火币科技
Huobi Tech

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 2020

Financial Highlights

	For the year ended 30 September		
	2020	2019	*Change*
	HK$'000	*HK$'000*	*%*
Revenue	**276,555**	312,341	(11.5%)
Gross profit	**77,858**	57,815	34.7%
Gross profit margin	**28.2%**	18.5%	52.1%
(Loss)/profit before income tax	**(32,586)**	8,692	(474.9%)
Loss for the year attributable to owners of the Company	**(32,582)**	(6,076)	436.2%
Basic losses per share	**HK cents (10.6580)**	HK cents (1.9889)	435.9%
Diluted losses per share	**HK cents (10.6580)**	HK cents (1.9889)	435.9%
Net cash	**87,904**	4,000	2,097.6%
Total equity	**129,531**	146,745	(11.7%)

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL EVENTS

Change of Company Name

Pursuant to (i) the passing of the special resolution at the extraordinary general meeting of the Company held on 9 October 2019; and (ii) the issue of the Certificate of Name Change by the Registry of Corporate Affairs in the British Virgin Islands on 11 October 2019, the Company has changed its official registered English name from "Pantronics Holdings Limited" to "Huobi Technology Holdings Limited" and its Chinese name from "桐成控股有限公司" to "火币科技控股有限公司". With effect from 9:00 a.m. on 18 November 2019, the English stock short name of the Company for trading in the Shares on the Stock Exchange has changed from "PANTRONICS HLDG" to "HUOBI TECH" and the Chinese stock short name of the Company has changed from "桐成控股" to "火幣科技". The website of the Company has also changed from www.pantronicshk.com to www.huobitech.com with effect from 1 November 2019.

Continuing connected transaction – provision of financial assistance in relation to payment agent services

Reference is made to the Company's announcement dated 24 December 2019 in relation to the continuing connected transaction in the provision of financial assistance regarding payment agent services.

On 24 December 2019, Win Techno Inc. ("**Win Techno**"), an indirectly wholly-owned subsidiary of the Company, has become a participant of the Amazon Web Services Partner Network. Such network allows Win Techno to provide payment agent service and other add-on services to support the usage of the Amazon Web Services (the "**AWS**") by the end-customers of AWS and its affiliates (the "**AWS Group**"). Win Techno has commenced to provide payment agent services to Huobi Global Limited, a company incorporated with limited liability under the law of Seychelles, ("**Huobi Global (Seychelles)**") to facilitate payment of the usage fees to AWS Group for a term of three years.

(1) Discloseable and continuing connected transactions in relation to supplemental agreement to service agreement and (2) continuing connected transactions in relation to new service agreement

Reference is made to the Company's announcement dated 19 March 2020 in relation to (1) discloseable and continuing connected transactions in relation to supplemental agreement to service agreement and (2) continuing connected transactions in relation to new service agreement.

On 19 March 2020, Win Techno and Huobi Global (Seychelles) entered into a supplemental agreement to the service agreement for provision of payment agent services entered into between Win Techno and Huobi Global (Seychelles) on 24 December 2019 to revise the cap of financial assistance for the period from 14 April 2020 to 23 December 2022 from HK$15.0 million to HK$30.0 million.

On 19 March 2020, Win Techno and Huobi Global (Seychelles) entered into a new service agreement in relation to the provision of cloud-based software and database service, pursuant to which, the parties agreed, among others, to revise the original annual cap under the service agreement entered into between Win Techno and Huobi Global (Seychelles) on 1 May 2019 and supplemented by a supplemental agreement dated 19 July 2019 for the term commencing from 1 May 2020 to 30 April 2021.

Shareholding restructuring of the Company

Reference is made to the Company's announcement dated 27 April 2020 in relation to the shareholding restructuring of the Company.

On 27 April 2020, Huobi Global Limited, a company incorporated in the Cayman Islands with limited liabilities ("**Huobi Global (Cayman)**") as vendor, entered into a sale and purchase agreement with Huobi Capital Inc., HBCapital Limited, Techwealth Limited and other purchasers (collectively, the "**Purchasers**"), pursuant to which Huobi Global (Cayman) agreed to sell and the Purchasers agreed to purchase the 228,503,269 shares in the Company, representing approximately 74.80% voting rights in the Company (the "**Controlling Block**"). The shareholding restructuring was completed on 13 May 2020.

The purpose of the shareholding restructuring was to remove Huobi Global (Cayman) and Huobi Universal Inc. (the "**Huobi Universal**") as intermediate holding companies such that the direct shareholders of Huobi Universal (or in certain cases, their ultimate beneficial owners), being the Purchasers, would directly hold shares in the Controlling Block in proportion to their then current respective attributable interests in the Company.

Obtained Securities and Futures Commission Type 4 (advising on securities) and Type 9 (asset management) Licenses

On 31 July 2020, Securities and Futures Commission has approved Huobi Asset Management (Hong Kong) Limited ("**Huobi Asset Management**"), an indirectly wholly-owned subsidiary of the Company, to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities. The approval is subject to Huobi Asset Management's continuous compliance of the licensing conditions that Huobi Asset Management shall not hold client assets and Huobi Asset Management shall only provide services to professional investors. Huobi Asset Management has not commenced any business as of the date of this announcement.

Obtained Trust or Company Service Provider (the "TCSP") License

On 19 August 2020, Huobi Wallet Hong Kong Limited ("**Huobi Wallet**"), an indirectly wholly-owned subsidiary of the Company, was notified by the Registry for Trust and Company Service Providers of Companies Registry of Hong Kong that, the application of Huobi Wallet for a TCSP license was approved and the TCSP license was granted to Huobi Wallet under section 53G of the Anti-Money Laundering and Counter-Terrorist Financing Ordinance, Cap. 615. Huobi Wallet has not commenced any business as of the date of this announcement.

PERFORMANCE REVIEW

The Group recorded a total revenue of HK$276.6 million for the year ended 30 September 2020 ("**FY2020**"), representing a decrease of 11.5% or HK$35.7 million from HK$312.3 million for the year ended 30 September 2019 ("**FY2019**").

The gross profit of the Group was HK$77.9 million for FY2020, representing an increase of 34.7% or HK$20.1 million from gross profit of HK$57.8 million for FY2019.

The net loss after tax of the Group increased from HK$6.1 million for FY2019 to HK$32.6 million for FY2020.

Loss per share of the Group for FY2020 was HK$10.6580 cents (FY2019: loss per share of HK$1.9889 cents).

BUSINESS REVIEW

Power-related & electrical/electronic products businesses

The revenue of the Group from power-related & electrical/electronic product businesses was HK$242.3 million for FY2020, representing a decrease of approximately HK$67.5 million or 21.8% as compared with that for FY2019. The decrease was primarily due to the continuous escalation of China-US trade tension and geopolitical frictions, the outbreak and widespread of the COVID-19 since the early 2020 and its economic impact on the global market. Specifically, revenue from its largest customer decreased by 31.5%.

Cost of sales, mainly comprising raw materials, direct labour and manufacturing overheads, amounted to HK$190.0 million and HK$252.9 million for FY2020 and FY2019 respectively. The cost of sales, in line with revenue, has decreased by 24.9% from FY2019.

The gross profit for FY2020 and FY2019 were HK$52.3 million and HK$57.0 million, representing a gross profit margin of 21.6% and 18.4% respectively for the power-related & electrical/electronic products businesses.

The higher gross profit margin was due to the decrease in raw material costs, especially copper cost, and the positive impact on the shift in sales mix. Sales to high-margin customers increased while sales to low-margin customers decreased during FY2020.

Selling and distribution expenses decreased by HK$1.6 million or 27.6% from HK$5.8 million for FY2019 to HK$4.2 million for FY2020 regarding power-related & electrical/electronic products businesses. The decrease was mainly attributable to the decrease in sales and a favourable shipment term from the largest customer obtained by the Group.

Technology solution business

The Group has acquired Win Techno Inc., a company providing data centre and cloud-based services, in July 2019. The Group provides high-quality customised services to global customers in blockchain, virtual assets, fintech, big data as well as other innovative technology sectors.

For FY2020, the revenue of the business was HK$34.2 million, which was mainly attributable to the provision of data centre services of HK$16.6 million and cloud-based service of HK$16.9 million.

The gross profit of the aforementioned was HK$25.6 million, representing a gross profit margin of 74.8% of the business in FY2020.

Asset management

The management intends to commence and carry on the business 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.

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 fund shall invest into a combination of different asset classes including equities, fixed income securities and virtual assets.

Huobi Asset Management has not commenced any business in relation to assets and funds management and provision of advice on trading of securities as of the date of this announcement.

NON-OPERATING EXPENSES OVERVIEW

Other income

Other income, which included gain on disposal of property, plant and equipment, government grants, certification and inspection fees, sample sales and rework costs recharged to customers, has decreased by approximately HK$1.7 million from HK$8.2 million for FY2019 to HK$6.5 million for FY2020, mainly due to the decrease of HK$2.2 million in government grants received.

Administrative expenses

Administrative expenses have increased by HK$52.1 million or 111.8% from HK$46.6 million for FY2019 to HK$98.7 million for FY2020. The increase included, among others, increase in staff costs resulting from recruiting high calibre personnel during the year and increase in related professional fee as the Group is applying for virtual asset and financial service-related license in major markets around the world, as well as the incubation of and expansion into emerging businesses during FY2020.

Finance costs

Finance costs have increased by HK$11.4 million from HK$5.5 million for FY2019 to HK$16.9 million for FY2020, resulting from the loan from a related company made on 26 September 2019.

(Loss)/Profit before income tax

The Group's loss before income tax for FY2020 was HK$32.6 million as compared to the profit before income tax for FY2019 of HK$8.7 million.

The turnaround from profit before income tax to loss before income tax was mainly due to the increase in administrative expenses and finance costs.

Income tax credit/(expense)

The Group had an income tax credit of approximately HK$4.0 thousand for FY2020 compared to the income tax expense of approximately HK$14.8 million for FY2019.

The income tax credit was due to the reversal of overprovision of HK$2.1 million for finalisation of tax audit in FY2020, netting off with the income tax expenses for FY2020.

For FY2019, there were a one-off expense of approximately HK$6.9 million from the one-time transfer of land use rights and certain buildings from one PRC wholly-owned subsidiary to another as part of an internal restructuring/reorganisation of the Group.

Loss after income tax

The Group's loss after income tax increased from approximately HK$6.1 million for FY2019 to HK$32.6 million for FY2020, representing an increase of HK$26.5 million.

Dividend

The Directors do not recommend the payment of a final dividend for FY2020 (FY2019: HK$Nil).

OUTLOOK

The capital market has experienced significant volatility alongside a weak global demand during the global outbreak of COVID-19 this year. Despite the tremendous operating pressure, the management has managed to introduce proper countermeasures, and as a result, the technology solution business has shown a significant increase in revenue, and the contract manufacturing business has further improved its gross profit margin. As compared to the same period last year, the Company has improved in the overall gross profit margin.

Furthermore, since a number of applications for virtual asset and financial service-related licenses have been filed in major global markets with significant progresses, together with incubating and expanding emerging businesses, the Company's staff costs and professional service expenses remain at a comparatively high level. However, the Company continues to maintain ample cash reserves. In view of the smooth development in the Company's emerging business, the management continues to remain cautiously optimistic about the future business development.

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 2020 together with the comparative figures for the year ended 30 September 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 September

	Notes	**2020** ***HK$'000***	2019 *HK$'000*
Revenue	*4*	**276,555**	312,341
Cost of sales and services		**(198,697)**	(254,526)
Gross profit		**77,858**	57,815
Other income	*5*	**6,544**	8,193
Interest income	*6*	**2,861**	576
Selling and distribution expenses		**(4,225)**	(5,800)
Administrative expenses		**(98,722)**	(46,556)
Finance costs	*7*	**(16,902)**	(5,536)
(Loss)/profit before income tax	*8*	**(32,586)**	8,692
Income tax credit/(expense)	*9*	**4**	(14,768)
Loss for the year		**(32,582)**	(6,076)
Loss for the year attributable to owners of the Company		**(32,582)**	(6,076)

		2020 ***HK cents***	2019 *HK cents*
Losses per share	*11*		
– Basic		**(10.6580)**	(1.9889)
– Diluted		**(10.6580)**	(1.9889)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 30 September

	2020	2019
	HK$'000	*HK$'000*
Loss for the year	**(32,582)**	(6,076)
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on the translation of financial statements of foreign operations	**1,699**	(2,842)
Other comprehensive income for the year, net of tax	**1,699**	(2,842)
Total comprehensive income for the year attributable to owners of the Company	**(30,883)**	(8,918)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**40,888**	47,371
Prepaid land lease payments under operating leases		**–**	251
Right-of-use assets		**41,098**	–
Goodwill		**174**	174
		82,160	47,796
Current assets			
Inventories		**25,231**	26,609
Trade and other receivables	*12*	**86,802**	54,682
Intangible asset		**–**	78,394
Pledged bank deposit		**7,758**	7,851
Cash and bank balances		**403,684**	474,683
		523,475	642,219
Current liabilities			
Trade and other payables	*13*	**97,231**	47,162
Contract liabilities		**4,261**	4,540
Bank and other borrowings		**101,856**	9,362
Lease liabilities		**10,646**	–
Tax payable		**8,145**	12,493
		222,139	73,557
Net current assets		**301,336**	568,662
Total assets less current liabilities		**383,496**	616,458
Non-current liabilities			
Bank and other borrowings		**213,924**	461,321
Lease liabilities		**32,277**	–
Deferred tax liabilities		**7,764**	8,392
		253,965	469,713
Net assets		**129,531**	146,745
EQUITY			
Share capital	*14*	**307**	305
Reserves		**129,224**	146,440
Total equity attributable to owners of the Company		**129,531**	146,745

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2020

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 1404–5, 14/F, Nan Fung Tower, 88 Connaught Road Central, Hong Kong.

Pursuant to a special resolution duly passed at the extraordinary general meeting of the Company held on 9 October 2019, the English name of the Company changed from "Pantronics Holdings Limited" to "Huobi Technology Holdings Limited", and the Chinese name of the Company changed from "桐成控股有限公司" to "火币科技控股有限公司", with effect from 11 October 2019.

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. These business segments are the basis upon which the Group reports its primary segment information.

Up until 13 May 2020, the immediate holding company of the Company was Huobi Global Limited ("**Huobi Global (Cayman)**"), a company incorporated in the Cayman Islands with limited liability, and the Directors of the Company considered the ultimate holding company to be Huobi Universal Inc. ("**Huobi Universal**"), a company incorporated in the Cayman Islands with limited liability. The ultimate controlling party was Mr. Li Lin (李林) ("**Mr. Li**").

As disclosed in the announcement of the Company dated 27 April 2020, Huobi Global (Cayman) entered into a sale and purchase agreement with Huobi Capital Inc., HBCapital Limited, Techwealth Limited and other purchasers (collectively, the "**Purchasers**"), pursuant to which Huobi Global (Cayman) agreed to sell and the Purchasers have agreed to purchase the 228,503,269 shares in the Company (the "**Transfer**"), representing approximately 74.80% voting rights in the Company (the "**Controlling Block**"). The Transfer was completed on 13 May 2020.

The purpose of the Transfer was to remove Huobi Global (Cayman) and Huobi Universal as intermediate holding companies such that the direct shareholders of Huobi Universal (or in certain cases, their ultimate beneficial owners), being the Purchasers, would directly hold shares in the Controlling Block in proportion to their then current respective attributable interests in the Company. After the Transfer, the ultimate controlling party of the Company has continued to be 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) Adoption of new or amended HKFRSs – effective from 1 October 2019

The Group has applied the following amendments to HKFRSs issued by the HKICPA, which are relevant to the Group's financial statements, and applied by the Group for the first time during the year ended 30 September 2020.

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	Annual Improvements to HKFRSs 2015–2017 Cycle

The impact of the adoption of HKFRS 16 "Leases" has been summarised below. The other new or amended HKFRSs that are effective from 1 October 2019 did not have any significant impact on the Group's accounting policies.

HKFRS 16 – Leases

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 "Leases" ("**HKAS 17**"), HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease" ("**HK(IFRIC) – Int 4**"), HK(SIC) – Int 15 "Operating Leases – Incentives" and HK(SIC) – Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (iv) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following table summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as at 30 September 2019 to that as at 1 October 2019 as follows:

	Carrying amount at 30 September 2019	**Capitalisation of operating lease contracts under HKFRS 16**	**Carrying amount at 1 October 2019**
	HK$'000	*HK$'000*	*HK$'000*
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Prepaid land lease payments under operating leases	251	(251)	–
Right-of-use assets	–	45,673	45,673
Total non-current assets	47,796	45,422	93,218
Lease liabilities – current portion	–	(8,115)	(8,115)
Total current liabilities	(73,557)	(8,115)	(81,672)
Lease liabilities – non-current portion	–	(37,307)	(37,307)
Total non-current liabilities	(469,713)	(37,307)	(507,020)

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 30 September 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the statement of financial position as at 1 October 2019:

	HK$'000
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitment as at 30 September 2019	57,979
Less: Short-term leases for which lease terms end within 30 September 2020	(3,110)
Less: Future interest expenses	(9,447)
Total lease liabilities as at 1 October 2019	45,422
Representing:	
Current portion	8,115
Non-current portion	37,307
	45,422

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 October 2019 is 6.37%.

(ii) *The new definition of a lease*

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified assets; and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee applies the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

(iii) *Accounting as a lessee*

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of whether they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on a straight-line basis over the lease term.

The Group recognises a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

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

Lease liability

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

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

(iv) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application (1 October 2019). The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 October 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 October 2019.

The Group has elected to recognise all the right-of-use assets at 1 October 2019 for leases previously classified as operating leases under HKAS 17 at an amount equal to the amount recognised for the remaining lease liabilities adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognised in the consolidated statement of financial position as at 30 September 2019. For all these right-of-use assets, the Group has applied HKAS 36 "Impairment of Assets" at 1 October 2019 to assess if there was any impairment on that date.

The Group has also applied the following practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with terms that will end within 12 months of the date of initial application (1 October 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 October 2019; and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4; and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC) – Int 4.

HK(IFRIC) – Int 23 – Uncertainty over Income Tax Treatments

The interpretation supports the requirements of HKAS 12 "Income Taxes" by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met, instead of at fair value through profit or loss.

Amendment to HKFRS 16 – COVID-19-Related Rent Concessions

The Group has early adopted Amendment to HKFRS 16 – COVID-19-Related Rent Concessions retrospectively from 1 October 2019. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) any reduction in lease payments affects only payments due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions totalling HK$15,000 have been accounted for as negative variable lease payments and recognised as sundry income in "other income" in the consolidated statement of profit or loss for the year ended 30 September 2020, with a corresponding adjustment to the lease liabilities.

Annual Improvements to HKFRSs 2015–2017 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarify that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015–2017 Cycle – Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition-date fair value.

Annual Improvements to HKFRSs 2015–2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015–2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarify that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

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

The following new or revised HKFRSs that have been issued but are not yet effective and have not been early adopted by the Group, in the preparation of the financial statements.

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Annual Improvements to HKFRSs 2018–2020 Cycle	HKFRS 1 "First-time Adoption of Hong Kong Financial Reporting Standards"[2]
Annual Improvements to HKFRSs 2018–2020 Cycle	HKFRS 9 "Financial Instruments"[2]
Annual Improvements to HKFRSs 2018–2020 Cycle	Illustrative Examples accompanying HKFRS 16 "Leases"[2]

[1] Effective for annual periods beginning on or after 1 January 2020.
[2] Effective for annual periods beginning on or after 1 January 2022.
[3] Effective for annual periods beginning on or after 1 January 2023.
[4] The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions. An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKFRS 3 – Reference to the Conceptual Framework

The amendments update a reference in HKFRS 3 to the Conceptual Framework for Financial Reporting issued in 2018. The amendments also add to HKFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying HKFRS 3 should instead refer to HKAS 37. The exception has been added to avoid an unintended consequence of updating the reference.

Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current

The amendments clarify how to classify debt and other liabilities as current or non-current.

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

The amendments clarify, not change, existing requirements, and so are not expected to affect companies' financial statements significantly. However, they could result in companies reclassifying some liabilities from current to noncurrent, and vice versa; this could affect a company's loan covenants.

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.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

HKFRS 17 – Insurance Contracts

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

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

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Amendments to HKAS 16 – Property, Plant and Equipment – 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 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Annual Improvements to HKFRSs 2018–2020 – HKFRS 1 "First-time Adoption of Hong Kong Financial Reporting Standards"

The amendment 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.

Annual Improvements to HKFRSs 2018–2020 – HKFRS 9 "Financial Instruments"

The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

Annual Improvements to HKFRSs 2018–2020 – Illustrative Examples accompanying HKFRS 16 "Leases"

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example 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 amended 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. The Group's reportable and operating segments during the year ended 30 September 2020 are as follows:

(i) Contract manufacturing; and

(ii) Provision of technology solution services.

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

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

Segment assets include all assets other than unallocated corporate assets (mainly comprising certain property, plant and equipment, right-of-use assets, other receivables 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 2020

	Contract manufacturing *HK$'000*	Provision of technology solution services *HK$'000*	Total *HK$'000*
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			**(9,108)**
Loss before income tax			**(32,586)**

There were no inter-segment transactions during the year ended 30 September 2020.

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

As at 30 September 2020

	Contract manufacturing *HK$'000*	Provision of technology solution services *HK$'000*	Total *HK$'000*
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			**257,955**
Total assets			**605,635**
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			**3,144**
Total liabilities			**476,104**

Other segment information

For the year ended 30 September 2020

	Contract manufacturing *HK$'000*	Provision of technology solution services *HK$'000*	Total *HK$'000*
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**
Income tax expense	**3,098**	**112**	**3,210**

During the year ended 30 September 2019, the Group's operation was solely attributable to the contract manufacturing and accordingly, the Group presented only one single operating segment and no further operating segment analysis thereof was presented.

Geographical information

The Group's operations are mainly located in the People's Republic of China (including Hong Kong Special Administration 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:

	2020	2019
	HK$'000	*HK$'000*
The People's Republic of China (the "**PRC**")		
– Mainland China	**35,396**	33,142
– HKSAR (place of domicile)	**4,867**	5,018
USA	**99,518**	148,419
UK	**26,830**	35,742
Rest of Europe	**10,774**	14,630
Japan	**62,965**	42,017
Others	**36,205**	33,373
	276,555	312,341

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:

	2020	2019
	HK$'000	*HK$'000*
Customer A	**101,847**	148,583
Customer B	**45,993**	41,808

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

	2020	2019
	HK$'000	*HK$'000*
HKSAR	**8,675**	1,997
Mainland China	**65,215**	34,423
Japan	**8,270**	11,375
Others	**–**	1
	82,160	47,796

4. REVENUE

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

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

	2020	2019
	HK$'000	*HK$'000*
Sales of:		
Solenoid coils	**110,214**	162,143
Power tool chargers	**25,875**	39,442
Printed circuit board assembly	**52,081**	49,153
Parts assembly	**21,664**	27,349
Others	**32,504**	31,788
Revenue recognised at a point in time	**242,338**	309,875
Provision of data centre services	**16,621**	2,461
Provision of cloud services	**16,860**	5
Provision of service income	**736**	–
Revenue recognised over time	**34,217**	2,466
Total revenue	**276,555**	312,341

The Group has applied the practical expedient to its sales contracts for provision of data centre services, cloud services and service income and therefore, the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts that had an original expected duration of one year or less.

5. OTHER INCOME

	2020	2019
	HK$'000	*HK$'000*
Gain on disposal of property, plant and equipment	**–**	20
Government grants	**2,656**	4,834
Sales of raw materials	**1,489**	1,489
Sundry income	**2,399**	1,850
	6,544	8,193

The government grants in 2020 mainly represent 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 has been recognised as other receivable as at 30 September 2020 in relation to salary costs for September 2020. In 2019, the government grants represented compensation subsidies from the PRC Government to compensate manufacturing enhancement costs incurred by the Company's wholly-owned PRC-based subsidiary. There are no unfulfilled conditions relating to the grants.

6. INTEREST INCOME

	2020	2019
	HK$'000	*HK$'000*
Interest earned on bank deposits and balances	**2,861**	576

7. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest on bank borrowings	**349**	958
Imputed interest on other loan from a related company (2019: the immediate holding company)	**8,890**	150
Imputed interest on other loan from a non-controlling shareholder	**4,654**	4,428
Interest expenses on lease liabilities	**3,009**	–
	16,902	5,536

8. (LOSS)/PROFIT BEFORE INCOME TAX

	2020	2019
	HK$'000	*HK$'000*
(Loss)/profit before income tax is arrived at after charging/ (crediting):		
Amortisation of prepaid land lease payments under operating leases	**–**	36
Auditors' remuneration		
– audit service	**962**	830
– review service	**300**	275
– other services	**120**	18
Cost of inventories recognised as expenses	**189,994**	252,885
Depreciation of property, plant and equipment	**7,721**	4,691
Depreciation of right-of-use assets	**20,252**	–
Exchange loss/(gain), net	**7,282**	(241)
Low-value assets lease expenses	**10**	–
Short term lease expenses	**695**	–
Minimum lease payments in respect of rented premises	**–**	8,887
Reversal of impairment loss on inventories	**(275)**	(1,510)
Loss/(gain) on disposal of property, plant and equipment	**3,352**	(20)
Employee benefit expenses (including Directors' remuneration)	**91,361**	81,715

9. INCOME TAX (CREDIT)/EXPENSE

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

	2020	2019
	HK$'000	*HK$'000*
Current income tax – HKSAR:		
Provision for the year	**2,264**	3,292
Over provision in respect of prior years	**(3,567)**	–
	(1,303)	3,292
Current income tax – Overseas:		
Provision for the year:		
Japan	**112**	–
Mainland China	**2,985**	10,636
USA	**23**	27
	3,120	10,663
(Over)/under provision in respect of prior years – Overseas	**(30)**	70
	3,090	10,733
Deferred tax	**(1,791)**	743
Income tax (credit)/expense	**(4)**	14,768

Hong Kong profits tax is calculated at the rate of 16.5% (2019: 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 has 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 have been settled before the reporting date and the Group has recognised over-provision of income tax of HK$2,060,000 in the year. The penalty of HK$1,300,000 has been subsequently settled after the reporting date.

The PRC corporate income tax charge of HK$2,985,000 (2019: HK$10,636,000) was determined in accordance with the relevant laws and regulations in mainland China, and was assessed at a rate of 25% (2019: 25%). The income tax charge for the year ended 30 September 2019 included an Enterprise Income Tax expense of HK$6,922,000 arising from the one-time transfer of certain land use rights and buildings from one PRC wholly-owned subsidiary to another as part of an internal restructuring/reorganisation of the Group.

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$3,898,000 (2019: HK$3,335,000) has been established at the end of the reporting period in relation to withholding tax based on 5% of post 1 January 2008 unremitted earnings. Remaining amounts of the deferred tax were attributable to remeasurement of loans from a non-controlling shareholder and a related company to fair values at recognition.

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

	2020	2019
	HK$'000	*HK$'000*
(Loss)/profit before income tax	**(32,586)**	8,692
Tax thereon at domestic rates applicable to profits or losses in the jurisdictions concerned	**(4,750)**	3,954
Tax effect of non-deductible expenses	**4,734**	1,136
Tax effect of non-taxable income	**(1,657)**	(523)
Tax effect of temporary differences arising from withholding tax on undistributed profits	**444**	1,499
Tax effect of one-time transfer of certain land use rights and buildings	**–**	6,922
Tax effect of temporary differences not recognised	**218**	(1,666)
Tax effect of tax losses not recognised	**4,478**	2,795
(Over)/under provision in respect of prior years	**(1,537)**	70
Over provision in relation to the tax audit of a subsidiary	**(2,060)**	–
Others	**126**	581
Income tax (credit)/expense	**(4)**	14,768

10. DIVIDENDS

There was no interim dividend for the years ended 30 September 2020 and 30 September 2019.

The Directors do not recommend the payment of a final dividend for the years ended 30 September 2020 and 30 September 2019.

11. LOSSES PER SHARE

Basic losses per share

The calculation of basic losses per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares of 305,705,945 (2019: 305,495,000) in issue during the year.

	2020	2019
	HK$'000	*HK$'000*
Loss attributable to owners of the Company	**(32,582)**	(6,076)
Weighted average number of ordinary shares for the purpose of basic losses per share	**305,705,945**	305,495,000
	HK cents	*HK cents*
Basic losses per share	**(10.6580)**	(1.9889)

Diluted losses per share

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

There are no diluted losses per share for both years as the exercise of share options would result in a reduction in loss per share for the years ended 30 September 2020 and 2019. Accordingly, the diluted losses per share was the same as the basic losses per share for the years ended 30 September 2020 and 2019.

12. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**52,076**	43,898
Less: Impairment provisions	**–**	–
Trade receivables – net	**52,076**	43,898
Prepayments and other receivables	**34,726**	10,784
	86,802	54,682

Including in trade receivables, an amount due from a related company in which Mr. Li, a Director of the Company, has beneficial interests, amounting to HK$1,637,000 (2019: a fellow subsidiary of HK$1,234,000) is unsecured, interest-free and trade in nature.

Included in other receivables, an amount due from a related company in which Mr. Li, a Director of the Company, has beneficial interests, amounting to HK$24,251,000 (2019: HK$Nil) 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 2020, trade receivables of HK$6,563,000 (2019: HK$9,855,000) 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 2020, the asset-backed lending liabilities amounted to HK$6,235,000 (2019: HK$9,362,000).

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

	2020	2019
	HK$'000	*HK$'000*
0–60 days	**40,691**	36,850
61–90 days	**4,951**	4,848
91–120 days	**6,429**	2,197
More than 120 days	**5**	3
	52,076	43,898

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.

The Group allows credit periods ranging from 30 to 100 days (2019: 20 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:

	2020	2019
	HK$'000	*HK$'000*
Neither past due nor impaired	**45,909**	39,117
0–60 days past due	**6,162**	4,759
61–90 days past due	**–**	19
91–120 days past due	**–**	–
Over 120 days past due	**5**	3
	52,076	43,898

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

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**22,391**	17,714
Other payables and accruals	**74,840**	29,448
	97,231	47,162

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

	2020	2019
	HK$'000	*HK$'000*
0–60 days	**19,248**	13,183
61–90 days	**2,386**	3,434
More than 90 days	**757**	1,097
	22,391	17,714

As at 30 September 2019, amounts due to fellow subsidiaries of HK$3,554,000, which were included in other payables and accruals, were unsecured, interest-free and repayable on demand.

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 2018, 30 September 2019 and 30 September 2020	500,000,000	500,000
Issued and fully paid:		
At 1 October 2018 and 30 September 2019	305,495,000	305,495
Issue of shares upon exercise of share options *(note (i))*	1,305,000	1,305
At 30 September 2020	**306,800,000**	**306,800**

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 added 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) All the shares issued during the reporting period ranked pari passu in all respects with the then existing shares in issue.

15. SHARE PREMIUM

	HK$'000
At 1 October 2018 and 30 September 2019	96,237
Arising from issue of shares on exercise of share options *(note (i))*	5,317
At 30 September 2020	**101,554**

Note:

(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 added 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.

16. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

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

As at 30 September 2020, the total number of shares available for issue under the scheme was 30,000,000 (2019: 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 aggregate number of shares which may be issued upon exercise of all outstanding options granted and to be exercised under the scheme and any other share option scheme of the Company, must not in aggregate exceed 10% of the Company's shares in issue as at the listing date. The 10% limit may be refreshed at any time by obtaining approval of the Company's shareholders in general meeting provided that the total number of the Company's shares which may be issued upon exercise of all options to be granted under the scheme and any other share option scheme of the Company, must not exceed 10% of the Company's shares in issue as at the date of the approval of the refreshed limit.

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

Where any grant of options to a substantial shareholder of the Company or an independent non-executive Director (or any of their respective associates) will result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the scheme and any other share option scheme of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to an 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 2017, the Company granted 7,000,000 share options to Directors, employees and other eligible participants with an exercise price of HK$1.50 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 2020. The share options granted are exercisable after one year but not exceeding ten years from the date of the grant.

On 21 August 2018, Huobi Global Limited (the "**Offeror**"), a company incorporated in the Cayman Islands with limited liability and Trinity Gate Limited, a company incorporated in the BVI with limited liability, New Wave Capital Limited and Mr. Simon Nai-cheng Hsu, entered into the sale and purchase agreement in relation to the sale and purchase of an aggregate of 215,576,000 sale shares, representing approximately 71.67% of the then entire issued share capital of the Company, completion of which took place on the same date.

On 1 October 2018, the Company had 600,000 outstanding share options.

On 5 October 2018, as part of the mandatory unconditional cash offer following the sale and purchase agreement whereby an option offer was made by the Offeror for the cancellation of the outstanding share options of the Company, the Offeror received valid acceptances in respect of the 600,000 outstanding share options and these share options were cancelled and accordingly, HK$295,000, representing the relevant portion of the share option reserve, was transferred to retained profits.

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

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

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

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

Based on the fair values derived from the above pricing model, the fair value of the share options granted on 3 April 2019 was approximately HK$8,854,000 (HK$1.4299 each). For the year ended 30 September 2020, the Company recognised a share-based compensation charge of HK$3,818,000 (2019: HK$2,602,000) to profit or loss in respect of these options.

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

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

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

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

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

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

Based on the fair values derived from the above pricing model, the fair value of the share options granted on 16 October 2019 was approximately HK$6,190,000 (HK$1.6959 each), of which HK$306,000 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 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$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.

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

For the year ended 30 September 2020

	Date of grant	Exercise price *HK$*	Outstanding at 1 October 2019	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 30 September 2020
Executive Directors							
Mr. Lee Chris Curl*	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
Other eligible participants	3.4.2019	3.13	2,892,000	–	(405,000)	–	2,487,000
Other eligible participants	16.10.2019	4.36	–	3,650,000	–	(3,150,000)	500,000
Other eligible participants	2.7.2020	3.28	–	880,000	–	–	880,000
			6,192,000	4,530,000	(1,305,000)	(3,150,000)	6,267,000
Weighted average exercise price			HK$3.13	HK$4.15	HK$3.13	HK$4.36	HK$3.25

* Resigned as the director of the Company on 10 August 2020.

Note:

The weighted average share price at the dates of exercise of options during the year was HK$4.70 (2019: HK$Nil).

For the year ended 30 September 2019

	Date of grant	Exercise price *HK$*	Outstanding at 1 October 2018	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 30 September 2019
Executive Directors							
Mr. Lee Chris Curl	3.4.2019	3.13	–	2,700,000	–	–	2,700,000
Mr. Lan Jianzhong	3.4.2019	3.13	–	600,000	–	–	600,000
Independent non-executive Directors							
Mr. Pochin Christopher Lu*	3.4.2017	1.50	300,000	–	–	(300,000)	–
Mr. Danny J Lay*	3.4.2017	1.50	300,000	–	–	(300,000)	–
Other eligible participants	3.4.2019	3.13	–	2,892,000	–	–	2,892,000
			600,000	6,192,000	–	(600,000)	6,192,000
Weighted average exercise price			HK$1.50	HK$3.13	–	HK$1.50	HK$3.13

* Resigned as the directors of the Company on 11 October 2018.

As at 30 September 2020, the total number of share options outstanding were 6,267,000 (2019: 6,192,000).

For the share options outstanding as at 30 September 2020, the weighted average remaining contractual life was 3,187 days (2019: 3,472 days).

Total share-based compensation expenses of HK$4,305,000 (2019: HK$2,602,000), have been charged to 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 and bank and other borrowings. The Group's net cash as at 30 September 2020, together with the position as at 30 September 2019 is summarised below:

	30 September 2020 *HK$'000*	30 September 2019 *HK$'000*
Cash and cash equivalents	**403,684**	474,683
Less: Interest-bearing bank borrowings	**(6,235)**	(9,362)
Other borrowings	**(309,545)**	(461,321)
Net cash	**87,904**	4,000

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

As at 30 September 2020, the effective interest rates on the Group's floating rate borrowing range from 2.2% to 4.0% (30 September 2019: 4.0% to 5.5%) per annum.

CASH FLOW FROM OPERATING ACTIVITIES

Net cash generated from operating activities was HK$29.8 million for FY2020 (FY2019: HK$17.6 million). The increase of cash flow in FY2020 was attributed to the decreases of HK$18.3 million in working capital.

CASH FLOW FROM INVESTING ACTIVITIES

Net cash generated from investing activities was HK$0.3 million for FY2020 compared to net cash used in investing activities was HK$15.4 million for FY2019. The current period inflow mainly resulted from interest received on bank deposit of HK$2.9 million, netting off with HK$2.6 million (FY2019: HK$2.6 million) outflow of capital expenditure.

CASH FLOW FROM FINANCING ACTIVITIES

Net cash used in financing activities was HK$101.0 million for FY2020 compared to net cash generated from financing activities was HK$266.5 million from financing activities for FY2019. The inflow for FY2020 includes HK$78.4 million in relation to the proceeds from conversion of intangible asset and HK$4.1 million in relation to the issue of shares on the exercise of share options, offset by HK$159.0 million repayment of other loans from a related company, HK$21.1 million of repayment of lease liabilities, HK$3.1 million of export loans and HK$0.3 million on interest paid on bank borrowing.

CAPITAL EXPENDITURE

Capital expenditure in FY2020, financed by internal resources and credit facilities, amounted to HK$2.7 million (FY2019: HK$2.6 million).

TREASURY MANAGEMENT

During the FY2020, 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. 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 2020, the Group's gearing ratio was approximately 243.8% (2019: 320.7%). Gearing ratio equals total borrowings divided by net asset value as at the end of the reporting period. The total borrowings of approximately HK$315.8 million included bank and other borrowings.

CHARGE ON GROUP ASSETS

As at 30 September 2020, the banking facilities of the Company's wholly-owned subsidiaries based in the Mainland China and HKSAR amounted to approximately HK$23.3 million (30 September 2019: HK$31.4 million), comprising asset-back lending facility. The facilities are secured against certain bank deposits, corporate guarantees from the Company and in the case of the asset-backed lending facility, an assignment over specific trade receivables. As at 30 September 2020, the amount drawn down under the asset-backed lending facility was HK$6.2 million (30 September 2019: HK$9.4 million).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During FY2020, the Group did not have any material acquisition or disposal of any subsidiaries or associates.

CONTINGENT LIABILITIES

As at 30 September 2020, the Group did not have any material contingent liabilities (30 September 2019: HK$Nil).

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

During the FY2020, sales to the largest customer and the five major customers respectively accounted for 36.8% and 73.4% of total revenue of the Group.

Purchases from the largest supplier and the five largest suppliers respectively accounted for 25.0% and 45.0% of total purchases of the Group for FY2020.

As at the date of this announcement, as far as the Directors are aware of, none of the Directors of the Company, their associates, or any shareholder of the Company has any interest in the customers or suppliers of the Company as disclosed above.

COMMITMENTS

As at 30 September 2020, the Group did not have capital commitments in respect of purchase of property, plant and equipment (30 September 2019: HK$0.8 million). 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 2020 (30 September 2019: HK$58.0 million).

FOREIGN CURRENCY RISK

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

EMPLOYEES

As at 30 September 2020, the Group had 622 employees (30 September 2019: 672) working in Mainland China, HKSAR, Japan, Singapore, and the USA. The Group has adopted certain bonus programmes, which are determined annually based on certain criteria including performance of the Company and individual employees. The total employment costs (including remuneration of the Directors and mandatory provident fund contributions) for FY2020 amounted to approximately HK$91.4 million (FY2019: HK$81.7 million).

SHARE OPTION SCHEME

The following is a summary of the principal terms of the share option scheme (the "**Scheme**") adopted by way of written resolutions passed on 27 October 2016. The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

The Scheme is a share incentive scheme and has been established to recognise and acknowledge the contributions eligible participants have made to the Group. The Scheme is valid and effective for a period of ten years commencing on the date of adoption of the Scheme, unless terminated earlier by the shareholders in general meeting.

Participants of the Scheme may include: any employee (full-time or part-time), Director, consultant or adviser of our Group; any substantial shareholder of our Group; and any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, to be determined by the Board, based on their contribution or potential contribution to the development and growth of the Group.

As at the date of this announcement, the total number of shares available for issue under the Scheme was 30,000,000, representing around 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 aggregate number of shares which may be issued upon exercise of all outstanding options granted and to be exercised under the Scheme and any other share options schemes of the Company, must not in aggregate exceed 10% of the Company's shares in issue. The 10% limit may be refreshed at any time by obtaining approval of the Company's shareholders in general meeting provided that the total number of the Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company, must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit.

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

Where any grant of options to a substantial shareholder of the Company or an independent non-executive Director (or any of their respective associates) will result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant representing in aggregate over 0.1% of the shares in issue and having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000, such further grant of options is required to be approved by shareholders at a general meeting of our Company, with voting to be taken by way of poll.

Upon acceptance of an option to subscribe for shares, the eligible participant shall pay HK$1.00 to the Company as consideration for the grant. The subscription price of a share subject to options granted under the Scheme shall be a price determined by the Board and notified to a participant and shall be at least the higher of:

(i) the closing price of the shares as stated in the Stock Exchange of Hong Kong's daily quotations sheet on the date of grant of the option;

(ii) the average closing price of the shares as stated in the Stock Exchange of Hong Kong's daily quotations sheets for the five trading days immediately preceding the date of grant of the option; and

(iii) the nominal value of a share on the date of grant of the option.

The details of the exercise price and number of options outstanding during the year ended 30 September 2020 which have been granted to, exercised and cancelled by the eligible participants are as follows:

	Date of grant	Exercise price	Outstanding as at 1 October 2019 (3)	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding as at 30 September 2020
		HK$	*Number*	*Number*	*Number*	*Number*	*Number*
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
Other eligible participants	3.4.2019	3.13	2,892,000	–	(405,000)	–	2,487,000
Other eligible participants	16.10.2019	4.36	–	3,650,000	–	(3,150,000)	500,000
Other eligible participants	2.7.2020	3.28	–	880,000	–	–	880,000
			6,192,000	4,530,000	(1,305,000)	(3,150,000)	6,267,000

As of the year ended 30 September 2020, one-third of the options granted shall be vested on each anniversary of the first 3 years immediately after the Date of Grant and the outstanding options will be fully vested on 3 April 2022, 16 October 2022 and 2 July 2023 respectively.

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

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 2020 and up to the date of this announcement.

CORPORATE GOVERNANCE CODE

During the year ended 30 September 2020, 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 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.

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 FY2020.

AUDIT COMMITTEE

The Company has established an Audit Committee on 27 October 2016 with written terms of reference aligned with Rule 3.21 and 3.22 of the Listing Rules and code provision 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, reappointment 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 2020 have been reviewed by the 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 2020 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 2020. 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 2020 sufficient public float requirement as prescribed by the Listing Rules.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND THE 2020 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 2020 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
Lan Jianzhong
Executive Director

HKSAR, 18 December 2020

As at the date of this announcement, the Board comprises (1) Mr. Li Lin and Mr. Lan Jianzhong as the executive Directors; and (2) Mr. Duan Xiongfei, Mr. Yip Wai Ming and Mr. Ngai Matthew Cheuk Yin as independent non-executive Directors.