in Company E (note vi)	-	23,480
	<u>-</u>	<u>38,962</u>
Current		
Financial assets at FVTPL		
- Derivative financial instrument in Company A (note vii)	-	1,328
	<u>-</u>	<u>1,328</u>
Assets classified as held for sale (note 14)		
Financial assets at FVTOCI (note i)		
- Unlisted equity investment in Company B (note iii)	7,961	-
	<u>7,961</u>	<u>-</u>

Notes:

- (i) The unlisted equity investment was irrevocably designated at FVTOCI as the Group considers the investment to be strategic in nature.
- (ii) The balance as at 30 September 2022 represented unlisted equity investment in 299,043 common shares, around 0.016% equity interest, of a private company incorporated in Australia. The shareholding was diluted from 0.018% to 0.016% as Company A issued additional shares to another investors during the year ended 30 September 2022.
- (iii) The balance as at 30 September 2022 represented unlisted equity investment in 92,908 Preferred B shares, around 6% equity interest, of a private company incorporated in Switzerland.

As at 30 September 2023, the investment in Company B was classified as asset held for sale (note 14).
- (iv) The balance as at 30 September 2022 represented unlisted equity investment in 10% equity interest of a private company incorporated in PRC.
- (v) The balance as at 30 September 2022 represented unlisted equity investment in 10% equity interest of a private company incorporated in PRC.
- (vi) The balance as at 30 September 2022 represented unlisted equity investment in around 6% equity interest of a private company incorporated in BVI.
- (vii) The balance as at 30 September 2022 represented derivative financial instrument for the right to subscribe for 74,761 common shares of Company A at an exercise price of Australian Dollar 1.1 per share.

Notes to the Consolidated Financial Statements

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24. TRADE AND OTHER RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Non-current portion		
Amount due from a former subsidiary (note a)	81,513	–
Less: provision for expected credit loss	(5,430)	–
	<u>76,063</u>	<u>–</u>
Current portion		
Other assets	141,748	–
Less: provisions for Impairment	(85,897)	–
	<u>55,851</u>	<u>–</u>
Other assets, net (note b)	55,851	–
Trade receivables (notes c, d and e)	4,490	65,683
Rental and other deposit and prepayments	2,894	13,875
Deposit for purchase of property, plant and equipment	–	24,122
Other receivables (note f)	1,176	31,787
	<u>64,411</u>	<u>135,467</u>
	<u>140,474</u>	<u>135,467</u>

24. TRADE AND OTHER RECEIVABLES – *continued*

Notes:

- (a) As at 30 September 2023, amount due from a former subsidiary of HK\$81,513,000 was unsecured, interest-free and repayable on or before 31 December 2024.

The management of the Company considered that the credit risk has not increased significantly since initial recognition and the loss allowance is measured at an amount equal to 12-month ECLs. During the year ended 30 September 2023, loss allowances of HK\$5,450,000 have been recognised in profit or loss.

To ensure the adequacy of allowance for ECL on amount due from a former subsidiary, the Group engaged an independent firm of professional valuers to conduct a valuation on the allowance for ECL on amount due from a former subsidiary recognised for the year ended 30 September 2023. Details of assessment please refer to note 40 (iii).

- (b) 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 30 September 2023, the Group had fiat currencies and cryptocurrencies deposited in FTX with original amounts of HK\$107,169,000 and HK\$34,579,000, respectively (“FTX Deposits”). The Group completed the submission of a claim of FTX Deposits against FTX to the liquidator of FTX (“FTX Claims”).

Up to the date of this report, the Group is not able to withdraw the FTX Deposits from FTX and the bankruptcy proceedings of FTX have not yet been completed. The Group is in the process of disposing the FTX Claims and expected to complete within 12 months.

For the purpose of impairment assessment, the recoverable amount of the FTX Deposit has been determined based on their fair value less costs of disposal, which is calculated based on available market price less incremental costs for assignment of the FTX Claims.

Based on the result of the assessment, the management of the Group determined that the recoverable amount of the FTX Deposits was less than its deposited amount. Accordingly, an impairment loss of HK\$85,897,000 (2022: Nil) has been recognised in profit or loss for the year ended 30 September 2023.

- (c) As at 30 September 2023, included in trade receivables were amounts due from related companies amounting to HK\$2,950,000 (2022: HK\$5,074,000) in which Mr. Li Lin, a Director of the Company, has beneficial interests. The amounts are unsecured, interest-free and trade in nature.
- (d) The Group operates an asset-backed lending facility based on certain of its trade receivables. The discounting transactions are with recourse and accordingly, do not meet the requirements in HKFRS 9 for de-recognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the discounted trade receivables. At 30 September 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. At 30 September 2022, the asset-backed lending liabilities amounted to HK\$678,000 (note 27).

As at 30 September 2023, the Group did not operate such asset-backed lending facility.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

24. TRADE AND OTHER RECEIVABLES – continued

Notes: – continued

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

	2023 HK\$'000	2022 HK\$'000
0–60 days	1,484	52,623
61–90 days	1,005	11,339
91–120 days	1,007	1,721
More than 120 days	994	–
	<u>4,490</u>	<u>65,683</u>

The Group allows credit periods of 14 to 30 days (2022: 30 to 100 days) to its trade customers depending on their credit status and geographical location during the year. The Directors of the Company consider that the carrying amounts of trade and other receivables approximate to their fair values.

The aged analysis of the Group's trade receivables, based on due date, that were past due as at the reporting date but not impaired, is as follows:

	2023 HK\$'000	2022 HK\$'000
Neither past due nor impaired	747	54,236
0–60 days past due	1,005	10,160
61–90 days past due	1,007	1,287
91–120 days past due	994	–
Over 120 days past due	737	–
	<u>4,490</u>	<u>65,683</u>

Trade receivables that were neither past due nor impaired related to a number of customers for whom there has been no recent history of default. Based on past experience, the Directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit risk.

(f) As at 30 September 2022, included in other receivables was an amount due from a related company amounting to HK\$23,706,000 in which Mr. Li Lin, a Director of the Company, has beneficial interests. The amount is unsecured, interest-free repayable in 30 days.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

25. PLEDGED BANK DEPOSIT AND CASH AND BANK BALANCES

	2023 HK\$'000	2022 HK\$'000
Time deposits	1,500	9,450
Cash at banks and in hand	<u>320,161</u>	<u>322,633</u>
	321,661	332,083
Less: Time deposit pledged for banking facilities	–	(7,850)
Less: Time deposit with original maturity of over three months	<u>(1,500)</u>	<u>(1,600)</u>
	320,161	322,633
Cash and cash equivalents	<u>320,161</u>	<u>322,633</u>

Cash at banks earn interest at floating rates based on daily bank deposit rates. Time deposits is placed with banks with original maturity period of 368 days and earn interest at 0.25% per annum (2022: Time deposits are placed with banks with original maturity period of one year or less and earn interest at rates ranging from 0.10% to 2.45% per annum).

As at 30 September 2022, the Group's time deposit of HK\$7,850,000 has been pledged with a bank to secure banking facilities granted to a subsidiary of the Group, which will be released upon the settlement of the relevant borrowings.

Included in cash and bank balances of the Group at the reporting date are bank balances denominated in Renminbi ("RMB") of HK\$1,472,000 (2022: HK\$15,747,000) placed with banks in Mainland China. RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

26. TRADE AND OTHER PAYABLES

	2023 HK\$'000	2022 HK\$'000
Trade payables	–	25,331
Other payables and accruals	12,549	133,358
	<u>12,549</u>	<u>158,689</u>

Included in other payables were amounts due to related companies amounting to HK\$355,000 (2022: HK\$ Nil) in which Mr. Li Lin, a Director of the Company, has beneficial interests. The amounts are unsecured, interest-free and repayable on demand.

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

	2023 HK\$'000	2022 HK\$'000
0–60 days	–	21,402
61–90 days	–	2,891
More than 90 days	–	1,038
	<u>–</u>	<u>25,331</u>

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

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

27. BANK AND OTHER BORROWINGS

	Notes	2023 HK\$'000	2022 HK\$'000
Bank borrowings (secured) comprise:			
Asset-backed lending	28(a)	–	678
Other borrowings (unsecured) comprise:			
Loan from a former controlling shareholder	28(b)	–	60,605
Loans from a related company	28(c)	467,205	394,761
Other borrowings measured at FVTPL (unsecured) comprise:			
Loans from a related company	28(d)	–	11,076
		<u>467,205</u>	<u>467,120</u>
Secured		–	678
Unsecured		<u>467,205</u>	<u>466,442</u>
		<u>467,205</u>	<u>467,120</u>
Bank borrowings are repayable as follows:			
Within one year or on demand		–	678
Other borrowings are repayable as follows:			
Within one year or on demand		359,107	435,984
More than one year but not exceeding two years		108,098	–
More than two years but not exceeding five years		–	30,458
		<u>467,205</u>	<u>466,442</u>
		<u>467,205</u>	<u>467,120</u>
Analysed into:			
Non-current		108,098	466,442
Current		<u>359,107</u>	<u>678</u>
		<u>467,205</u>	<u>467,120</u>

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

27. BANK AND OTHER BORROWINGS – *continued*

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 under HKFRS 9. The corresponding financial assets are included in trade receivables (note 24).

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.

(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 ultimately owned by Mr. Simon Nai-cheng Hsu, NWC agreed to provide Pantene Industrial Co. Limited (“Pantene Industrial”), a wholly-owned subsidiary of the Group, a three-year interest-free and unsecured loan of HK\$100,000,000 with maturity date of 24 August 2022. The borrower is entitled to early repay a portion or all of this loan without giving prior notice.

The HK\$100,000,000 loan received was initially recognised at a fair value of HK\$86,098,000 which was estimated by discounting the nominal value of the loan at an effective interest rate of 5.0% per annum and as a result, a fair value gain of HK\$11,608,000 (net of deferred tax of HK\$2,294,000) was credited to the other reserve for the year ended 30 September 2018. The loan was fully repaid during the year ended 30 September 2021. On 25 August 2021, NWC agreed to provide Pantene Industrial an unsecured loan of HK\$60,000,000 with interest bearing at 4% per annum and maturity date of 25 February 2023.

For the year ended 30 September 2023, an interest of HK\$973,000 (2022: HK\$2,400,000) was charged to the consolidated statement of profit or loss under discontinued operations (note 13).

(c) Other borrowings – Loans from a related company

2019 Shareholder’s Facility

Under a facility agreement dated 26 September 2019 and the extension letters 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”). 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.

During the year ended 30 September 2022, the Company drew down approximately US\$25,000,000 or HK\$195,108,000 by cash. 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.

27. BANK AND OTHER BORROWINGS – *continued*

Notes: – *continued*

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

2019 Shareholder's Facility – *continued*

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 (note 43 (c)), 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.

During the year ended 30 September 2023, the Group and Avenir agreed to extend the 2019 Shareholder's Facility. 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 2019 Shareholder's Facility of HK\$7,919,000 (net of deferred tax of HK\$1,565,000 (note 29)) in other reserve for the year ended 30 September 2023.

As at 30 September 2023, the 2019 Shareholder's Facility with carrying amount of HK\$359,107,000 will be expired on 30 September 2024.

2022 Shareholder's Facility

Under a facility agreement dated 5 May 2022 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"). 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.

As at 30 September 2023, the 2022 Shareholder's Facility with carrying amount of HK\$30,815,000 will be expired on 4 May 2025.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

27. BANK AND OTHER BORROWINGS – *continued*

Notes: – *continued*

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

2022 Shareholder's FTX Facility

Under a facility agreement dated 13 November 2022 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") and expired on 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 year ended 30 September 2023, the Company drew down approximately US\$13,199,455 or HK\$103,598,000 in form of USDT (being the fair value of the USDT units received at the date of drawdown).

The HK\$103,598,000 loan received was initially recognised at a fair value of HK\$102,518,000 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\$887,000 (net of deferred tax of HK\$193,000) was credited to the other reserve for the year ended 30 September 2023.

During the year ended 30 September 2023, the Company made partial repayment of USD3,000,000 or HK\$23,546,000. The Company and Avenir mutually agreed to extend the remaining loan of USD10,199,455 or HK\$79,912,000 from 12 March 2023 to 14 November 2024. A fair value gain of HK\$3,412,000 (net of deferred tax of HK\$675,000) was credited to the other reserve for the year ended 30 September 2023.

As at 30 September 2023, the 2022 Shareholder's FTX Facility with carrying amount of HK\$77,283,000 will be expired on 14 November 2024. The FTX Facility has been settled in November 2023.

Imputed interest on loans from a related company

During the year ended 30 September 2023, an imputed interest of HK\$13,145,000 (with related deferred tax credit of HK\$2,169,000) (2022: HK\$9,972,000 (with related deferred tax credit of HK\$1,646,000)) was charged to the consolidated statement of profit or loss (notes 9 and 30).

(d) Other borrowings measured at FVTPL – Loans from a related company

On 3 March 2022, Huobi Solutions Limited ("Huobi Solutions"), a wholly-owned subsidiary of the Group, entered into a loan agreement as borrower with Huobi Global (Cayman) as lender, pursuant to which Huobi Global (Cayman) agreed to grant Huobi Solutions a loan of 250,000 Filecoin (equivalent to approximately HK\$38,973,000) for a term of 540 days with interest rate of 15% per annum.

For the year ended 30 September 2023, an interest of HK\$492,000 (2022: HK\$785,000) was charged to the consolidated statement of profit or loss (note 9) and fair value gain of HK\$4,559,000 (2022: HK\$27,896,000) was credited to consolidated statement of profit or loss.

The loan from a related company was settled during the year ended 30 September 2023.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

28. LEASES

The Group leases certain leasehold land, office properties, factories and others. The leases run for an initial period of 3 months to 6 years (2022: 3 months to 6 years) without contingent rentals.

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year:

(a) Right-of-use assets

	Office properties HK\$'000	Factories HK\$'000	Others HK\$'000	Total HK\$'000
At 1 October 2022	24,742	94,379	880	120,001
Additions	2,549	–	–	2,549
Depreciation	(8,409)	(14,333)	(391)	(23,133)
Lease modification	(9,997)	–	–	(9,997)
Disposal of subsidiaries (note 43)	(9,059)	(51,654)	(489)	(61,202)
Transferred to asset held for sale (note 14)	–	(27,144)	–	(27,144)
Currency realignment	174	(1,248)	–	(1,074)
At 30 September 2023	–	–	–	–
At 1 October 2021	21,929	28,920	305	51,154
Additions	18,270	98,881	1,174	118,325
Depreciation	(15,794)	(18,776)	(599)	(35,169)
Lease modification	–	(8,677)	–	(8,677)
Currency realignment	337	(5,969)	–	(5,632)
At 30 September 2022	24,742	94,379	880	120,001

The Group recognised rental expenses from short-term leases of HK\$1,877,000 (2022: HK\$2,950,000) (note 10) in profit or loss for the year ended 30 September 2023.

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2023 HK\$'000	2022 HK\$'000
Within operating activities	1,877	3,648
Within financing activities	23,688	36,029
	25,565	39,677

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For the year ended 30 September 2023

28. LEASES – continued

(b) Lease liabilities

	2023 HK\$'000	2022 HK\$'000
At 1 October	123,079	55,120
Additions	2,549	118,325
Interest expenses (note 9)	4,684	5,660
Lease payments	(23,668)	(36,029)
Disposal of subsidiaries (note 43)	(66,254)	(5,176)
Lease modification	(10,248)	(8,746)
Transferred to liabilities associated with assets classified as held for sale (note 14)	(28,966)	–
Currency realignment	(1,176)	(6,075)
	<u>–</u>	<u>123,079</u>
Analysed as:		
Current liabilities	–	90,491
Non-current liabilities	–	32,588
	<u>–</u>	<u>123,079</u>

As at 30 September 2022, future lease payments are due as follows:

	At 30 September 2022		
	Present Value of the minimum lease payments HK\$'000	Interest of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000
Within one year	90,491	949	91,440
More than one year but not exceeding two years	8,546	1,516	10,062
More than two years but not exceeding five years	12,102	1,873	13,975
More than five years	11,940	2,746	14,686
	<u>123,079</u>	<u>7,084</u>	<u>130,163</u>
Total	<u>123,079</u>	<u>7,084</u>	<u>130,163</u>

29. DEFINED CONTRIBUTION PENSION PLANS

HKSAR

The Group joined a Mandatory Provident Fund Scheme (the “MPF Scheme”) for all employees in HKSAR. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. During the year, the retirement benefit scheme contributions charged to the consolidated statement of profit or loss amounted to HK\$597,000 (2022: HK\$1,334,000) (note 11), representing contributions payable to the fund by the Group at rates specified in the rules of the MPF Scheme.

Mainland China

The employees of the Group’s subsidiaries in Mainland China are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiaries are required to contribute 8% or 15% of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. The total contribution made for the year was HK\$5,071,000 (2022: HK\$17,459,000) (note 11). No forfeited contributions may be used by the employer to reduce the existing level of contributions.

Japan

The employees of Group’s subsidiary in Japan are required to participate in the employee’s welfare pension insurance programme operated by the local government institution. Under the programme, the employer and employees are each required to make contributions at rates specified in the rules. The Group has no further payment obligations once the contributions have been paid. There is no contribution made for the year (2022: HK\$199,000) (note 11).

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29. DEFINED CONTRIBUTION PENSION PLANS – *continued*

Singapore

The employees of Group's subsidiary in Singapore are required to participate in the post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The total contribution made for the year was HK\$128,000 (2022: HK\$1,030,000) (note 11).

USA

The employees of the Group's subsidiaries which operate in the USA are required to make payroll tax contributions in accordance with the FICA. The FICA tax consists of both Social Security and Medicare taxes. FICA taxes are paid both by the employee and the employer, with each party paying half of these taxes, based on an employee's gross pay. Contributions are made at the rates dictated for the respective tax year. The employee and employer are also required to pay state unemployment taxes, which vary by state. All contributions are reported and paid to appropriate taxing authorities. The Group has no further payment obligations once the contributions have been paid. There is no contribution made for the year (2022: HK\$2,133,000) (note 11).

30. DEFERRED TAX LIABILITIES

The following are the deferred tax liabilities recognised and the movements thereon in the current and prior years.

	In respect of withholding tax on undistributed profits of a subsidiary HK\$'000	Loans from a related company measured at fair value HK\$'000	Total HK\$'000
At 1 October 2021	5,041	2,120	7,161
Charged/(credited) to the consolidated statement of profit or loss			
– from continuing operations (note 12)	–	(1,646)	(1,646)
– from discontinued operations	184	–	184
Charged to other reserve in the consolidated statement of change in equity (note 27(c))	–	1,399	1,399
Currency realignment	(385)	–	(385)
At 30 September 2022 and 1 October 2022	4,840	1,873	6,713
Credited to the consolidated statement of profit or loss			
– from continued operations (note 12)	–	(2,123)	(2,123)
– from discontinued operations	(1,029)	–	(1,029)
Charged to other reserve in the consolidated statement of change in equity (note 27(c))	–	2,433	2,433
Disposal of subsidiaries (note 43)	(3,695)	–	(3,695)
Transferred to liabilities held for sale (note 14)	–	(43)	(43)
Currency realignment	(116)	–	(116)
At 30 September 2023	–	2,140	2,140

30. DEFERRED TAX LIABILITIES – continued

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate (5%) may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by its subsidiary established in Mainland China in respect of earnings generated from 1 January 2008. During the year ended 30 September 2023, a reversal of provision of HK\$1,029,000 (2022: provision of HK\$184,000) has been credit/charged to the consolidated statement of profit or loss under discontinued operations.

At the reporting date, based on the estimation of future profit streams, the Group has unrecognised gross deferred tax assets (before applying tax rates prevailing in the respective jurisdictions) in respect of unused tax losses and other temporary differences available for offset against future profits, analysed as follows:

	2023 HK\$'000	2022 HK\$'000
Unused tax losses	506,584	379,705
Other temporary differences	<u>6,054</u>	<u>10,159</u>
	<u><u>512,638</u></u>	<u><u>389,864</u></u>

The Group records deferred tax assets in respect of tax losses and other tax credits only where there is a reasonable expectation that these tax losses and credits will be utilised in the foreseeable future. Based on forecast income streams and having considered potential future earnings volatility, the Group does not anticipate the utilisation of any significant proportion of these unrecognised tax losses and other tax credits or the material reversal of the other deferred tax temporary differences in the foreseeable future. The tax losses and other tax credits arising from subsidiaries incorporated in HKSAR will not expire under current tax legislation and can be carried forward indefinitely.

The tax losses arising from the subsidiaries established in Mainland China of approximately HK\$40,713,000 (2022: HK\$22,304,000) will expire if they are not utilised to set off against the taxable profits within five years from the year in which they arose under the current tax legislation in Mainland China.

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31. SHARE CAPITAL

	Number of ordinary shares of HK\$0.001 each	Amount HK\$'000
Authorised:		
At 1 October 2021, 30 September 2022 and 30 September 2023	<u>500,000,000</u>	<u>500</u>
Issued and fully paid:		
At 1 October 2021	307,870,665	308
Issue of shares upon exercise of share options (note (i))	<u>1,090,000</u>	<u>1</u>
At 30 September 2022, 1 October 2022 and 30 September 2023	<u>308,960,665</u>	<u>309</u>

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\$3,493,000. Approximately HK\$3,492,000 representing the difference between the subscription price and the par value was credited to share premium. In addition, HK\$1,607,000 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) An extraordinary general meeting was held on 28 July 2023 in which the resolution to approve the proposed subscription of 157,000,000 new ordinary shares of par value of HK\$0.001 each (the "Subscription Shares"), at the subscription price of HK\$2.08 per Subscription Share (the "Subscription") was passed by the shareholders of the Company.

The proceeds of the Subscription were fully received by the Company on 25 September 2023 and the proceeds, net of related expenses, of HK\$324,605,000 were credited to capital reserve.

Subsequent to the end of the reporting period, the Subscription was completed on 10 October 2023 and 157,000,000 ordinary shares have been issued on 10 October 2023. Approximately HK\$157,000 representing the par value of 157,000,000 new ordinary shares were credited to share capital from capital reserve. In addition, HK\$324,448,000 representing the difference between the subscription price and the par value was credited to share premium from capital reserve.

Please refer to the announcements and circular of the Company dated 26 April 2023, 30 June 2023, 6 July 2023, 28 July 2023 and 10 October 2023 for details of the Subscription.

- (iii) All the shares issued ranked pari passu in all respects with the then existing shares in issue.

32. SHARE PREMIUM

	HK\$'000
At 1 October 2021	107,152
Arising from issue of shares on exercise of share options (note 31(ii))	5,099
At 30 September 2022, 1 October 2022 and 30 September 2023	112,251

33. 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) of any member of the Group, any director (including executive, non-executive or independent non-executive directors) and chief executive officers of any member of the Group.

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

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

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

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For the year ended 30 September 2023

33. 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 of Hong Kong's daily quotations sheet on the date of the grant of the option;
- (ii) the average closing price of the shares as stated in the Stock Exchange of Hong Kong's daily quotations sheets for the five trading days immediately preceding the date of the grant of the option; and
- (iii) the nominal value of a share on the date of the grant of the option.

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

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 share option 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 share option 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.

In order to ensure the practicability and flexibility of the share option scheme, the Board and the remuneration committee of the Board are of the view that the vesting date of the share options should not be strictly limited to the 1st anniversary of the date on which a share option is granted to a grantee. The Board and the remuneration committee of the Board are of the view that at their discretion, the vesting period of the share options could be longer than one financial year which would allow the Company to assess the grantee's performance on a sustainable basis and encourage the grantee's continuous growth. On 28 July 2023, the share option scheme was amended to the effect that the vesting period of the share options could be longer than one financial year.

For details, please refer to the Company's circular dated 6 July 2023 and announcement dated 28 July 2023.

33. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS – continued**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:

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

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

Based on the fair values derived from the above pricing model, the fair value of the share options granted on 3 April 2019 was approximately HK\$8,854,000 (HK\$1.4299 each), of which HK\$268,000 have been charged as share-based compensation expense to profit or loss for the year ended 30 September 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 Consolidated Financial Statements

For the year ended 30 September 2023

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

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:

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

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

Based on the fair values derived from the above pricing model, the fair value of the share options granted on 16 October 2019 was approximately HK\$6,190,000 (HK\$1.6959 each), of which HK\$51,000 have been charged as share-based compensation expenses to profit or loss for the year ended 30 September 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 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.

33. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS – continued**Share options granted on 2 July 2020 – continued**

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

	Granted on 2 July 2020
Grant date share price	HK\$3.28
Exercise price	HK\$3.28
Expected volatility	36.68%
Contractual option life	10 years
Risk-free rate	0.643%
Expected dividend yield	0%

The expected volatility is based on historical price volatility of similar listed companies in the past few years. The risk-free rate is the yields of Hong Kong government bonds and treasury bills as extracted from Bloomberg as at 2 July 2020. At the date the options were granted on 2 July 2020, this was determined to be 0.643%. The dividend yield of the Company of 0% has been adopted.

Based on the fair values derived from the above pricing model, the fair value of the share options granted on 2 July 2020 was approximately HK\$1,204,000 (HK\$1.3687 each), of which HK\$41,000 have been charged as share-based compensation expenses to profit or loss for the year ended 30 September 2023 (2022: HK\$147,000).

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.

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For the year ended 30 September 2023

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

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

For the year ended 30 September 2023

	Date of grant	Exercise price HK\$	Outstanding at 1 October 2022 Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	Forfeited during the year Number	Outstanding at 30 September 2023 Number
Executive Director Mr. Wu Shupeng [#] (resigned on 30 November 2022)	3.4.2019	3.13	262,000	-	-	(262,000)	-	-
Employees ^{**}	3.4.2019	3.13	630,000	-	-	(630,000)	-	-
Employees	16.10.2019	4.36	-	-	-	-	-	-
Employees	2.7.2020	3.28	183,334	-	-	(130,000)	-	53,334
			<u>1,075,334</u>	<u>-</u>	<u>-</u>	<u>(1,022,000)</u>	<u>-</u>	<u>53,334</u>
Weighted average exercise price			<u>HK\$3.16</u>	<u>-</u>	<u>-</u>	<u>HK\$3.15</u>	<u>-</u>	<u>HK\$3.28</u>

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

For the year ended 30 September 2022

	Date of grant	Exercise price HK\$	Outstanding at 1 October 2021 Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	Forfeited during the year Number	Outstanding at 30 September 2022 Number
Executive Director Mr. Wu Shupeng [#] (resigned on 30 November 2022)	3.4.2019	3.13	262,000	-	-	-	-	262,000
Employees ^{A*}	3.4.2019	3.13	1,663,000	-	(1,024,000)	(9,000)	-	630,000
Employees	16.10.2019	4.36	183,334	-	(66,000)	(66,667)	(50,667)	-
Employees	2.7.2020	3.28	330,001	-	-	(146,667)	-	183,334
			<u>2,438,335</u>	<u>-</u>	<u>(1,090,000)</u>	<u>(222,334)</u>	<u>(50,667)</u>	<u>1,075,334</u>
Weighted average exercise price			<u>HK\$3.24</u>	<u>-</u>	<u>HK\$3.20</u>	<u>HK\$4.36</u>	<u>HK\$3.28</u>	<u>HK\$3.16</u>

[#] Mr. Wu Shupeng was appointed as the Executive Director of the Company on 18 December 2021 and resigned on 30 November 2022.

^{A*} The figures exclude options held by Mr. Wu Shupeng who was appointed as an Executive Director on 18 December 2021 and whose options are reflected under classification of Executive Director.

Note:

As at 30 September 2023, the total number of share options outstanding were 53,334 (2022: 1,075,334).

For the share options outstanding as at 30 September 2023, the weighted average remaining contractual life was 2,570 days (2022: 2,455 days).

Total share-based compensation expenses of HK\$41,000 (2022: HK\$465,000), have been recognised in the consolidated statement of profit or loss for the year (note 11).

For the year ended 30 September 2022, the weighted average closing price of the shares immediately before the dates of exercise of options during the year was HK\$6.20.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

34. RESERVES

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity on pages 104 to 105 of the financial statements.

Share premium

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

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.

Capital reserve

The capital reserve represents net proceeds received for issuance of 157,000,000 new ordinary shares of the Company, net of related expenses, which have not yet completed as at the end of reporting period. Please refer to note 31(ii) for details.

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.

34. RESERVES – *continued*

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.

35. PLEDGE OF ASSETS

As at 30 September 2023, there are no pledge of assets under the banking facilities of the Company.

At 30 September 2022, the banking facilities of the Company's wholly-owned subsidiaries based in Mainland China and HKSAR, amounted to approximately HK\$23,550,000, comprising asset-backed lending facility. The facilities are secured against certain bank deposit (note 23), corporate guarantees from the Company and in the case of the asset-backed lending facility, an assignment over specific trade receivables. At 30 September 2022, the amount drawn down under the asset-backed lending facility was HK\$678,000 (note 27).

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36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings HK\$'000	Other borrowings HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At 1 October 2022	678	466,442	123,079	590,199
Changes from financing cash flows:				
Interest paid	(156)	(3,517)	(4,684)	(8,357)
Repayments of principal portion of lease liabilities	-	-	(18,984)	(18,984)
Repayments of banks borrowings	(678)	-	-	(678)
Repayments of other loan from a non-controlling shareholder (notes 27(d))	-	(60,000)	-	(60,000)
Repayment of loans from a related company	-	(34,718)	-	(34,718)
Proceeds from loans from a related company	-	103,598	-	103,598
Total changes from financing cash flows	(834)	5,363	(23,668)	(19,139)
Other changes:				
New leases	-	-	2,549	2,549
Interest expenses	156	14,610	4,684	19,450
Lease modification (note 28(b))	-	-	(10,248)	(10,248)
Effect of foreign exchange rates	-	-	(1,176)	(1,176)
Disposal of subsidiaries (notes 43)	-	-	(66,254)	(66,254)
Fair value gain on loans from a related company	-	(14,651)	-	(14,651)
Fair value gain on other borrowings	-	(4,559)	-	(4,559)
Liabilities associated with assets classified as held for sale	-	-	(28,966)	(28,966)
Total other changes	156	(4,600)	(99,411)	(103,855)
At 30 September 2023	-	467,205	-	467,205

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For the year ended 30 September 2023

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

	Bank borrowings HK\$'000	Other borrowings HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At 1 October 2021	13,987	280,366	55,120	349,473
Changes from financing cash flows:				
Net inflow in trust receipts and export loans	(13,309)	–	–	(13,309)
Interest paid	(174)	(2,038)	(5,660)	(7,872)
Repayments of principal portion of lease liabilities	–	–	(30,369)	(30,369)
Proceeds from other loans from a related company (notes 27(c) and 27(d))	–	270,681	–	270,681
Total changes from financing cash flows	(13,483)	268,643	(36,029)	219,131
Other changes:				
Capitalisation of new leases	–	–	118,325	118,325
Interest expenses	174	12,372	5,660	18,206
Lease modification (note 28(b))	–	–	(13,922)	(13,922)
Effect of foreign exchange rates	–	–	(6,075)	(6,075)
Setting off a consideration for disposal of a subsidiary (notes 27(c))	–	(53,371)	–	(53,371)
Waiver of loans from a related company (note 27(c))	–	(15,697)	–	(15,697)
Reversal of fair value gain on loan modification from a related company (note 27(c))	–	2,025	–	2,025
Fair value gain on other borrowings (note 27(d))	–	(27,896)	–	(27,896)
Total other changes	174	(82,567)	103,988	21,595
At 30 September 2022	678	466,442	123,079	590,199

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For the year ended 30 September 2023

37. RELATED PARTY TRANSACTIONS

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

	2023 HK\$'000	2022 HK\$'000
Data centre services income from related companies*	374	5,316
Technical services income from a related company*	2,950	–
Assets management income from a related company*	1,835	–
Assets management income from a related company#	1,606	–
Consultancy services income from related companies*	–	629
Custodian services income from related companies*	–	28,941
Referral services income from related companies*	–	161

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

Related company is a fund company in which Mr. Li Lin and Mr. Du Jun, the Directors of the Company, have significant beneficial interests.

The above transactions were conducted on mutually agreed terms.

During the year ended 30 September 2023, the Group disposed of an unlisted equity investment and derivative financial instrument in Animoca Brands Corporation Limited to Wechain Technology Limited, which is a related company of the Company in which Mr. Li Lin, a Director of the Company, is ultimate beneficial owner, at a consideration of US\$809,000 (equivalent to approximately HK\$6,310,000).

During the year ended 30 September 2023, the Company and Mr. Du Jun, a Director of the Company, entered into a subscription agreement pursuant to which the parties conditionally agreed that Mr. Du Jun shall subscribe for, and the Company shall allot and issue 74,700,000 new ordinary shares at subscription price of HK\$2.08. Subsequent to the end of the reporting period, the subscription was completed on 10 October 2023 and 74,700,000 ordinary shares have been issued to Mr. Du Jun on 10 October 2023.

During the year ended 30 September 2022, the Group provided financial assistance to Huobi Global (Seychelles) and Huobi Worldwide, which are related companies of the Company in which Mr. Li Lin, a Director of the Company, has beneficial interests, in relation to payment agent services with aggregate amounts of HK\$382,240,000.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

37. RELATED PARTY TRANSACTIONS – *continued*

The key management personnel are the Directors and the five highest paid individuals of the Company. The details of the emoluments paid to them are set out in note 15.

Except as disclosed above, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

38. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period.

	2023 HK\$'000	2022 HK\$'000
Contracted, but not provided for: Property, plant and equipment	–	62,363

39. CONTINGENT LIABILITIES

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

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40. FINANCIAL RISK AND VIRTUAL ASSET ECOSYSTEM RISK MANAGEMENT AND POLICIES

The Group is exposed to a variety of 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. The Group does not have written risk management policies. However, the Board meets regularly and co-operates closely with key management to identify and evaluate risks and to formulate strategies to manage financial risks.

Foreign currency risk

Foreign currency risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

The Group's foreign currency risk is mainly concentrated on the fluctuation of the US\$ against the RMB.

	2023 HK\$'000	2022 HK\$'000
Trade receivables	–	8,160
Cash and cash equivalents	1,614	40,830
Trade payables	–	(16,327)
Gross exposure arising from recognised financial assets and liabilities	<u>1,614</u>	<u>32,663</u>

Assuming sensitivity to a 5% increase where the RMB strengthens against the US\$ there would be an increase in profit of approximately HK\$67,000 for the year (2022: HK\$1.36 million). For a 5% weakening of the currency there would be an equal and opposite impact on profit or loss. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the reporting date for a 5% change in foreign currency rates.

40. FINANCIAL RISK AND VIRTUAL ASSET ECOSYSTEM RISK MANAGEMENT AND POLICIES

– continued

Interest rate risk

The Group's exposure to interest rate risk relates principally to its borrowings. The borrowings have floating and fixed interest rates and in the main are denominated in HK\$, RMB and US\$. The interest rates and terms of repayment of borrowings of the Group are disclosed in note 25. At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations. However, the Group will constantly review the economic situation and its interest rate profile and will consider appropriate hedging measures in the future which may be necessary.

The net interest expense experienced by the Group is HK\$15,041,000 (2022: HK\$18,291,000) for the year. If there were a 1% increase/(decrease), the net interest would increase/(decrease) by approximately HK\$3,889,000 (2022: HK\$3,822,000) for the year.

Risk related to digital assets and related digital asset business

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

Price risk of digital assets

The Group received cryptocurrencies collateral under lending arrangements with counterparties (the "Cryptocurrencies Collateral") that the Group provides lending management service but is not a party to originate such loan. 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 counterparties is recorded under "collateral payables" and is measured at fair value through profit or loss base on the fair value of relevant cryptocurrencies under current liabilities. The Group held cryptocurrencies amounting to HK\$15,051,000 as at 30 September 2023 (2022: HK\$169,731,000). The volatility and unpredictability of the price of cryptocurrencies relative to fiat currencies could cause impact to the Group's performance.

If there were a 35% increase/(decrease) (2022: 35%) on the price of cryptocurrencies held by the Group (being a reasonably expected change determined based on average monthly price movements) in the principal markets with other variables held constant, the prices of cryptocurrencies would increase/(decrease) by approximately HK\$5,268,000 (2022: HK\$59,406,000) for the year.

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.

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For the year ended 30 September 2023

40. FINANCIAL RISK AND VIRTUAL ASSET ECOSYSTEM RISK MANAGEMENT AND POLICIES

– continued

Risks related to safekeeping of digital assets

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

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

Risks related to anti-money laundering

As aforementioned, the Group provides trust and custody services to its clients and is required to comply with the relevant requirements of the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong) and the guidelines issued by the Companies Registry of Hong Kong.

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

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group’s credit risk primarily relates to the Group’s time deposits and bank balances, trade receivables and other receivables. The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at end of the financial period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position. In order to minimise the risk, the Board closely monitors overdue debts. The recoverable amount of each individual debt is reviewed at each reporting period and adequate allowance for doubtful debts has been made for irrecoverable amounts. In this regard, the Board considers that credit risk associated with the Group’s trade receivables and other receivables is significantly reduced.

(i) Time deposits and bank balances

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and reputable banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

40. FINANCIAL RISK AND VIRTUAL ASSET ECOSYSTEM RISK MANAGEMENT AND POLICIES

– continued

Credit risk – continued*(ii) Trade receivables*

The Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9, which permits the use of the lifetime ECL provision for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECLs also incorporate forward-looking information.

As at 30 September 2023, trade receivables of HK\$4,490,000 (2022: 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 Group has identified the GDP and the unemployment rate of the countries in which it sells the goods and renders the services to be the most relevant factors, and accordingly adjusts the ECL rates based on expected changes in these factors. The ECL rate of collectively assessed trade receivables that were neither past due nor impaired is 0.06% (2022: 0.06%), past due between 0 to 60 days is 0.37%-1.21% (2022: 0.37%-1.21%) and past due more than 60 days is 6.55% (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 on trade receivables was assessed to be minimal and no provision was made for the year (2022: HK\$Nil).

(iii) Other receivables

The Group has adopted general approach to measure ECLs on financial assets included in prepayments and other receivables, and other financial assets at amortised cost. Under the general approach, the Group applies the “3-stage” impairment model for ECLs measurement based on change in credit risk since initial recognition as follows:

Stage 1: If the credit risk of the financial instrument has not increased significantly since initial recognition, the financial instrument is included in Stage 1.

Stage 2: If the credit risk of the financial instrument has increased significantly since its initial recognition but is not deemed to be credit-impaired, the financial instrument is included in Stage 2.

Stage 3: If the financial instrument is credit-impaired, the financial instrument is included in Stage 3.

The ECLs for financial instruments in Stage 1 are measured at an amount equivalent to 12-month ECLs whereas the ECLs for financial instruments in Stage 2 or Stage 3 are measured at an amount equivalent to lifetime ECLs.

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For the year ended 30 September 2023

40. FINANCIAL RISK AND VIRTUAL ASSET ECOSYSTEM RISK MANAGEMENT AND POLICIES

– continued

Credit risk – continued

(iii) Other receivables – continued

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

Having regard to industry practice and relevant regulation, as well as the background and behaviour of the debtors/counterparties, the Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due unless the Group has reasonable and supportable information that demonstrates otherwise. In addition, the Group considers that a financial asset to be in default when: (i) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is more than 90 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate.

At the end of the reporting period, the Group assesses whether a financial asset is credit-impaired. A financial asset is considered as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the debtor;
- (b) a breach of contract, such as a default or past due event;
- (c) granting a concession to the debtors that the debtor would not otherwise consider for economic or contractual reasons relating to the debtor's financial difficulty; or
- (d) it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

The Group makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience as well as ECL assessment. The Directors believe that there is no material credit risk inherent in the Group's outstanding balance of deposits and other receivables.

As at 30 September 2023, the Group has amount due from a former subsidiary with principal amount of HK\$81,513,000. The management of the Company considered that the credit risk has not increased significantly since initial recognition and included in Stage 1 where 12-month ECLs is recognized.

The Group engaged an independent firm of professional valuers to conduct a valuation on the allowance for ECL on amount due from a former subsidiary recognised for the year ended 30 September 2023. The key input to determine the ECL are probability of default (19.75%), loss given default (64.10%) and adjusting factor for forward-looking information (0.64).

As at 30 September 2023, the Group has other assets with original deposited amounts of HK\$141,748,000. A provision of impairment amounting to HK\$85,897,000 have been recognised in profit or loss for the year ended 30 September 2023. For details, please refer to 24(b).

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

40. FINANCIAL RISK AND VIRTUAL ASSET ECOSYSTEM RISK MANAGEMENT AND POLICIES

– continued

Liquidity risk

The Group's objective is to ensure that adequate funds are available to meet commitments associated with its financial liabilities.

The Group manages its liquidity needs by carefully monitoring short-term and long-term cash outflows on a regular basis. The Group mainly utilises cash to meet its liquidity requirements for periods up to 30 days. Funding for long-term liquidity needs will be considered when liquidity requirements in the long term are identified.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities and the earliest date the Group can be required to pay.

As at 30 September 2023

	Carrying amount HK\$'000	Total contractual undiscounted cash flows HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but not exceeding 2 years HK\$'000	More than 2 years but not exceeding 5 years HK\$'000	More than 5 years HK\$'000
Non-derivative financial liabilities:						
Trade and other payables	12,549	12,549	12,549	-	-	-
Other borrowings	467,205	480,966	369,513	111,453	-	-
	<u>479,754</u>	<u>493,515</u>	<u>382,062</u>	<u>111,453</u>	<u>-</u>	<u>-</u>

As at 30 September 2022

	Carrying amount HK\$'000	Total contractual undiscounted cash flows HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but not exceeding 2 years HK\$'000	More than 2 years but not exceeding 5 years HK\$'000	More than 5 years HK\$'000
Non-derivative financial liabilities:						
Trade and other payables	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
	<u>748,888</u>	<u>767,360</u>	<u>697,237</u>	<u>10,062</u>	<u>45,375</u>	<u>14,686</u>

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

40. FINANCIAL RISK AND VIRTUAL ASSET ECOSYSTEM RISK MANAGEMENT AND POLICIES

– continued

Fair value measurement

The fair value measurement of the Group's financial assets and liabilities utilises market observable inputs and data as far as possible. Input used in determining fair 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 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

(i) Financial instruments measured at fair value

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

The following methods and assumptions were used to estimate the fair values:

As at 30 September 2023, the fair value of Company B was determined using option pricing method ("OPM") which is determined by the directors of the Company with reference to the valuation performed by an independent professional valuer. Under the OPM, each class of stock is modeled as a call option with a distinct claim on the enterprise value of the Company. At the time of a liquidity event, both the common stock and preferred stock have payoff diagrams that are similar to the payoff diagrams of regular call options. The characteristics of each class of stock, including the conversion ratio and any liquidation preference of the preferred stock, determine the class of stock's claim on the enterprise value.

The key input to determine the fair value of Company B are risk free rate (1.110% (2022: 0.873%)), expected volatility (45.12% (2022: 46.94%)) and time to liquidity (3.53 years (2022: 4.53 years)). The higher in the risk free rate and time to liquidity would result in a decrease in the fair value of Company B, and vice versa. The higher in the expected volatility would result in an increase in the fair value of Company B, and vice versa.

As at 30 September 2022, the fair value of an unlisted equity investment was determined using market approach with reference to recent transaction price which amounting to HK\$5,425,000. The fair value was determined by the directors of the Company with reference to the valuation performed by an independent professional valuer.

40. FINANCIAL RISK AND VIRTUAL ASSET ECOSYSTEM RISK MANAGEMENT AND POLICIES

– continued

Fair value measurement – continued*(i) Financial instruments measured at fair value – continued*

As at 30 September 2022, the fair values of three unlisted equity investments were determined using market approach with reference to recent transaction price which amounting to HK\$24,637,000. The fair values were determined by the directors of the Company.

The key input to determine the fair value of the above unlisted equity investments are the share transaction price. A higher in the share transaction price would result in an increase in the fair value of unlisted equity investments, and vice versa.

(ii) Financial instruments not measured at fair value

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

The fair values of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial assets and liabilities.

The fair values of non-current financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

(iii) Information about level 2 fair value measurement

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

(iv) Information about level 3 fair value measurement

The fair values of the financial instruments, including two of the unlisted equity investments, derivative financial instrument and convertible loan receivable, included in the level 3 category as at the end of the reporting period have been determined by the directors with reference to the valuation performed by an independent professional valuer. The fair value of three unlisted equity investment is determined using the market approach based on recent transaction prices.

(v) Cryptocurrencies, collateral payables and other borrowings at FVTPL

The fair values of the cryptocurrencies, collateral payables and other borrowings at FVTPL were determined based on quoted market price as at end of reporting period.

(vi) Other assets (note 24(b))

The recoverable amount of the FTX Deposit has been determined based on their fair value less costs of disposal. The fair value of the FTX Deposit is level 2 fair value measurement and with reference to price quoted by online claim pricing service providers (the "Quote"). The costs of disposal were estimated based on the incremental costs for assignment of the FTX Deposits, such as agency fees.

The key input to determine the fair value of the FTX Deposit is the "Quote". A higher in the "Quote" would result in an increase in the fair value of the FTX Deposit, and vice versa.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

40. FINANCIAL RISK AND VIRTUAL ASSET ECOSYSTEM RISK MANAGEMENT AND POLICIES

– continued

Fair value hierarchy

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

Assets/liabilities measured at fair value:

Recurring fair value measurement

As at 30 September 2023

	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	
Assets				
Cryptocurrencies	15,051	–	–	15,051
Assets held for sale (note 14)				
Cryptocurrencies	64,759	–	–	64,759
Financial assets at FVTOCI				
– Unlisted equity investment	–	–	7,961	7,961
	<u>64,759</u>	<u>–</u>	<u>7,961</u>	<u>72,720</u>

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

40. FINANCIAL RISK AND VIRTUAL ASSET ECOSYSTEM RISK MANAGEMENT AND POLICIES

– continued

Fair value hierarchy – continued

Assets/liabilities measured at fair value: – continued

Recurring fair value measurement – continued

As at 30 September 2022

	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	
Assets				
Financial assets at FVTOCI				
– Unlisted equity investments	–	–	38,962	38,962
Financial assets at FVTPL				
– Derivative	–	–	1,328	1,328
Cryptocurrencies	294,489	–	–	294,489
	<u>294,489</u>	<u>–</u>	<u>40,290</u>	<u>334,779</u>
Liabilities				
Collateral payables	124,758	–	–	124,758
Other borrowings at FVTPL	11,076	–	–	11,076
	<u>135,834</u>	<u>–</u>	<u>–</u>	<u>135,834</u>

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

40. FINANCIAL RISK AND VIRTUAL ASSET ECOSYSTEM RISK MANAGEMENT AND POLICIES

– continued

Fair value hierarchy – continued

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy

	Unlisted equity investment HK\$'000	Derivative financial instrument HK\$'000	Convertible loan receivable HK\$'000
At 1 October 2021	1,946	245	4,645
Additions	24,637	–	4,863
Conversion	9,770	–	(9,770)
Change in fair value recognised in profit or loss	–	1,083	262
Change in fair value recognised in other comprehensive income	2,609	–	–
At 30 September 2022	38,962	1,328	–
Disposal	(30,044)	(966)	–
Change in fair value recognised in profit or loss	–	(362)	–
Change in fair value recognised in other comprehensive income	(957)	–	–
Reclassified to assets held for sale (note 14)	(7,961)	–	–
At 30 September 2023	–	–	–

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

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

40. FINANCIAL RISK AND VIRTUAL ASSET ECOSYSTEM RISK MANAGEMENT AND POLICIES

– continued

Summary of financial assets and liabilities by category

The carrying amounts of financial assets and liabilities presented in the consolidated statement of financial position relate to the following categories:

Financial assets:

	2023 HK\$'000	2022 HK\$'000
Financial assets measured at fair value:		
Financial assets at FVTOCI	–	38,962
Financial assets at FVTPL	–	1,328
	<u>–</u>	<u>40,290</u>
Financial assets measured at amortised cost:		
Trade and other receivables*	139,509	116,111
Pledged bank deposit	–	7,850
Time deposits with original maturity over three months	1,500	1,600
Cash and cash equivalents	320,161	322,633
	<u>461,170</u>	<u>448,194</u>
	<u>461,170</u>	<u>488,484</u>

* Excluded from trade and other receivables as disclosed in the consolidated statement of financial position of HK\$140,474,000 as at 30 September 2023 (2022: HK\$135,467,000), is an amount of HK\$965,000 (2022: HK\$19,356,000) representing prepayments.

Financial liabilities:

	2023 HK\$'000	2022 HK\$'000
Financial liabilities measured at amortised cost:		
Trade and other payables	12,549	158,689
Bank borrowings	–	678
Other borrowings	467,205	466,442
Lease liabilities	–	123,079
	<u>479,754</u>	<u>748,888</u>

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

41. CAPITAL MANAGEMENT POLICIES AND RISK

The Group's objectives are: to provide returns for its shareholders; to safeguard the Group's ability to continue as a going concern so that it continues to provide returns and benefits for its stakeholders; to support the Group's stability and growth; and to provide capital for the purpose of strengthening the Group's risk management capability.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to its shareholders and issue new shares to reduce its debt level.

Consistent with other industries, the Group monitors capital on the basis of the debt to equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total interest-bearing bank borrowings and other borrowings less cash and bank balances. Total capital represents total equity, as shown in the consolidated statement of financial position.

	2023 HK\$'000	2022 HK\$'000
Total net debt	147,044	135,037
Total capital	216,292	148,964
Debt to equity ratio	<u>68.0%</u>	<u>90.7%</u>

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

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

42. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 30 September 2023 are as follows:

Name of company	Place of incorporation or establishment and type of legal entity	Issued and fully paid shares	Effective interest held by the Company		Principal activities
			2023	2022	
<i>Interest held directly</i>					
Pantene Industrial Co. Limited [#]	HKSAR/Limited liability company	100 shares of HK\$10,000	0%	100%	Sale and distribution of power-related and electrical/electronic products
Pantronics International Holdings Limited [#]	HKSAR/Limited liability company	10 shares of HK\$10	0%	100%	Investment holding
Panjet Service Company Limited [#]	HKSAR/Limited liability company	2 shares of HK\$2	0%	100%	Investment holding
Grace Harvest Corporation Limited [#]	HKSAR/Limited liability company	1 share of HK\$1	0%	100%	Inactive
Panjet (Int'l) Limited [#]	BVI/Limited liability company	1 share of US\$1	0%	100%	Inactive
Pantronics (Int'l) Limited [#]	BVI/Limited liability company	1 share of US\$1	0%	100%	Inactive
Sinohpe Hong Kong Limited (formerly known as New Huo Hong Kong Limited)	HKSAR/Limited liability company	10,000 shares of HK\$10,000	100%	100%	Provision of management services
Sinohpe APAC Limited (formerly known as New Huo APAC Limited)	HKSAR/Limited liability company	10,000 shares of HK\$10,000	100%	100%	Investment holding and provision of technical support services
New Huo Investment Limited	HKSAR/Limited liability company	10,000 shares of HK\$10,000	100%	100%	Investment holding
New Huo International Limited	HKSAR/Limited liability company	10,000 shares of HK\$10,000	100%	100%	Investment holding
Sinohpe Digital Service Limited (formerly known as New Huo Digital Limited)	HKSAR/Limited liability company	10,000 shares of HK\$10,000	100%	100%	Investment holding
New Huo Solutions Limited	HKSAR/Limited liability company	10,000 shares of HK\$10,000	100%	100%	Investment holding

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

42. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES – continued

Name of company	Place of incorporation or establishment and type of legal entity	Issued and fully paid shares	Effective interest held by the Company		Principal activities
			2023	2022	
<i>Interest held indirectly</i>					
Pin Xin International Limited [#]	HKSAR/Limited liability company	10,000 shares of HK\$10,000	0%	100%	Inactive
Pan Electrium Industrial Company Limited [#]	HKSAR/Limited liability company	5,000,000 shares of HK\$5,000,000	0%	100%	Inactive
Shenzhen Pantai Electronic Co., Ltd. ^{**}	PRC/Wholly foreign-owned enterprise	Registered capital US\$1,700,000	0%	100%	Manufacture and sale of power-related and electrical/electronic products
Pan Guang Limited [#]	BVI/Limited liability company	10,000 shares of US\$10,000	0%	100%	Investment holding
Pan Ming Limited [#]	BVI/Limited liability company	10,000 shares of US\$10,000	0%	100%	Inactive
Pantene Electronics North America, Inc. [#]	USA/Limited liability company	25,000 shares of US\$25,000	0%	100%	After-sales support
Win Techno Inc. [#]	Japan/Limited liability company	JPY100,000,000	0%	100%	Provision of data centre services and cloud-related services
海南火動科技有限公司*	PRC/Wholly foreign-owned enterprise	Registered capital US\$1,000,000	100%	100%	Network technical support, technical consultant, information technical service etc.
海南火躍網絡科技有限公司*	PRC/Wholly foreign-owned enterprise	Registered capital US\$1,000,000	100%	100%	Network technical support, technical consultant, information technical service etc.
北京港易軟件服務有限公司*	PRC/Wholly foreign-owned enterprise	Registered capital US\$1,000,000	100%	100%	Network technical support, technical consultant, information
北京港通科技有限公司*	PRC/Wholly foreign-owned enterprise	Registered capital US\$1,000,000	100%	100%	Inactive

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

42. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES – *continued*

Name of company	Place of incorporation or establishment and type of legal entity	Issued and fully paid shares	Effective interest held by the Company		Principal activities
			2023	2022	
<i>Interest held indirectly – continued</i>					
Sinohope Asset Management (Hong Kong) Limited (formerly known as New Huo Asset Management (Hong Kong) Limited)	HKSAR/Limited liability company	24,010,000 shares of HK\$24,010,000	100%	100%	Asset management
Sinohope Services Limited (formerly known as New Huo Services Limited)	HKSAR/Limited liability company	10,000 shares of HK\$10,000	100%	100%	Investment holding
Sinohope Ventures Limited (formerly known as New Huo Wallet Hong Kong Limited)	HKSAR/Limited liability company	10,000 shares of HK\$10,000	100%	100%	Inactive
Huobi Securities Inc. [#]	USA/Limited liability company	100 shares of US\$0.001	0%	100%	Investment holding
FEU International Pte Ltd	Singapore/Limited liability company	1,350,000 shares of SG\$1,350,000	100%	100%	Management consultancy service
Hbit Limited	HKSAR/Limited liability company	10,000 shares of HK\$10,000	100%	100%	Trading of cryptocurrencies and provision of lending management services
New Huo Trust Company Limited	HKSAR/Limited liability company	3,000,000 shares of HK\$3,000,000	100%	100%	Trust and custodian services
HotGroup Limited	BVI/Limited liability company	50,000 shares of US\$50,000	100%	100%	Inactive
HBcloud Limited	BVI/Limited liability company	100 Class A Shares and 10 Class B1 Shares/Nil	50% [®]	50% [®]	Filecoin mining activity
Huobi Multi Strategy Crypto Fund SP	Cayman Islands/Limited liability company	15,164.19 Class A shares/Nil	96.61%	96.61%	Trading in to Top 50 coins and virtual assets futures

* Established in the Mainland China as a wholly foreign-owned enterprise.

The subsidiary was disposed of during the year ended 30 September 2022.

® The Group holds 51% voting shares of HBcloud Limited.

Unless otherwise specified under “Principal activities”, the above subsidiaries operate principally in their respective places of incorporation or registration.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

42. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES – *continued*

The above list includes the subsidiaries of the Company which, in the opinion of the Company's Directors, principally affected the results for the year or formed a substantial portion of the assets and liabilities of the Group. To give details of all the other subsidiaries would, in the opinion of the Company's Directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the reporting period or at any time during both years.

43. DISPOSAL OF A SUBSIDIARY

(a) Disposal of WinTechno Inc.

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 (equivalent to HK\$25,542,000). The disposal was completed in November 2022.

Details of the disposal are as follows:

	HK\$'000
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	(55,902)
Lease liabilities	(1,092)
Tax payable	(3,084)
	<hr/>
Net assets disposed of a subsidiary	25,413
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	7,192
Loss on disposal	(7,063)
	<hr/>
Total consideration	<u>25,542</u>

43. DISPOSAL OF A SUBSIDIARY – continued**(a) Disposal of WinTechno Inc. – continued**

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

	HK\$'000
Net cash inflow arising on disposal:	
Cash consideration (note)	25,542
Less: Cash and bank balances disposed of	<u>(21,093)</u>
Net cash inflows	<u><u>4,449</u></u>

(b) Disposal of Pantene Group

On 24 March 2023, the Group entered into an agreement with New Wave Capital Limited, a company ultimately owned by Mr. Simon Nai-cheng Hsu, the former controlling shareholder, to dispose of the entire equity interests 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 "Pantene Group"), which were principally engaged in investment holding and sale and distribution of power-related electrical and electronic products, at the consideration of HK\$111,473,000, satisfied by cash consideration of HK\$31,473,000 and novation of a loan payable due to Pantene Group to the purchaser amounting to HK\$80,000,000. The disposal was completed in June 2023.

Details of the disposal are as follows:

	HK\$'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	29,198
Right-of-use assets	60,117
Loan receivables from the immediate holding company	80,000
Inventories	26,466
Trade and other receivables	51,918
Cash and bank balances	49,549
Trade and other payables	(50,198)
Amount due to the then immediate holding company	(85,040)
Contract liabilities	(3,225)
Tax payable	(1,112)
Lease liabilities	(65,162)
Deferred tax liabilities	<u>(3,695)</u>
Net assets disposed of Pantene Group	88,816
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	16,702
Gain on disposal	<u>5,955</u>
Total consideration	<u><u>111,473</u></u>

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

43. DISPOSAL OF A SUBSIDIARY – *continued*

(b) Disposal of Pantene Group – *continued*

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

	HK\$'000
Net cash outflow arising on disposal:	
Cash consideration	31,473
Less: Cash and bank balances disposed of	<u>(49,549)</u>
Net cash outflows	<u>(18,076)</u>

(c) Disposal of Huobi Nevada Inc.

On 9 September 2022 the Group, through a wholly-owned subsidiary, entered into an agreement with a related party, Huobi Global (Cayman), to dispose of the entire equity interests in a subsidiary, Huobi Nevada Inc., which was principally engaged in investment holding, at a consideration of US\$6.8 million (equivalent to approximately HK\$53,371,000). The disposal was completed on 22 September 2022.

Details of the disposal are as follows:

	HK\$'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	268
Other receivables	17
Cash and bank balances	12,133
Accruals and other payables	<u>(835)</u>
Net assets disposed of a subsidiary	11,583
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	(906)
Gain on disposal recognised in other reserve (note 34)	<u>42,694</u>
Total consideration	<u>53,371</u>

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

	HK\$'000
Net cash inflow arising on disposal:	
Cash consideration (note)	–
Less: Cash and bank balances disposed of a subsidiary	<u>(12,133)</u>
Net cash outflows	<u>(12,133)</u>

On 14 September 2022, the Group and Huobi Global (Cayman) agreed to settle the loan of US\$6,800,000 (equivalent to approximately HK\$53,371,000) by setting off the consideration for disposal of a subsidiary.

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44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 HK\$'000	2022 HK\$'000
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	–	774
Right-of-use asset	–	2,495
Interests in subsidiaries	60	114,947
Loan to a subsidiary	–	106,321
Financial assets at fair value through other comprehensive income	–	28,905
Other receivables	76,063	–
Deferred tax assets	–	703
	<u>76,123</u>	<u>254,145</u>
Current assets		
Cryptocurrencies	855	–
Prepayments and other receivables	645	612
Amounts due from subsidiaries	322,652	321,277
Financial assets at fair value through profit or loss	–	1,328
Cash and bank balances	282,891	11,805
	<u>607,043</u>	<u>335,022</u>
Current liabilities		
Trade and other payables	4,006	3,105
Other borrowings	–	80,000
Amounts due to subsidiaries	–	25,723
Lease liabilities	–	1,761
Tax payable	–	990
	<u>4,006</u>	<u>111,579</u>
Net current assets	<u>603,037</u>	<u>223,443</u>
Total assets less current liabilities	<u>679,160</u>	<u>477,588</u>
Non-current liabilities		
Other borrowings	476,328	394,761
Lease liabilities	–	746
Deferred tax liabilities	661	1,872
	<u>476,989</u>	<u>397,379</u>
Net assets	<u>202,171</u>	<u>8,209</u>
EQUITY		
Share capital	309	309
Reserves (note (i))	201,862	79,900
Total equity	<u>202,171</u>	<u>80,209</u>

The statement of financial position of the Company was approved by the Board of Directors on 28 December 2023 and is signed on its behalf by:

Du Jun
Director

Zhang Li
Director

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY – *continued*

Note (i):

Movements in reserves

	Share premium HK\$'000 (Note 31)	Share option reserve HK\$'000 (Notes 32 and 33)	Other reserve HK\$'000 (Note 33)	Capital reserve HK\$'000 (Note 33)	Fair value reserve HK\$'000 (Note 33)	Accumulated losses HK\$'000	Total HK\$'000
At 1 October 2021	107,152	3,198	121,524	-	-	(162,598)	69,276
Issue of shares upon exercise of share options (note 30(ii))	5,099	(1,608)	-	-	-	-	3,491
Equity-settled share-based compensation expenses (note 32)	-	465	-	-	-	-	465
Change in fair value of equity instruments at fair value through other comprehensive income	-	-	-	-	3,478	-	3,478
Fair value gain on loans from a related party measured at fair value on inception, net of deferred tax (note 27(c))	-	-	8,765	-	-	-	8,765
Waiver of loans from a related company (note 27(c))	-	-	15,697	-	-	-	15,697
Reversal of fair value gain on loan modification from a related company, net of deferred tax (note 27(c))	-	-	(1,691)	-	-	-	(1,691)
Transfer of share option reserve upon the lapse of share options	-	(403)	-	-	-	403	-
Loss for the year	-	-	-	-	-	(19,581)	(19,581)
At 30 September 2022	112,251	1,652	144,295	-	3,478	(181,776)	79,900
Equity-settled share-based compensation expenses (note 32)	-	41	-	-	-	-	41
Change in fair value of equity instruments at fair value through other comprehensive income	-	-	-	-	(40)	-	(40)
Proceeds from issue of shares	-	-	-	324,605	-	-	324,605
Reversal of fair value gain on loan modification from a related company, net of deferred tax (note 27(c))	-	-	897	-	-	-	897
Transfer of fair value reserve to retained earnings upon disposal of FVTOCI	-	-	-	-	(3,438)	3,438	-
Transfer of share option reserve upon the lapse of share options	-	(1,619)	-	-	-	1,619	-
Loss for the year	-	-	-	-	-	(203,541)	(203,541)
At 30 September 2023	112,251	74	145,192	324,605	-	(380,260)	201,862

45. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed above and elsewhere in the financial statements, there were no other significant events took place subsequent to 30 September 2023.

