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HUOBI TECHNOLOGY HOLDINGS LIMITED

火币科技控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock code: 1611)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2021

Financial Highlights

	For the year ended 30 September		
	2021	2020	Change
	HK\$'000	HK\$'000	%
Revenue	610,713	276,555	120.8%
Gross profit	302,631	77,858	288.7%
Gross profit margin	49.6%	28.2%	75.9%
Profit/(loss) before income tax	181,525	(32,586)	657.1%
Profit/(loss) for the year attributable to owners of the Company	141,477	(32,582)	534.2%
Basic earnings/(loss) per share	HK cents 46.0276	HK cents (10.6580)	531.9%
Diluted earnings/(loss) per share	HK cents 45.7593	HK cents (10.6580)	529.3%
Net cash	257,822	87,904	193.3%
Total equity	<u>278,605</u>	<u>129,531</u>	<u>115.1%</u>

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL EVENTS

Amendment to the share option scheme

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

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

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

Obtained Trust Company License in the United States

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

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

Continuing connected transactions in relation to the (1) custodial service agreement; and (2) compliance service agreement

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

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

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

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

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

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

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

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

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

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

Discloseable and continuing connected transactions in relation to the Second Supplemental Agreement

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

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

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

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

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

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

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

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

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

Registration as a Trust Company in Hong Kong

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

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

Continuing connected transactions in relation to the database service agreement

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

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

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

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

Continuing connected transactions in relation to the custodial services agreements entered into with Orion Financial and HB Infinite

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

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

Orion Financial:

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

HB Infinite:

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

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

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

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

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

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

PERFORMANCE REVIEW

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

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

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

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

BUSINESS REVIEW

Power-related & electrical/electronic products business

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

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

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

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

Provision of technology solution services

(i) Technology solution business

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

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

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

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

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

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

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

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

Virtual Asset Ecosystem

(i) Asset management

The Group has commenced and carried on asset management businesses through Huobi Asset Management. Huobi Asset Management was incorporated in Hong Kong with limited liability for carrying on businesses in Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (the “**SFO**”).

Huobi Asset Management’s vision is to bridge the gap between traditional and virtual asset investments and offer integrated investment solutions to professional investors. The products integrate traditional financial assets and virtual assets and cover the primary and secondary markets. Huobi Asset Management has provided asset management services during Year 2021 but has not provided any securities advisory service on securities during the same period.

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

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

(ii) Trust and custodian business

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

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

(iii) Virtual asset trading platform

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

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

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

NON-OPERATING EXPENSES OVERVIEW

Other income

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

Administrative expenses

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

Finance costs

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

Profit/(loss) before income tax

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

Income tax (expense)/credit

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

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

Profit/(loss) after income tax

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

Dividend

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

OUTLOOK

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

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

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

The Board (the “**Board**”) of directors (the “**Director(s)**”) of Huobi Technology Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 30 September 2021 together with the comparative figures for the year ended 30 September 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 September

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	4	610,713	276,555
Cost of sales and services		<u>(308,082)</u>	<u>(198,697)</u>
Gross profit		302,631	77,858
Other income	5	28,711	6,544
Interest income	6	458	2,861
Selling and distribution expenses		(8,222)	(4,225)
Administrative expenses		(128,374)	(98,722)
Finance costs	7	<u>(13,679)</u>	<u>(16,902)</u>
Profit/(loss) before income tax	8	181,525	(32,586)
Income tax (expense)/credit	9	<u>(40,048)</u>	<u>4</u>
Profit/(loss) for the year		<u>141,477</u>	<u>(32,582)</u>
Profit/(loss) for the year attributable to owners of the Company		<u>141,477</u>	<u>(32,582)</u>
		2021	2020
		HK cents	HK cents
Earnings/loss per share	11		
– Basic		<u>46.0276</u>	<u>(10.6580)</u>
– Diluted		<u>45.7593</u>	<u>(10.6580)</u>

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 30 September

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the year	141,477	(32,582)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on the translation of financial statements of foreign operations	<u>4,525</u>	<u>1,699</u>
Other comprehensive income for the year, net of tax	<u>4,525</u>	<u>1,699</u>
Total comprehensive income for the year attributable to owners of the Company	<u><u>146,002</u></u>	<u><u>(30,883)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September	
		2021	2020
	Notes	HK\$'000	HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		39,501	40,888
Right-of-use assets		51,154	41,098
Goodwill		174	174
Other intangible asset		349	–
Financial assets at fair value through other comprehensive income		<u>1,946</u>	<u>–</u>
		<u>93,124</u>	<u>82,160</u>
Current assets			
Inventories		67,349	25,231
Trade and other receivables	12	149,734	86,802
Cryptocurrencies		3,072	–
Convertible loan receivable		4,645	–
Financial assets at fair value through profit or loss		245	–
Pledged bank deposit		7,785	7,758
Cash and bank balances		<u>552,175</u>	<u>403,684</u>
		<u>785,005</u>	<u>523,475</u>
Current liabilities			
Trade and other payables	13	198,640	97,231
Contract liabilities		3,347	4,261
Bank and other borrowings		13,987	101,856
Lease liabilities		19,402	10,646
Tax payable		<u>40,903</u>	<u>8,145</u>
		<u>276,279</u>	<u>222,139</u>
Net current assets		<u>508,726</u>	<u>301,336</u>
Total assets less current liabilities		<u>601,850</u>	<u>383,496</u>

		As at 30 September	
		2021	2020
	<i>Note</i>	HK\$'000	HK\$'000
Non-current liabilities			
Bank and other borrowings		280,366	213,924
Lease liabilities		35,718	32,277
Deferred tax liabilities		7,161	7,764
		<u>323,245</u>	<u>253,965</u>
Net assets		<u>278,605</u>	<u>129,531</u>
EQUITY			
Share capital	<i>14</i>	308	307
Reserves		<u>278,297</u>	<u>129,224</u>
Total equity attributable to owners of the Company		<u>278,605</u>	<u>129,531</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2021

1. GENERAL INFORMATION

Huobi Technology Holdings Limited (the “**Company**”) was incorporated in the British Virgin Islands (the “**BVI**”) as a limited liability company on 27 December 1990 and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange of Hong Kong**”) on 21 November 2016. The address of the Company’s registered office is Newhaven Corporate Services (BVI) Limited, 3rd Floor, J&C Building, P.O. Box 362, Road Town, Tortola, the BVI and its principal place of business is Room 1404-05, 14/F, Nan Fung Tower, 88 Connaught Road Central, Hong Kong.

The Company is an investment holding company and its subsidiaries (collectively, referred to as the “**Group**”) are principally engaged in the contract manufacturing, on electronic manufacturing services basis, of a wide range of power-related and electrical/electronic products, and the provision of technology solution services, and a varieties of services in virtual asset ecosystem, such as asset management, trust and custodian business. These business segments are the basis upon which the Group reports its primary segment information.

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

The consolidated financial statements 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) Additional accounting policies adopted by the Group

The following are the additional accounting policies adopted by the Group during the year ended 30 September 2021, including “Financial assets at fair value through other comprehensive income (“FVTOCI”)”, “Financial assets at fair value through profit or loss (“FVTPL”)”, “Asset management services” and “Custodian services income”.

Financial assets at 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 rate 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.

Financial assets at 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.

Asset management services

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

Custodian services income

The Group provides secured storage of digital assets service to certain third parties. Under this type of arrangement, the Group holds digital assets deposited 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.

(b) Adoption of new or amended HKFRSs – effective from 1 October 2020

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

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

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

Amendments to HKFRS 3 – Definition of a Business

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

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition and explanation of “material”, aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

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

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

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

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

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

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for annual periods beginning on or after 1 April 2021.

³ Effective for annual periods beginning on or after 1 January 2022.

⁴ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

⁵ Effective for annual periods beginning on or after 1 January 2023.

⁶ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

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

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

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

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

The key amendments to HKAS 1 include:

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

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

Amendments to HKFRS 8 – Definition of Accounting Estimates

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

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

The amendments clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. a lease in the scope of HKFRS 16). It introduces an additional criterion for the initial recognition exemption under HKAS 12.15, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences.

Amendments to HKAS 16 – Proceeds before Intended Use

The amendments clarify the accounting requirements for proceeds received by an entity from selling items produced while testing an item of property, plant or equipment before it is used for its intended purpose. An entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss and measures the cost of those items applying the measurement requirements of HKAS 2.

Amendments to HKAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

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

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

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

Amendments to HKFRS 3 – Reference to the Conceptual Framework

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

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

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

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

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

HKFRS 17 – Insurance Contracts

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

Annual Improvements to HKFRSs 2018–2020 Cycle

The annual improvements amend a number of standards, including:

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

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

HKFRS 16, Leases, which amends Illustrative Example 13 to remove the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

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

3. SEGMENT INFORMATION

The Group has determined its operating segments and prepared segmental information based on regular internal financial information reported to the chief operating decision makers, i.e. the executive Directors of the Company, who are responsible for making strategic decisions. The executive Directors review the Group's internal reporting in order to assess performance and allocate resources and have determined the operating segments based on these reports. During the year ended 30 September 2021, the Group started a new business of virtual asset ecosystem and had three reportable and operating segments are as follows:

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

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

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

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

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

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

For the year ended 30 September 2021

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

For the year ended 30 September 2020

	Contract manufacturing <i>HK\$'000</i>	Provision of technology solution services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	242,338	34,217	276,555
Segment results	17,937	7,580	25,517
Unallocated corporate income			
Interest income			1,810
Sundry income			546
Unallocated corporate expenses			
Administrative expenses			(51,351)
Finance costs			<u>(9,108)</u>
Loss before income tax			<u><u>(32,586)</u></u>

There were no inter-segment transactions during the years ended 30 September 2021 and 2020.

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

As at 30 September 2021

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

As at 30 September 2020

	Contract manufacturing <i>HK\$'000</i>	Provision of technology solution services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	265,940	74,555	340,495
Unallocated corporate assets			
Property, plant and equipment			1,748
Right-of-use assets			3,840
Other receivables			1,597
Cash and bank balances			<u>257,955</u>
Total assets			<u><u>605,635</u></u>
Segment liabilities	196,533	53,365	249,898
Unallocated corporate liabilities			
Other payables			4,190
Tax payable			990
Other borrowings			213,924
Lease liabilities			3,958
Deferred tax liabilities			<u>3,144</u>
Total liabilities			<u><u>476,104</u></u>

Other segment information

For the year ended 30 September 2021

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

For the year ended 30 September 2020

	Contract manufacturing <i>HK\$'000</i>	Provision of technology solution services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation of property, plant and equipment	5,027	2,199	7,226
Depreciation of right-of-use assets	8,745	9,388	18,133
Capital expenditure	1,688	133	1,821
Loss on disposal of property, plant and equipment	24	3,328	3,352
Interest expenses	7,321	473	7,794
Interest income	(1,051)	–	(1,051)
Reversal of impairment loss on inventories	(275)	–	(275)
Income tax expense	<u>3,098</u>	<u>112</u>	<u>3,210</u>

Geographical information

The Group's operations are mainly located in the People's Republic of China (including Hong Kong Special administrative Region ("HKSAR")), the United Kingdom (the "UK"), the United States of America (the "USA") and Japan. The following provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods or services:

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

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

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

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

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

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

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

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

4. REVENUE

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

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

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

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

Transaction price allocated to the remaining performance obligations

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

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

5. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Gain on disposal of a subsidiary	21,940	–
Gain on disposal of property, plant and equipment	4	–
Government grants	1,039	2,656
Sundry income	<u>5,728</u>	<u>3,888</u>
	<u><u>28,711</u></u>	<u><u>6,544</u></u>

The government grants in the year ended 30 September 2021 mainly represent the subsidy amounting to HK\$732,000 under the Employment Support Scheme provided by the HKSAR Government. The government grants in the year ended 30 September 2020 mainly represented the subsidy from the PRC Government to overcome the difficulties caused by the China-US trade friction and the subsidy amounting to HK\$815,000 under the Employment Support Scheme provided by the HKSAR Government, of which HK\$170,000 was recognised as other receivable as at 30 September 2020 in relation to salary costs for September 2020. There are no unfilled conditions relating to the grants.

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

6. INTEREST INCOME

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income on bank deposits and balances	<u>458</u>	<u>2,861</u>

7. FINANCE COSTS

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings	179	349
Imputed interest on other loan from a related company	6,199	8,890
Imputed interest on other loan from a non-controlling shareholder	4,379	4,654
Interest on other loan from a non-controlling shareholder	243	–
Interest expenses on lease liabilities	<u>2,679</u>	<u>3,009</u>
	<u>13,679</u>	<u>16,902</u>

8. PROFIT/(LOSS) BEFORE INCOME TAX

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

9. INCOME TAX EXPENSE/(CREDIT)

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

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

Hong Kong profits tax is calculated at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits for the year, except for the first HK\$2,000,000 of a qualified entity's assessable profit which is calculated at 8.25%, in accordance with the new two-tiered tax rate regime with effect from the year of assessment 2018/2019.

A subsidiary of the Group received an enquiry for information from the Hong Kong Inland Revenue Department (the “**IRD**”) in April 2015 due to a tax audit by the IRD on that subsidiary’s profits tax affairs and received assessments for Hong Kong profits tax for prior years in March 2015, February 2016, December 2016, March 2018, February 2019 and March 2020. The Group had subsequently objected to the assessments made. In addition, in July 2016, May 2017, November 2017, December 2017 and August 2018, the same subsidiary received additional enquiries for information from the IRD. Based on the available information, the Group had made a provision in regards of the tax audit. The Directors believed the provision was adequate to reflect the potential tax liability at the respective year end dates. In April 2019 and January 2020, the subsidiary received the draft settlement and the revised draft settlement from the IRD for discussion respectively. During the year ended 30 September 2020, the Group concluded the final amount of additional tax, penalty and interest with the IRD, according to which an additional tax of HK\$1,953,000 and interest of HK\$81,000 had been settled before 30 September 2020 and the Group recognised over-provision of income tax in relation to the tax audit of HK\$2,060,000 in the year ended 30 September 2020. The remaining penalty of HK\$1,300,000 had been settled during the year ended 30 September 2021.

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

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

The Group considers that, as it is probable that its operating subsidiary in the PRC will continue to distribute earnings in the foreseeable future, a deferred tax provision of HK\$5,041,000 (2020: HK\$3,898,000) has been established at the end of the reporting period in relation to withholding tax based on 5% of post 1 January 2008 unremitted earnings.

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

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

10. DIVIDENDS

There was no interim dividend for the years ended 30 September 2021 and 2020.

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

11. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit/(loss) attributable to owners of the Company	<u>141,477</u>	<u>(32,582)</u>
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<u>307,373,965</u>	<u>305,705,945</u>
	<i>HK cents</i>	<i>HK cents</i>
Basic earnings/(loss) per share	<u>46.0276</u>	<u>(10.6580)</u>

Diluted earnings/(loss) per share

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

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

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

12. TRADE AND OTHER RECEIVABLES

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

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

Included in other receivables was an amount due from a related company amounting to HK\$37,995,000 (2020: HK\$24,251,000) in which Mr. Li Lin, a Director of the Company, has beneficial interests. The amount is unsecured, interest-free and repayable in 30 days.

The Group operates an asset-backed lending facility based on certain of its trade receivables. The discounting transactions are with recourse and accordingly, do not meet the requirements in HKFRS 9 for de-recognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the discounted trade receivables. At 30 September 2021, trade receivables of HK\$14,723,000 (2020: HK\$6,563,000) continue to be recognised in the consolidated statement of financial position even though they have been legally transferred to the financial institutions. The proceeds of the discounting transactions are included in borrowings as asset-backed financing until the trade receivables are collected or the Group settles any losses suffered by the financial institutions. At 30 September 2021, the asset-backed lending liabilities amounted to HK\$13,987,000 (2020: HK\$6,235,000).

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

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

The Group allows credit periods ranging from 30 to 100 days (2020: 30 to 100 days) to its trade customers depending on their credit status and geographical location during the year. The Directors of the Company consider that the carrying amounts of trade and other receivables approximate to their fair values.

The aged analysis of the Group's trade receivables, based on due date, that were past due as at the reporting date but not impaired, is as follows:

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

Trade receivables that were neither past due nor impaired related to a large number of customers for whom there has been no recent history of default. Based on past experience, the Directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality.

13. TRADE AND OTHER PAYABLES

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

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

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

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

14. SHARE CAPITAL

	Number of ordinary shares of HK\$0.001 each	Amount HK\$
Authorised:		
At 1 October 2019, 30 September 2020 and 30 September 2021	<u>500,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1 October 2019	305,495,000	305,495
Issue of shares upon exercise of share options (<i>note (i)</i>)	<u>1,305,000</u>	<u>1,305</u>
At 30 September 2020 and 1 October 2020	306,800,000	306,800
Issue of shares upon exercise of share options (<i>note (ii)</i>)	<u>1,070,665</u>	<u>1,071</u>
At 30 September 2021	<u>307,870,665</u>	<u>307,871</u>

Notes:

- (i) In August 2020, the subscription rights attaching to 1,305,000 share options were exercised at a subscription price of HK\$3.13 per share, resulting in the issue of 1,305,000 new shares at par value of HK\$0.001 each for a total cash consideration of HK\$4,086,000. HK\$4,084,000 representing the difference between the subscription price and the par value was credited to share premium. In addition, HK\$1,233,000 representing that portion of the share option reserve in relation to the exercise of the share options during the year ended 30 September 2020, was transferred from the share option reserve to share premium account.
- (ii) During the year ended 30 September 2021, the subscription rights attaching to 802,000, 148,666 and 119,999 share options were exercised at a subscription price of HK\$3.13, HK\$4.36 and HK\$3.28 per share respectively, resulting in the issue of 1,070,665 new shares at par value of HK\$0.001 each for a total cash consideration of approximately HK\$3,552,000. Approximately HK\$3,551,000 representing the difference between the subscription price and the par value was credited to share premium. In addition, HK\$2,047,000 representing that portion of the share option reserve in relation to the exercise of the share options during the year ended 30 September 2021, was transferred from the share option reserve to share premium account.
- (iii) All the shares issued during the reporting period ranked *pari passu* in all respects with the then existing shares in issue.

15. SHARE PREMIUM

	<i>HK\$'000</i>
At 1 October 2019	96,237
Arising from issue of shares on exercise of share options (<i>note (i)</i>)	<u>5,317</u>
At 30 September 2020 and 1 October 2020	101,554
Arising from issue of shares on exercise of share options (<i>note (ii)</i>)	<u>5,598</u>
At 30 September 2021	<u><u>107,152</u></u>

Notes:

- (i) As detailed in note 14(i) above, in August 2020, the subscription rights attaching to 1,305,000 share options were exercised at a subscription price of HK\$3.13 per share, resulting in the issue of 1,305,000 new shares at par value of HK\$0.001 each for a total cash consideration of HK\$4,086,000. HK\$4,084,000 representing the difference between the subscription price and the par value was credited to share premium. In addition, HK\$1,233,000 representing that portion of the share option reserve in relation to the exercise of the share options during the year ended 30 September 2020, was transferred from the share option reserve to share premium account.
- (ii) As detailed in note 14(ii) above, during the year ended 30 September 2021, the subscription rights attaching to 802,000, 148,666 and 119,999 share options were exercised at a subscription price of HK\$3.13, HK\$4.36 and HK\$3.28 per share respectively, resulting in the issue of 1,070,665 new shares at par value of HK\$0.001 each for a total cash consideration of approximately HK\$3,552,000. Approximately HK\$3,551,000 representing the difference between the subscription price and the par value was credited to share premium. In addition, HK\$2,047,000 representing that portion of the share option reserve in relation to the exercise of the share options during the year ended 30 September 2021, was transferred from the share option reserve to share premium account.

16. 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 remain in force for 10 years from the date of adoption. Participants may include: any employee (full time or part-time), Director, consultant or adviser of the Group; any substantial shareholder of the Group; and any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, to be determined by the Board, based on their contribution or potential contribution to the development and growth of the Group.

As at 30 September 2021, the total number of shares available for issue under the scheme was originally 30,000,000 representing 10% of the issued share capital of the Company immediately following the commencement of dealings in the shares of the Company on the Stock Exchange of Hong Kong (the “**Previous Share Mandate Limit**”). The refreshment of the Previous Share Mandate Limit was approved by the Shareholders of the Company at the annual general meeting on 19 March 2021, allowing the Company to grant further options under the Share Option Scheme for subscription of up to a total of 30,742,766 Shares, which represents 10% of the Company’s shares in issue as at the date of the approval of the refreshed limit and 9.98% of the Company’s shares in issue as at the date of this announcement.

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 and having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5,000,000, such further grant of options is required to be approved by shareholders at a general meeting of the Company, with voting to be taken by way of a poll.

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

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

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

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

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

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

Based on the fair values derived from the above pricing model, the fair value of the share options granted on 3 April 2019 was approximately HK\$8,854,000 (HK\$1.4299 each), of which HK\$890,000 have been recognised as reversal of share-based compensations expenses (2020: share-based compensation expenses HK\$3,818,000) to profit or loss for the year ended 30 September 2021.

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

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

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

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

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

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

Based on the fair values derived from the above pricing model, the fair value of the share options granted on 16 October 2019 was approximately HK\$6,190,000 (HK\$1.6959 each), of which HK\$227,000 (2020: HK\$306,000) have been charged as share-based compensation expenses to profit or loss for the year ended 30 September 2021.

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

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

On 2 July 2020, the Company granted 880,000 share options to certain employees with an exercise price of HK\$3.28 per share. The share options vest over a period of three years starting from the date of the grant by one-third each anniversary and will be fully vested on 2 July 2023. The share options granted are exercisable after one year but not exceeding ten years from the date of the grant.

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

	Granted on 2 July 2020
Grant date share price	HK\$3.28
Exercise price	HK\$3.28
Expected volatility	36.68%
Contractual option life	10 years
Risk-free rate	0.643%
Expected dividend yield	0%

The expected volatility is based on historical price volatility of similar listed companies in the past few years. The risk-free rate is the yields of Hong Kong government bonds and treasury bills as extracted from Bloomberg as at 2 July 2020. At the date the options were granted on 2 July 2020, this was determined to be 0.643%. The dividend yield of the Company of 0% has been adopted.

Based on the fair values derived from the above pricing model, the fair value of the share options granted on 2 July 2020 was approximately HK\$1,204,000 (HK\$1.3687 each), of which HK\$236,000 (2020: HK\$181,000) have been charged as share-based compensation expenses to profit or loss for the year ended 30 September 2020.

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

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

On 14 October 2020, the Company granted 1,534,000 share options to certain employees with an exercise price of HK\$4.68 per share. The share options vest over a period of three years starting from the date of the grant by one-third each anniversary and will be fully vested on 14 October 2023.

The share options granted are exercisable after one year but not exceeding ten years from the date of the grant.

The fair value of the options granted on 14 October 2020 has been calculated by an external valuer using the Black-Scholes Options Pricing Model. The assumptions used were as follows:

	Granted on 14 October 2020
Grant date share price	HK\$4.68
Exercise price	HK\$4.68
Expected volatility	36.74%
Contractual option life	10 years
Risk-free rate	0.506%
Expected dividend yield	0%

The expected volatility is based on historical price volatility of similar listed companies in the past few years. The risk-free rate is the yields of Hong Kong government bonds and treasury bills as extracted from Bloomberg as at 14 October 2020. At the date options were granted on 14 October 2020, this was determined to be 0.506%. The dividend yield of the Company of 0% has been adopted.

Based on the fair values derived from the above pricing model, the fair value of the share options granted on 14 October 2020 was approximately HK\$1,970,000 (HK\$1.2841 each), of which HK\$Nil (2020:HK\$Nil) have been charged as share-based compensation expenses to profit or loss for the year ended 30 September 2021 as the related employee resigned during the Year 2021.

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

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

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

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

For the year ended 30 September 2021

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

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

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

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

Note:

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

For the year ended 30 September 2020

	Date of grant	Exercise price <i>HK\$</i>	Outstanding as at 1 October 2019 <i>Number</i>	Granted during the year <i>Number</i>	Exercised during the year <i>Number</i>	Forfeited during the year <i>Number</i>	Outstanding as at 30 September 2020 <i>Number</i>
Executive Directors							
Mr. Lee Chris Curl (resigned on 10 August 2020)	3.4.2019	3.13	2,700,000	-	(900,000)	-	1,800,000
Mr. Lan Jianzhong	3.4.2019	3.13	600,000	-	-	-	600,000
Employees	3.4.2019	3.13	1,485,000	-	(405,000)	-	1,080,000
Employees	16.10.2019	4.36	-	3,400,000	-	(3,150,000)	250,000
Employees	2.7.2020	3.28	-	880,000	-	-	880,000
Other eligible participants*	3.4.2019	3.13	1,407,000	-	-	-	1,407,000
Other eligible participants*	16.10.2019	4.36	-	250,000	-	-	250,000
			<u>6,192,000</u>	<u>4,530,000</u>	<u>(1,305,000)</u>	<u>(3,150,000)</u>	<u>6,267,000</u>
Weighted average exercise price			<u>HK\$3.13</u>	<u>HK\$4.15</u>	<u>HK\$3.13</u>	<u>HK\$4.36</u>	<u>HK\$3.25</u>

* Other eligible participants are the consultants of the Company.

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

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

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

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

Total reversal of share-based compensation expenses of HK\$427,000 (2020: share-based compensation expenses HK\$4,305,000), have been recognised in the consolidated statement of profit or loss for the year.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

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

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

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

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

CASH FLOW FROM OPERATING ACTIVITIES

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

CASH FLOW FROM INVESTING ACTIVITIES

Net cash generated from investing activities was approximately HK\$9.5 million for Year 2021 compared to net cash generated from investing activities of approximately HK\$0.3 million for Year 2020. The current period inflow mainly resulted from disposal of a subsidiary of HK\$30.8 million, netting off with HK\$14.4 million (Year 2020: HK\$2.6 million) outflow of capital expenditure and purchase of financial assets HK\$6.9 million.

CASH FLOW FROM FINANCING ACTIVITIES

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

CAPITAL EXPENDITURE

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

TREASURY MANAGEMENT

During Year 2021, there has been no material change in the Group's funding and treasury policies. The Group had a sufficient level of cash and banking facilities for the conduct of its trade in the normal course of business.

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

For exchange risk management, the Group's foreign currency risk is mainly concentrated on the fluctuation of the US dollar against the Renminbi and Japanese Yen. While the Group has no formal hedging policy, it seeks to manage its foreign currency exposures by constructing natural hedges as well as entering into certain forward foreign exchange contracts to minimise any currency risks, when necessary.

CAPITAL STRUCTURE

As at 30 September 2021, the Group's gearing ratio was approximately 105.7% (2020: 243.8%). Gearing ratio equals total borrowings divided by net asset value as at the end of the reporting period. The total borrowings of approximately HK\$294.4 million included bank and other borrowings (2020: HK\$315.8 million).

CHARGE ON GROUP ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

CONTINGENT LIABILITIES

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

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

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

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

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

COMMITMENTS

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

EVENTS AFTER REPORTING PERIOD

Business updates

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

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

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

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

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

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

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

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

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

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

FOREIGN CURRENCY RISK

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

RISKS RELATED TO ANTI-MONEY LAUNDERING

During the Year 2021, the Group has commenced to provide trust and custody services to its clients. Any person who carries on a trust business in Hong Kong has to comply with the relevant requirements of the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong) and the 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).

EMPLOYEES AND REMUNERATION POLICY

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Specific enquiries have been made of all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out the Model Code during the year ended 30 September 2021 and up to the date of this announcement.

CORPORATE GOVERNANCE CODE

During the year ended 30 September 2021, the Company has applied the principles of and complied with all the applicable code provisions set out from time to time in the Corporate Governance Code (the “**CG Code**”) under Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), save as and except for the deviations from code provision A.2.1 of the CG Code in which provides that the roles of chairman and Chief Executive Officer (“**CEO**”) should be separate and performed by different individuals.

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

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

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 Year 2021.

AUDIT COMMITTEE

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

Currently, the Audit Committee comprised three independent non-executive Directors, namely Mr. Yip Wai Ming (Chairman of the Audit Committee), Mr. Duan Xiongfei and Mr. Ngai Matthew Cheuk Yin.

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

- to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve and review the remuneration and terms of engagement of the external auditors;
- to review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to develop and implement policy on engaging external auditor to supply non-audit services;
- to monitor the integrity of financial statements and the annual report and accounts and interim report, and to review significant financial reporting judgements contained in them;
- to discuss the risk management and the internal control systems with the management of our Group to ensure that the management of our Group has performed its duty to have effective internal control systems;
- to conform to any requirement, direction and regulation that may from time to time be contained in the Memorandum and Articles of Association or imposed by the Listing Rules or applicable law; and
- to review the continuing connected transactions.

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

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

The annual financial results of the Group for the year ended 30 September 2021 have been reviewed by Audit Committee.

SCOPE OF WORK PERFORMED BY THE AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, the consolidated statement of other comprehensive income and the related notes thereto for the year ended 30 September 2021 as set out in this announcement have been agreed by the Company's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 30 September 2021. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this announcement.

PUBLIC FLOAT

Based on information that was publicly available to the Company and to the best knowledge of the Board, as at the date of this announcement, the Directors confirm that the Company has maintained at all times during the year ended 30 September 2021 sufficient public float requirement as prescribed by the Listing Rules.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND THE 2021 ANNUAL REPORT

This announcement is published on the website of the Stock Exchange of Hong Kong at www.hkexnews.hk and on the website of the Company at www.huobitech.com. The Company's 2021 Annual Report containing all of the information as required by the Listing Rules will be despatched to shareholders and published on the website of the Stock Exchange of Hong Kong and on the website of the Company in due course.

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

HKSAR, 20 December 2021

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