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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2020

Financial Highlights

	Six months ended 31 March		
	2020	**2019**	**% Change**
	HK$'000	*HK$'000*	
Revenue	117,458	166,687	(29.5%)
Gross profit	21,742	31,092	(30.1%)
Gross profit margin	18.5%	18.7%	(1.1%)
(Loss)/profit before income tax	(30,059)	7,810	(484.9%)
Loss attributable to owners of the Company	(30,209)	(1,641)	1,740.9%
Basic loss per share	HK cents (9.89)	HK cents (0.54)	1,731.5%
Diluted losses per share	N/A	N/A	N/A
Interim dividend	–	–	N/A

The board of Directors (the "**Board**") of Huobi Technology Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 31 March 2020 (the "**Period**") together with the comparative figures for the six months ended 31 March 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

		Six months ended 31 March	
	Notes	**2020**	2019
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**117,458**	166,687
Cost of sales and services		**(95,716)**	(135,595)
Gross profit		**21,742**	31,092
Other income	*5*	**3,272**	4,435
Interest income	*6*	**2,359**	100
Selling and distribution expenses		**(1,824)**	(3,487)
Administrative expenses		**(46,593)**	(21,285)
Finance costs	*7*	**(9,015)**	(3,045)
(Loss)/profit before income tax	*8*	**(30,059)**	7,810
Income tax expense	*9*	**(150)**	(9,451)
Loss for the period		**(30,209)**	(1,641)
Loss for the period attributable to owners of the Company		**(30,209)**	(1,641)

		Six months ended 31 March	
		2020	2019
		HK cents	*HK cents*
		(Unaudited)	(Unaudited)
Losses per share	*11*		
– Basic		**(9.89)**	(0.54)
– Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Six months ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(30,209)**	(1,641)
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	**(1,177)**	1,132
Other comprehensive income for the period, net of tax	**(1,177)**	1,132
Total comprehensive income for the period attributable to owners of the Company	**(31,386)**	(509)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 March 2020 HK$'000 (Unaudited)**	30 September 2019 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**44,996**	47,371
Prepaid land lease payments under operating leases		**–**	251
Right-of-use assets		**59,678**	–
Goodwill		**174**	174
		104,848	47,796
Current assets			
Inventories		**23,278**	26,609
Trade and other receivables	*12*	**46,103**	54,682
Intangible asset		**–**	78,394
Pledged bank deposit		**7,770**	7,851
Cash and bank balances		**432,403**	474,683
		509,554	642,219
Current liabilities			
Trade and other payables	*13*	**42,324**	47,162
Contract liabilities		**4,973**	4,540
Bank and other borrowings		**9,060**	9,362
Lease liabilities		**18,780**	–
Tax payable		**10,713**	12,493
		85,850	73,557
Net current assets		**423,704**	568,662
Total assets less current liabilities		**528,552**	616,458
Non-current liabilities			
Bank and other borrowings		**364,477**	461,321
Lease liabilities		**41,913**	–
Deferred tax liabilities		**6,482**	8,392
		412,872	469,713
Net assets		**115,680**	146,745
EQUITY			
Share capital	*14*	**305**	305
Reserves		**115,375**	146,440
Total equity attributable to owners of the Company		**115,680**	146,745

NOTES TO THE FINANCIAL STATEMENTS

For the six month ended 31 March 2020

1. GENERAL INFORMATION

Huobi Technology Holdings Limited 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 has been 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 Group is principally engaged in the contract manufacturing, on electronic manufacturing services basis, 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**"), 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 is Mr. Li Lin (李林) ("**Mr. Li**").

As disclosed in the voluntary announcement of the Company dated 27 April 2020, Huobi Global 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 has 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 is to remove Huobi Global 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, will directly hold shares in the Controlling Block in proportion to their then current respective attributable interest in the Company. After which, the ultimate controlling party of the Company continues to be Mr. Li.

Since the outbreak of COVID-19 pandemic in early 2020, a series of precautionary and control measures have been undertaken by the PRC central government and various provincial or municipal governments, including but not limited to implementation of travel restrictions and extension of the Chinese New Year holiday. As a result, the Group's business and operations in mainland China have been temporarily disrupted which resulted in a temporary drop in the operation level and the revenue of the Group for the six months ended 31 March 2020 as compared to that for the same period in 2019. The Group has been adopting precautionary and control measures to mitigate the impact of COVID-19 pandemic to the Group's operations, including but not limited to flexible work-from-home practices and procurement of supplies for pandemic prevention and control. Accordingly, the Directors of the Company consider that, based on the information available as at the date of this announcement, the event would not have a material adverse impact on the Group's operations. The Directors will continue to assess the impact of the pandemic on the Group's operations and financial performance and closely monitor the Group's exposure to the risks and uncertainties in connection with the pandemic.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

The unaudited condensed consolidated interim financial statements (the "**Interim Financial Statements**") have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") and Hong Kong Accounting Standard 34, "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosures required by the Main Board Listing Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong (the "**Listing Rules**").

These Interim Financial Statements have been prepared with the same accounting policies adopted in the consolidated financial statements for the year ended 30 September 2019, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 October 2019. This is the first set of the Group's financial statements in which HKFRS 16 has been adopted. Details of the new standards/interpretation adopted for the first time in the current period and their effect on the Group's accounting policies are set out in note 2(b).

The Interim Financial Statements are unaudited but, have been reviewed by BDO Limited in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The Interim Financial Statements do not include all of the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 30 September 2019.

The Interim Financial Statements are presented in Hong Kong Dollars ("**HK$**"), which is also the functional currency of the Company. All values are rounded to nearest thousand ("**HK$'000**"), unless otherwise stated.

(b) Adoption of new or amended HKFRSs – effective from 1 October 2019

In the current period, the Group has applied for the first time the following new or amended HKFRSs issued by the HKICPA, which are effective for the Group's financial statements for the annual financial period beginning on 1 October 2019.

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
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 condensed 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 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.

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 clarifies 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 clarifies 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.

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

The following new or amended HKFRSs that have been issued but are not yet effective and have not been early adopted by the Group, in the preparation of the Interim Financial Statements.

Amendments to HKFRS 3	Definition of a Business[1]
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]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

1 Effective for annual periods beginning on or after 1 January 2020.

2 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 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.

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.

The Group is in the process of making an assessment of the potential impact of these new pronouncements. The Directors so far concluded that the application of these new pronouncements is unlikely to have a significant impact on the Group's financial performance and financial position upon application.

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 six months ended 31 March 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 six months ended 31 March 2020

	Contract manufacturing	**Provision of technology solution services**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	109,810	7,648	117,458
Segment results	5,275	(2,422)	2,853
Unallocated corporate income			
Interest income			1,707
Sundry income			295
Unallocated corporate expenses			
Administrative expenses			(27,476)
Finance costs			(7,438)
Loss before income tax			(30,059)

There were no inter-segment transactions during the six months ended 31 March 2020.

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

As at 31 March 2020

	Contract manufacturing	Provision of technology solution services	Total
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Segment assets	248,423	32,309	280,732
Unallocated corporate assets			
Property, plant and equipment			1,856
Right-of-use assets			5,075
Other receivables			1,553
Cash and bank balances			325,186
Total assets			614,402
Segment liabilities	194,488	21,133	215,621
Unallocated corporate liabilities			
Other payables			2,884
Tax payable			990
Other borrowings			271,212
Lease liabilities			5,176
Deferred tax liabilities			2,839
Total liabilities			498,722

During the six months ended 31 March 2019, the Group's operation was solely derived from 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:

	Six months ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The People's Republic of China (the "**PRC**")		
– Mainland China	**15,707**	13,759
– HKSAR (place of domicile)	**1,756**	1,961
USA	**47,432**	90,107
UK	**13,087**	20,540
Rest of Europe	**5,076**	8,350
Japan	**26,418**	17,164
Others	**7,982**	14,806
	117,458	166,687

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 whom accounts for 10% or more of the Group's revenue for the period, is set out below:

	Six months ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Customer A	**48,828**	92,389
Customer B	**19,019**	17,101

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

	31 March 2020 HK$'000 (Unaudited)	30 September 2019 HK$'000 (Audited)
HKSAR	**10,526**	1,997
Mainland China	**67,902**	34,423
Japan	**26,420**	11,375
Others	**–**	1
	104,848	47,796

4. **REVENUE**

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

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

	Six months ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales of:		
Solenoid coils	**52,447**	99,124
Power tool chargers	**11,659**	17,968
Printed circuit board assembly	**22,760**	21,079
Parts assembly	**10,614**	14,564
Others	**12,330**	13,952
Revenue recognised at a point in time	**109,810**	166,687
Provision of data centre services	**7,325**	–
Provision of cloud services	**16**	–
Provision of service income	**307**	–
Revenue recognised over time	**7,648**	–
Total revenue	**117,458**	166,687

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

	Six months ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Gain on disposal of property, plant and equipment	**–**	18
Government grant	**1,827**	2,726
Sundry income	**1,445**	1,691
	3,272	4,435

The government grant in 2020 mainly represents the subsidy from the PRC Government to overcome the difficulties caused by the China-US trade frictions. In 2019, the government grant represented compensation received from the PRC Government to compensate manufacture intelligence costs incurred by the Company's wholly-owned PRC-based subsidiary. There are no unfulfilled conditions relating to the grant.

6. INTEREST INCOME

	Six months ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest earned on bank deposits and balances	**2,359**	100

7. FINANCE COSTS

	Six months ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**241**	860
Imputed interest on other loan from the immediate holding company	**5,052**	–
Imputed interest on loan from a non-controlling shareholder	**2,298**	2,185
Interest expenses on lease liabilities	**1,424**	–
	9,015	3,045

8. (LOSS)/PROFIT BEFORE INCOME TAX

	Six months ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/profit before income tax is arrived at after charging/(crediting):		
Amortisation of prepaid land lease payments under operating leases	**–**	19
Auditors' remuneration:		
– audit services	**234**	314
– other services	**227**	278
Cost of inventories recognised as expenses	**91,191**	135,595
Depreciation of property, plant and equipment	**4,032**	2,134
Depreciation of right-of-use assets	**9,767**	–
Exchange losses, net	**4,907**	776
Low-value assets lease expenses	**18**	–
Short term lease expenses	**281**	–
Minimum lease payments in respect of rented premises	**–**	4,855
Reversal of impairment loss on inventories *(Note)*	**(105)**	(996)
Employee benefit expenses (including Directors' remuneration)	**43,301**	40,141

Note:

During the six months ended 31 March 2020, reversal of impairment losses, arising on the sale of inventories previously provided for, of HK$105,000 (six months ended 31 March 2019: HK$996,000) has been recognised in the condensed consolidated statement of profit or loss.

9. INCOME TAX EXPENSE

Income tax expense for the period comprises:

	Six months ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax:		
Provision for the period		
HKSAR	**450**	1,042
Japan	**10**	–
Mainland China	**736**	8,535
USA	**47**	23
	1,243	9,600
Deferred tax liabilities	**(1,093)**	(149)
Income tax expense	**150**	9,451

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

A subsidiary of the Group received an enquiry for information from the Hong Kong Inland Revenue Department (the "**IRD**") in April 2015 due to a tax audit by the IRD on that subsidiary's profits tax affairs and received assessments for Hong Kong profits tax for prior years in March 2015, February 2016, December 2016, March 2018, February 2019 and March 2020. The Group has 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 believe the provision is adequate to reflect the potential tax liability at the current status. In April 2019 and January 2020, the subsidiary received the draft settlement and the revised draft settlement from the IRD for discussion respectively. The subsidiary will further discuss with the IRD in concluding the final amount. However, the Directors consider that it is not practical, at this stage, to estimate the ultimate financial impact that this may have on the Group, if any.

The PRC corporate income tax charge of HK$736,000 (2019: HK$8,535,000) was determined in accordance with the relevant laws and regulations in mainland China, and was assessed at a rate of 25% (2019: 25%). The prior period income tax charge 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.

During the year ended 30 September 2015, dividends attributable to post 1 January 2008 earnings were remitted to Pantene Industrial Co. Limited ("**Pantene Industrial**") from its wholly-owned PRC-based subsidiary, Shenzhen Pantai Electronic Co., Ltd. ("**Shenzhen Pantai**"). The Group has decided that, as it is probable that Shenzhen Pantai will continue to distribute earnings in the foreseeable future, a deferred tax provision of HK$3,424,000 (30 September 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.

10. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 31 March 2020 and 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 305,495,000 (31 March 2019: 305,495,000) deemed to be in issue during the period.

	31 March 2020	31 March 2019
	HK$'000	*HK$'000*
Losses attributable to owners of the Company	**(30,209)**	(1,641)
Weighted average number of ordinary shares for the purpose of basic losses per share	**305,495,000**	305,495,000
	HK cents	*HK cents*
Basic losses per share	**(9.89)**	(0.54)

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 share of the Company relates to the share options under the Company's share option scheme.

There is no diluted losses per share for the six months ended 31 March 2020 and 2019 as the exercise of share options would result in a reduction in loss per share for the six months ended 31 March 2020 and 2019.

12. TRADE AND OTHER RECEIVABLES

	31 March 2020	30 September 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**35,336**	43,898
Less: Impairment provisions	**–**	–
Trade receivables – net	**35,336**	43,898
Prepayments and other receivables	**10,767**	10,784
	46,103	54,682

Amount due from a fellow subsidiary of HK$1,219,000 (30 September 2019: HK$1,234,000), which is included in trade receivables, is unsecured, interest-free and trade in nature.

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 31 March 2020, trade receivables of HK$9,537,000 (30 September 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 31 March 2020, the asset-backed lending liabilities amounted to HK$9,060,000 (30 September 2019: HK$9,362,000).

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

	31 March 2020	30 September 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0–60 days	**25,825**	36,850
61–90 days	**7,987**	4,848
91–120 days	**1,519**	2,197
More than 120 days	**5**	3
	35,336	43,898

The Group allows credit periods ranging from 20 to 100 days (30 September 2019: 20 to 100 days) to its trade customers depending on their credit status and geographical location during the period. The Directors of the Company consider that the carrying amounts of trade and other receivables approximate to their fair values.

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

	31 March 2020	30 September 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**31,703**	39,117
0–60 days past due	**3,627**	4,759
61–90 days past due	**–**	19
91–120 days past due	**1**	–
Over 120 days past due	**5**	3
	35,336	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 the past experience, the Directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality.

13. TRADE AND OTHER PAYABLES

	31 March 2020	30 September 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**15,655**	17,714
Other payables and accruals	**26,669**	29,448
	42,324	47,162

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

	31 March 2020	30 September 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0–60 days	**11,588**	13,183
61–90 days	**3,277**	3,434
More than 90 days	**790**	1,097
	15,655	17,714

Amounts due to fellow subsidiaries of HK$3,361,000 (30 September 2019: HK$3,554,000), which are included in other payables and accruals, are unsecured, interest-free and repayable on demand.

The Directors of the Company consider that the carrying amounts of trade and other payables are 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 31 March 2020	500,000,000	500,000
Issued and fully paid:		
At 1 October 2018, 30 September 2019 and 31 March 2020	305,495,000	305,495

15. SHARE PREMIUM

	HK$'000
At 1 October 2018, 30 September 2019 and 31 March 2020	96,237

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.

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 will be 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 was 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 six months ended 31 March 2020, the Company recognised a share-based compensation charge of HK$2,615,000 to profit or loss in respect of these options.

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$1,725,000 have been charged as share-based compensation expenses to profit or loss for the six months ended 31 March 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 six months ended 31 March 2020

	Date of grant	Exercise price *HK$*	Outstanding at 1 October 2019	Granted during the period	Exercised during the period	Lapsed, cancelled or forfeited during the period	Outstanding at 31 March 2020
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
Other eligible participants	3.4.2019	3.13	2,892,000	–	–	–	2,892,000
Other eligible participants	16.10.2019	4.36	–	3,650,000	–	–	3,650,000
			6,192,000	3,650,000	–	–	9,842,000
Weighted average exercise price			HK$3.13	HK$4.36	–	–	HK$3.59

For the six months ended 31 March 2019

	Date of grant	Exercise price *HK$*	Outstanding at 1 October 2018	Granted during the period	Exercised during the period	Lapsed, cancelled or forfeited during the period	Outstanding at 31 March 2019
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)	–
			600,000	–	–	(600,000)	–
Weighted average exercise price			HK$1.50	–	–	HK$1.50	–

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

As at 31 March 2020, the total number of share options outstanding were 9,842,000 (30 September 2019: 6,192,000).

For the share options outstanding as at 31 March 2020, the weighted average remaining contractual life was 3,357 days (30 September 2019: 3,472 days).

Total share-based compensation expenses of HK$4,340,000 have been charged to the condensed consolidated statement of profit or loss for the six months ended 31 March 2020 (31 March 2019: HK$Nil).

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**"), a 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 ("**AWS**") by the end-customers of AWS and its affiliates ("**AWS Group**"). Win Techno has commenced to provide payment agent services to Huobi Global Limited ("**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 agree, 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 on 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 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 has agreed to sell and the Purchasers have 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 is to remove Huobi Global 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, will directly hold shares in the Controlling Block in proportion to their then current respective attributable interest in the Company.

PERFORMANCE REVIEW

The Group recorded a total revenue of approximately HK$117.5 million for the six months ended 31 March 2020 ("**Period 2020**"), representing a decrease of approximately 29.5% or HK$49.2 million from HK$166.7 million for the six months ended 31 March 2019 ("**Period 2019**").

The gross profit of the Group was HK$21.7 million for Period 2020, representing a decrease of approximately 30.1% or HK$9.4 million from HK$31.1 million for Period 2019.

The net loss of the Group increased from HK$1.6 million for Period 2019 to HK$30.2 million for Period 2020.

Loss per share of the Group for Period 2020 was HK$9.89 cents (Period 2019: loss per share of HK$0.54 cent).

BUSINESS REVIEW

Power-related & electrical/electronic products business

The revenue of the Group from power-related & electrical/electronic product business was HK$109.8 million for Period 2020, representing a decrease of approximately HK$56.9 million or 34.1% as compared with that for Period 2019. The decrease was primarily due to the continuous escalation of China-US trade tension and geopolitical frictions, and the outbreak and widespread of the COVID-19 since the early 2020 and its economic impact on the global market.

Cost of sales, mainly comprising raw materials, direct labour and manufacturing overheads, amounted to HK$91.2 million for Period 2020, representing a decrease of approximately HK$44.4 million or 32.7% from HK$135.6 million for Period 2019. The decrease is mainly due to the decrease in sales.

The gross profit was HK$21.7 million and HK$31.1 million, representing a gross profit margin of 16.9% and 18.7% for Period 2020 and Period 2019 respectively for the power-related & electrical/electronic products business.

Selling and distribution expenses decreased by HK$1.7 million or 48.6% from HK$3.5 million for Period 2019 to HK$1.8 million for Period 2020 regarding power-related & electrical/electronic products business. The decrease was mainly attributable from the decrease in sale and a favourable shipment terms from the largest customer obtained by the Group.

Technology solution business

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

The technology solution business grew steadily during Period 2020 and the revenue was approximately HK$7.6 million, which was mainly attributable from the provision of data centre services.

The gross profit of the aforementioned business was HK$3.0 million during Period 2020, representing a gross profit margin of 38.9%.

Win Techno has also been granted as an Advanced Consulting Partner by AWS to provide its cloud service and other add-on services. This new service again intends to leverage the large customer base from our shareholders and affiliates in the blockchain, virtual assets and fintech sector. With the benefit of high gross profit margin, the management is expecting a steady growth in this business in the future.

NON-OPERATING EXPENSES OVERVIEW

Other income

Other income, which includes gain on disposal of property, plant and equipment, government grant, certification and inspection fees, sample sales and rework costs recharged to customers, has decreased by approximately HK$1.1 million from approximately HK$4.4 million for Period 2019 to approximately HK$3.3 million for Period 2020. The decrease is mainly due to the decrease of approximately HK$0.9 million in government grant received.

Administrative expenses

Administrative expenses increased by approximately HK$25.3 million or 118.9% from approximately HK$21.3 million for Period 2019 to approximately HK$46.6 million for Period 2020.

The increase included but not limited to an increase in staff cost of high calibre personal and related professional services as Company is applying virtual asset and finance related licenses in major markets around the world, as well as the incubation of and expansion into emerging businesses during the Period 2020.

Finance costs

Finance costs have increased by approximately HK$6.0 million or 200.0% from approximately HK$3.0 million for Period 2019 to approximately HK$9.0 million for Period 2020, which were in line with the increased level of borrowings in the Group for the comparable period.

(Loss)/Profit before income tax

The Group's loss before income tax for Period 2020 was approximately HK$30.1 million as compared to the profit before income tax of approximately HK$7.8 million for Period 2019. The turnaround from profit to loss is due to the decrease in revenue together with an increase in overall expenses and finance costs.

Income tax expense

Income tax expense decreased from approximately HK$9.5 million for Period 2019 to approximately HK$0.2 million for Period 2020, representing a decrease of approximately HK$9.3 million. The decrease is attributed to the impact of a one-off expense of approximately HK$6.9 million for 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 for the Period 2019.

Losses after income tax

The Group's loss after income tax increased from approximately HK$1.6 million for Period 2019 to HK$30.2 million for Period 2020, representing increase in loss of HK$28.6 million.

Dividend

The Directors do not recommend the payment of an interim dividend for Period 2020 and Period 2019.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

We finance our operations primarily through cash generated from operations, bank and other borrowings. The Group's net cash as at 31 March 2020, together with the position as at 30 September 2019 is summarised below:

	31 March 2020	30 September 2019
	HK$'000	*HK$'000*
Cash and cash equivalents	**432,403**	474,683
Less: Interest-bearing bank borrowings	**(9,060)**	(9,362)
Other borrowings	**(364,477)**	(461,321)
Net cash	**58,866**	4,000

Cash and cash equivalents, denominated in HK$, US Dollars ("**US$**"), Renminbi and Japanese Yen.

As at 31 March 2020, the effective interest rates on the Group's floating rate borrowing range from 4.4% to 5.6% (30 September 2019: 4.0% to 5.5%) per annum.

CASH FLOW FROM OPERATING ACTIVITIES

Net cash used in operating activities was approximately HK$0.9 million for Period 2020 (Period 2019: net cash used in operating activities was approximately HK$2.5 million). The decrease in cash flow in Period 2020 was due to the increase in working capital to HK$7.8 million.

CASH FLOW FROM INVESTING ACTIVITIES

Net cash generated from investing activities was approximately HK$0.9 million for Period 2020 compared to net cash used in investing activities of approximately HK$1.0 million for Period 2019. The period inflow mainly results from the interest received on bank deposits and balances of HK$2.4 million.

CASH FLOW FROM FINANCING ACTIVITIES

Net cash used in financing activities was approximately HK$41.0 million for Period 2020 compared to approximately HK$56.7 million used in financing activities for Period 2019. The outflow for Period 2020 mainly includes the repayment of approximately HK$109.0 million of the loans provided by the Company's immediate holding company, offset by US$10.0 million in the form of United States Dollar Tether which has been converted into fiat currency of approximately HK$78.4 million.

CAPITAL EXPENDITURE

Capital expenditure in Period 2020, financed by internal resources and credit facilities, amounted to approximately HK$1.6 million (Period 2019: HK$1.1 million).

TREASURY MANAGEMENT

During Period 2020, 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.

CHARGE ON GROUP ASSETS

As at 31 March 2020, the banking facilities of the Company's wholly-owned subsidiaries based in mainland China and HKSAR amounted to approximately HK$23.3 million (30 September 2019: HK$31.4 million), comprising asset-backed lending facility. The facilities are secured against certain bank deposits, corporate guarantees from the Company and in the case of the asset-backed lending facility, an assignment over specific trade receivables. As at 31 March 2020, the amount drawn down under the asset-backed lending facility was HK$9.1 million (30 September 2019: HK$9.4 million).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During Period 2020, there have been no material acquisitions or disposals of subsidiaries and associated companies by the Group.

CONTINGENT LIABILITIES

As at 31 March 2020, the Group did not have any material contingent liabilities (30 September 2019: HK$Nil).

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

Sales to the largest customer and the five major customers respectively accounted for 41.6% and 79.3% of total revenue of the Group for the Period 2020.

Purchases from the largest supplier and the five largest suppliers respectively accounted for 25.8% and 46.1% of total purchases of the Group for Period 2020.

As at the date of this announcement, as far as the Directors are aware, 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 aforementioned.

COMMITMENTS

As at 31 March 2020, the Group did not have capital commitments in respect of purchase of property, plant and equipment (30 September 2019: HK$817,000). Upon the adoption of HKFRS 16, *Leases*, the operating lease commitment previously disclosed under previous standards were recognised as lease liabilities in the Condensed Consolidated Statement of Financial Position as at 31 March 2020 (30 September 2019: HK$58.0 million).

FOREIGN CURRENCY RISK

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

EMPLOYEES

As at 31 March 2020, the Group had 656 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 Directors' remuneration and mandatory provident fund contributions) for Period 2020 amounted to approximately HK$43.3 million (Period 2019: HK$40.1 million).

OUTLOOK

The worldwide outbreak of COVID-19 at the beginning of this year, together with the implementation of its prevention and controlling measures, have adversely affected global trade's transportation and logistics efficiency. At the same time, it causes a worldwide economic downturn and weak market demand, which in turn causes slowdown of several projects of the Group. The largest client of the Group has reduced orders accordingly. Therefore, the Company's revenue for Period 2020 decreased by approximately 30% as compared to that for Period 2019. Furthermore, the staff costs and professional service expenses of the Company increased substantially due to the application of various virtual assets and financial related licenses in major global markets as well as the incubation of and expansion into emerging businesses.

Although the Group experienced a decrease in revenue and an increase in expenditure due to external reasons and endogenous demand during Period 2020, it maintained its cash reserves at a sufficient level. At the same time, in view of the large-scale economic stimulus policies introduced by various countries and the potential growth of the Group's emerging businesses, we remain cautious and yet optimistic about the business development in the future.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during Period 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 Period 2020 and up to the date of this announcement.

CORPORATE GOVERNANCE CODE

During Period 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**") set out in Appendix 14 to the Listing Rules, save as and except for the deviations from (1) code provision A.2.1 of the CG Code relating to the separate roles of chairman and chief executive officer and that the roles should not be performed by the same individual, and (2) code provision C.2.5 of the CG Code in respect of an internal audit function of the Group.

The Board believes the arrangement that Mr. Li being the Chairman and serves the function of CEO is necessary for the future development of the Company as 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 for effective management and business development of the Group. As all major decisions are 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.

The Group did not have an internal audit function as required by code provision C.2.5 of the CG Code. The Board reviewed the need for setting up an internal audit function during the six months ended 31 March 2020 and considered that there was no such an immediate need after taking into account the Group's current circumstances, such as the focused nature and geographical spread of the business, the relatively simple operating structure and small size of the Group and the close involvement in supervision and management of daily operations, which could provide sufficient risk management and internal control for the Group.

Although the Group does not have an internal audit function, the Group is committed to maintaining and upholding good corporate governance practice and internal control systems.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors, namely Mr. Yip Wai Ming (Chairman), Mr. Duan Xiongfei and Mr. Ngai Matthew Cheuk Yin.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting systems and internal control procedures and review of the Group's financial information. The Interim Financial Statements of the Group for the six months ended 31 March 2020 have been reviewed by the Audit Committee.

The Interim Financial Statements of the Group for the six months ended 31 March 2020 have been reviewed by the external auditor, BDO Limited, in accordance with Hong Kong Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

PUBLICATION OF THE INTERIM REPORT

The Company's interim report for the six months ended 31 March 2020 will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and on the website of the Company (www.huobitech.com).

By order of the Board
HUOBI TECHNOLOGY HOLDINGS LIMITED
Lee Chris Curl
Executive Director

HKSAR, 29 May 2020

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