

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

(Incorporated in the British Virgin Islands with limited liability)

(Stock code: 1611)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 MARCH 2023

Financial Highlights

	Six months ended		% Change
	31 March		
	2023	2022	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Revenue	2,505,881	351,801	612.3%
Gross (loss)/profit	(4,831)	101,173	(104.8%)
Gross (loss)/profit margin	(0.19)%	28.8%	N/A
Loss before income tax	(232,960)	(44,568)	422.7%
Loss attributable to owners of the Company	(241,506)	(48,787)	395.0%
Basic loss per share	HK cents (78.17)	HK cents (15.84)	393.5%
Diluted loss per share	HK cents (78.17)	HK cents (15.84)	393.5%
Interim dividend	—	—	N/A

The board of Directors (the “**Board**”) of New Huo Technology Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 31 March 2023 (the “**Period**”) together with the comparative figures for the six months ended 31 March 2022.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	Six months ended 31 March	
		2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
Revenue	4		
Cryptocurrency trading business		2,384,836	76,137
Other business		<u>121,045</u>	<u>275,664</u>
		<u>2,505,881</u>	<u>351,801</u>
Cost of sales and services			
Cryptocurrency trading business		(2,399,589)	(76,541)
Other business		<u>(111,123)</u>	<u>(174,087)</u>
		<u>(2,510,712)</u>	<u>(250,628)</u>
Gross (loss)/profit		(4,831)	101,173
Other income and gains/(losses)	5	(2,333)	1,552
Fair value gain on cryptocurrencies		8,213	9,462
Expected credit loss on restricted deposit	14	(75,176)	–
Impairment loss on cryptocurrencies	12	(24,234)	–
Interest income	6	14	866
Selling and distribution expenses		(974)	(3,611)
Administrative expenses		(126,541)	(146,764)
Share of result of a joint venture		3,608	–
Finance costs	7	<u>(10,706)</u>	<u>(7,246)</u>
Loss before income tax	8	(232,960)	(44,568)
Income tax credit/(expense)	9	<u>601</u>	<u>(4,219)</u>
Loss for the period		<u><u>(232,359)</u></u>	<u><u>(48,787)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 March 2023 <i>HK\$'000</i>	At 30 September 2022 <i>HK\$'000</i>
	<i>Notes</i>	(Unaudited)	(Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		25,921	47,989
Right-of-use assets		33,890	120,001
Goodwill		–	174
Investment in a joint venture		56,762	53,154
Cryptocurrencies	<i>12</i>	10,385	–
Other receivables	<i>13</i>	45,521	–
Restricted deposit	<i>14</i>	32,215	–
Financial assets at fair value through other comprehensive income		33,595	38,962
		<hr/>	<hr/>
Total non-current assets		238,289	260,280
Current assets			
Inventories		–	44,109
Cryptocurrencies	<i>12</i>	130,383	294,489
Trade and other receivables	<i>13</i>	18,280	135,467
Loan receivable		582	582
Amount due from a joint venture		–	54
Financial assets at fair value through profit and loss		21,904	1,328
Pledged bank deposit		–	7,850
Time deposits with original maturity of over three months		–	1,600
Cash and bank balances		36,023	322,633
		<hr/>	<hr/>
		207,172	808,112
Assets classified as held for sale	<i>15</i>	273,827	–
		<hr/>	<hr/>
Total current assets		480,999	808,112

		At 31 March 2023 <i>HK\$'000</i> (Unaudited)	At 30 September 2022 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Current liabilities			
Trade and other payables	16	65,412	158,689
Collateral payables	12	23,589	124,758
Bank and other borrowings		12,751	678
Lease liabilities		6,985	90,491
Tax payable		<u>8,455</u>	<u>40,947</u>
		117,192	415,563
Liabilities associated with assets classified as held for sale	15	<u>172,272</u>	<u>–</u>
Total current liabilities		<u>289,464</u>	<u>415,563</u>
Net current assets		<u>191,535</u>	<u>392,549</u>
Total assets less current liabilities		<u>429,824</u>	<u>652,829</u>
Non-current liabilities			
Bank and other borrowings		476,409	466,442
Lease liabilities		25,933	32,588
Deferred tax liabilities		<u>1,586</u>	<u>6,713</u>
		<u>503,928</u>	<u>505,743</u>
Net (liabilities)/assets		<u><u>(74,104)</u></u>	<u><u>147,086</u></u>
EQUITY			
Share capital	17	309	309
Reserves		<u>(95,717)</u>	<u>134,620</u>
Total equity attributable to owners of the Company		<u>(95,408)</u>	134,929
Non-controlling interests		<u>21,304</u>	<u>12,157</u>
Total (deficit)/equity		<u><u>(74,104)</u></u>	<u><u>147,086</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 March 2023

1. GENERAL INFORMATION

New Huo Technology Holdings Limited (the “**Company**”) was incorporated in the British Virgin Islands (the “**BVI**”) as a limited liability company on 27 December 1990 and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange of Hong Kong**”) on 21 November 2016. The address of the Company’s registered office is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands and its principal place of business is 6/F & Unit 702–3,100 Queen’s Road Central, Central, Hong Kong.

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

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

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

These Interim Financial Statements have been prepared with the same accounting policies adopted in the consolidated financial statements for the year ended 30 September 2022 (the “**2022 Annual Financial Statements**”), except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 October 2022. Details of the new standards/interpretation adopted for the first time in the current period and their effect on the Group’s accounting policies are set out in note 2(b).

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

The Interim Financial Statements do not include all of the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the 2022 Annual Financial Statements.

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

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

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

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

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

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

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

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

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

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

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

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

3. SEGMENT INFORMATION

The Group has determined its operating segments and prepared segmental information based on regular internal financial information reported to the chief operating decision makers, i.e. the Executive Directors of the Company (“**Executive Directors**”), who are responsible for making strategic decisions. The Executive Directors review the Group’s internal reporting in order to assess performance and allocate resources and have determined the operating segments based on these reports. The Group’s reportable and operating segments during the six months ended 31 March 2023 are as follows:

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

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

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

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

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

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

For the six months ended 31 March 2023

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

For the six months ended 31 March 2022

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

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

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

As at 31 March 2023

	Virtual asset ecosystem <i>HK\$'000</i> (Unaudited)	Provision of technology solution services <i>HK\$'000</i> (Unaudited)	Contract manufacturing <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment assets	346,240	9,226	267,528	622,994
Unallocated corporate assets				
Property, plant and equipment				10,723
Right-of-use assets				1,761
Financial assets at FVTOCI				33,595
Financial assets at FVTPL				21,904
Financial assets classified as held for sale (note 15(b))				6,299
Other receivables				9,762
Cash and bank balances				<u>12,250</u>
Total assets				<u><u>719,288</u></u>
Segment liabilities	47,510	8,605	172,272	228,387
Unallocated corporate liabilities				
Other payables				36,778
Tax payable				8,241
Other borrowings				489,160
Lease liabilities				29,240
Deferred tax liabilities				<u>1,586</u>
Total liabilities				<u><u>793,392</u></u>

As at 30 September 2022

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

Geographical information

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

	Six months ended 31 March	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
The People's Republic of China (the "PRC")		
– HKSAR (place of domicile)	2,389,395	99,300
– Mainland China	16,957	29,288
USA	62,484	97,506
United Kingdom	10,897	26,297
Rest of Europe	2,807	6,840
Russia	–	5,805
Japan	16,004	68,267
Others	7,337	18,498
	<u>2,505,881</u>	<u>351,801</u>

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

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

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

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

* The revenue from such customers did not contribute over 10% of the total revenue of that segment of the Group for the six months ended 31 March 2023 and 2022.

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

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

4. REVENUE

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

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

	Six months ended 31 March	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
Sales of:		
Solenoid coils	80,147	118,543
Power tool chargers	6,795	27,944
Printed circuit board assembly	8,050	34,763
Parts assembly	3,761	13,870
Others	10,033	15,327
	<u>108,786</u>	<u>210,447</u>
Cryptocurrency trading	<u>2,384,836</u>	<u>76,137</u>
Revenue recognised at a point in time	<u>2,493,622</u>	<u>286,584</u>
Provision of data centre services	400	2,851
Provision of cloud-related services	6,650	35,875
Provision of asset management services	3,613	8,169
Provision of custodian services	717	11,077
Provision of lending management services	879	–
Provision of Software-as-a service (“SaaS”)	–	5,818
Provision of consultancy services	–	1,427
Revenue recognised over time	<u>12,259</u>	<u>65,217</u>
Total revenue	<u><u>2,505,881</u></u>	<u><u>351,801</u></u>

5. OTHER INCOME AND GAINS/(LOSSES)

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

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

The government grants for the six months ended 31 March 2022 mainly represent the subsidies amounting to HK\$282,000 under the Job Growth Incentive and Wage Credit Scheme launched by the Singapore Government. There are no unfulfilled conditions relating to the grants.

6. INTEREST INCOME

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

7. FINANCE COSTS

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

8. LOSS BEFORE INCOME TAX

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

9. INCOME TAX (CREDIT)/EXPENSE

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

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

Hong Kong profits tax is calculated at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits for the period, except for the first HK\$2,000,000 of a qualified entity's assessable profit which is calculated at 8.25%, in accordance with the new two-tiered tax rate regime with effect from the year of assessment 2018/2019.

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

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

The Group considers that, as it is probable that its operating subsidiary in the PRC will continue to distribute earnings in the foreseeable future, a deferred tax provision of HK\$5,405,000 (30 September 2022: HK\$4,840,000) has been established at the end of the reporting period in relation to withholding tax based on 5% of post 1 January 2008 unremitted earnings.

10. DIVIDENDS

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

11. LOSS PER SHARE

Basic loss per share

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

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

Diluted loss per share

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

There is no diluted loss per share for six months ended 31 March 2023 and 2022 as the exercise of share options would result in a reduction in loss per share for the period. Accordingly, the diluted loss per share is the same as the basic loss per share for the six months ended 31 March 2023 and 2022.

12. CRYPTOCURRENCIES

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

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

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

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

13. TRADE AND OTHER RECEIVABLES

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

Included in trade receivables was amounts due from related companies amounting to HK\$588,000 (30 September 2022: HK\$5,074,000) in which Mr. Li Lin, a director of the Company, has beneficial interests. The amount is unsecured, interest-free and trade in nature.

Included in other receivables was an amount due from a related company amounting to HK\$35,000 (30 September 2022: HK\$23,706,000) in which Mr. Li Lin, a director of the Company, has beneficial interests. The amount is unsecured, interest-free and repayable in 30 days.

The Group operates an asset-backed lending facility based on certain of its trade receivables. The discounting transactions are with recourse and accordingly do not meet the requirements in HKFRS 9 for de-recognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the discounted trade receivables.

As at 30 September 2022, trade receivables of HK\$714,000 continue to be recognised in the consolidated statement of financial position even though they have been legally transferred to the financial institutions. The proceeds of the discounting transactions are included in borrowings as asset-backed financing until the trade receivables are collected or the Group settles any losses suffered by the financial institutions. As at 30 September 2022, the asset-backed lending liabilities amounted to HK\$678,000.

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

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

The Group allows credit periods ranging from 30 days (30 September 2022: 30 to 100 days) to its trade customers depending on their credit status and geographical location during the period. The directors of the Company consider that the carrying amounts of trade and other receivables approximate to their fair values.

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

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

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

14. RESTRICTED DEPOSIT

As mentioned in note 12, on 11 November 2022, FTX group entities, including FTX, has filed for bankruptcy protection in the United States. As at 31 March 2023, there was Restricted Deposit deposited in FTX with carrying amounts of HK\$32,215,000, net of provision for expected credit loss of HK\$75,176,000, classified as non-current assets. Up to the date of this announcement, the Group is not able to withdraw the fiat currencies and cryptocurrencies from FTX.

15. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

- (a) On 24 March 2023, the Company (the “Vendor”) and New Wave Capital Limited (the “Purchaser”) entered into a sale and purchase agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the entire issued share capital of (a) Pantene Industrial Co. Limited; (b) Pantronics International Holdings Limited; (c) Panjet Service Company Limited; (d) Grace Harvest Corporation Limited; (e) Panjet (Int’l) Limited; and (f) Pantronics (Int’l) Limited. (collectively the “Target Companies”) at a consideration of HK\$115,000,308. For details, please refer to the Company’s announcements dated 24 March 2023, 19 April 2023, 25 May 2023 and the circular dated 25 May 2023 respectively.

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

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

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

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

Financial assets classified as held for sale are as follows:

	At 31 March 2023
	<i>HK\$’000</i>
Financial assets at FVTOCI	5,385
Financial assets at FVTPL	<u>914</u>
	<u><u>6,299</u></u>

16. TRADE AND OTHER PAYABLES

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

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

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

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

17. SHARE CAPITAL

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

Notes:

- (i) During the year ended 30 September 2022, the subscription rights attaching to 1,024,000 and 66,000 share options were exercised at a subscription price of HK\$3.13 and HK\$4.36 per share respectively, resulting in the issue of 1,090,000 new shares at par value of HK\$0.001 each for a total cash consideration of approximately HK\$3,492,000. Approximately HK\$3,491,000 representing the difference between the subscription price and the par value was credited to share premium. In addition, HK\$1,608,000 representing that portion of the share option reserve in relation to the exercise of the share options during the year ended 30 September 2022, was transferred from the share option reserve to share premium account.
- (ii) All the shares issued during the reporting period ranked *pari passu* in all respects with the then existing shares in issue.

18. SHARE PREMIUM


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

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL EVENTS

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

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

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

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

Discloseable transaction – Disposal of Win Techno Inc.

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

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

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

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

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

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

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

Connected transaction – Disposal of financial assets

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

For details, please refer to the Company’s announcements dated 23 March 2023 and 12 April 2023.

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

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

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

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

PERFORMANCE REVIEW

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

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

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

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

BUSINESS REVIEW

Power-related & electrical/electronic products business

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

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

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

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

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

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

Provision of technology solution services

The Group, through Win Techno Inc. which is a company with limited liability incorporated under the laws of Japan and was the wholly-owned subsidiary of the Company, provide data center and cloud-based services to global customers in blockchain, virtual assets, fintech, big data as well as other innovative technology sectors.

The technology solution business dropped and has a revenue of approximately HK\$7.1 million during Period 2023 compared to approximately HK\$44.5 million for Period 2022.

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

Virtual asset ecosystem

(i) Asset management

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

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

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

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

(ii) *Trust and custodian business*

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

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

New Huo Trust US was issued with a Trust Company License by the Financial Institutions Division of the Department of Business and Industry in Nevada, the United States, to engage in the trust company business within the meaning of Chapter 669 of the Nevada Revised Statutes and the rules and regulations thereunder. Due to the high operating cost and change of business planning, New Huo Trust US ceased the provision of custodial and compliance services and was dissolved in September 2022.

During the Period 2023, the revenue generated from the provision of custodial, compliance and consultancy services was approximately HK\$0.7 million. The types of assets custodied under the business include virtual asset, fiat currency, financial instrument or any type of other assets.

(iii) Virtual asset trading platform

In Hong Kong, the Securities and Futures Commission (“SFC”) has implemented a licensing regime for the regulation and licensing of virtual asset trading platform. The Group has submitted an application to the SFC for licenses to conduct Type 1 and Type 7 regulated activities under the SFO as a virtual asset trading platform in Hong Kong. Due to the change in business focus and planning, the Group has withdrawn the application in January 2023.

In Singapore, the Group has submitted an application to the Monetary Authority of Singapore to be licensed under the Payment Services Act 2019 as a Major Payment Institution providing, amongst other things, digital payment token services. Due to the change in business focus and planning, the Group has withdrawn the application in November 2022.

(iv) Virtual asset lending and cryptocurrency trading business

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

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

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

(v) Virtual asset mining-related business

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

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

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

In light of the macroeconomic challenges, the Group will continue to stay alert, but positive, to pursue its prudent strategy in developing its existing and new businesses.

NON-OPERATING EXPENSES OVERVIEW

Other income and gains/losses

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

Administrative expenses

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

Finance costs

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

Loss before income tax

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

Income tax (credit)/expense

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

Loss after income tax

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

Dividend

The Directors do not recommend the payment of an interim dividend for Period 2023 (Period 2022: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

We finance our operations primarily through cash generated from operations, bank and other borrowings. The Group's net liquidity position as at 31 March 2023, together with the position as at 30 September 2022 is summarised below:

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

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

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

CASH FLOW FROM OPERATING ACTIVITIES

Net cash used in operating activities was approximately HK\$247.7 million for Period 2023 (Period 2022: net cash used in operating activities was approximately HK\$273.8 million). The decrease in cash flow in Period 2023 was mainly due to the payment of liabilities and the Restricted Deposit due to FTX incident.

CASH FLOW FROM INVESTING ACTIVITIES

Net cash used in investing activities was approximately HK\$76.2 million for Period 2023 compared to net cash used in investing activities of approximately HK\$76.1 million for Period 2022. The outflow for Period 2023 mainly resulted from the purchase of financial assets.

CASH FLOW FROM FINANCING ACTIVITIES

Net cash generated from financing activities was approximately HK\$62.7 million for Period 2023 compared to approximately HK\$170.8 million used in financing activities for Period 2022. The inflow for Period 2023 was mainly due to net cash inflow in loan from a shareholder amounting to approximately HK\$74.0 million.

CAPITAL EXPENDITURE

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

TREASURY MANAGEMENT

During Period 2023, there has been no material change in the Group's funding and treasury policies. The Group had a sufficient level of cash and banking facilities for the conduct of its trade in the normal course of business.

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

For exchange risk management, the Group's foreign currency risk is mainly concentrated on the fluctuation of the US dollar against Renminbi and Japanese Yen. The Group seeks to manage its foreign currency exposures by constructing natural hedges as well as entering into certain forward foreign exchange contracts to minimise any currency risks, when necessary.

CAPITAL STRUCTURE

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

CHARGES ON GROUP ASSETS

As at 31 March 2023, the banking facilities of the Company's wholly-owned subsidiaries which were based in Mainland China and HKSAR amounted to approximately HK\$Nil (30 September 2022: HK\$23.6 million), comprising asset-backed lending facility. The facilities were secured against certain bank deposits and corporate guarantees from the Company and in the case of the asset-backed lending facility, an assignment over specific trade receivables. As at 31 March 2023, the amount drawn down under the asset-backed lending facility was HK\$Nil (30 September 2022: HK\$0.7 million).

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

CONTINGENT LIABILITIES

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

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

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

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

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

COMMITMENTS

As at 31 March 2023, the Group has capital commitments in respect of purchase of property, plant and equipment in the amount of HK\$Nil (30 September 2022: HK\$62.4 million).

RISK RELATED TO VIRTUAL ASSETS AND RELATED VIRTUAL ASSET BUSINESS

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

RISKS RELATED TO SAFEKEEPING OF ASSETS

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

PRICE RISK OF VIRTUAL ASSETS

The Group received cryptocurrencies collateral under lending arrangements with counterparties. Since the Group is able to utilise such collateral for its own economic benefits, it is recorded as cryptocurrencies of the Group with a corresponding liability due to the counterparties recorded, under liabilities due to counterparties measured at fair value through profit or loss in noncurrent or current liabilities. The Group also held cryptocurrencies itself. The volatility and unpredictability of the price of cryptocurrencies relative to fiat currencies could cause impact to the Group’s performance. The Group provides trust and custody services to its clients. Such assets constitute trust assets and are not accounted for as assets of the Group and do not give rise to liabilities to the relevant customers. Accordingly, the Group has no price volatility exposure from these holdings.

RISKS RELATED TO ANTI-MONEY LAUNDERING

During the Period 2023, the Group has provided trust and custody services to its clients. Any person who carries on a trust business in Hong Kong has to comply with the relevant requirements of the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong) and the guidelines issued by the Companies Registry of Hong Kong. To mitigate such risks, the Group has implemented policies and procedures for Anti-Money-Laundering (AML) and Know-Your-Client (KYC) that are initiated during the client onboarding process and are applied by way of continuous monitoring and reporting. In enhancing these policies and procedures, we have also considered industry best-practice and the recommendations of the Financial Action Task Force (FATF).

FOREIGN CURRENCY RISK

The Group’s principal operating subsidiaries carry out their operations in USA, HKSAR, the Mainland China, Singapore and Japan. Entities in the Group regularly transact in currencies other than their respective functional currencies with regard to the sale and purchase of products. As a consequence, certain trade receivables and borrowings are denominated in foreign currencies. The Group seeks to manage its foreign currency exposures by constructing natural hedges as well as entering into certain foreign exchange contracts to minimise any currency exposure risks, when necessary.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2023, the Group had 619 employees (30 September 2022: 786 employees) working in HKSAR, the Mainland China, Japan, Singapore and the USA. The total employment costs (including Directors' remuneration and mandatory provident fund contributions) for Period 2023 amounted to approximately HK\$72.6 million (Period 2022: HK\$91.5 million). The decrease in staff cost was mainly due to the reduction of the number of employees. The Company's remuneration policy is set out by the Remuneration Committee on the basis of the employees' merit, qualifications and competence. The Group has also adopted certain bonus programs, which are determined annually based on certain criteria including performance of the Company and individual employees. Other benefits including share option schemes, insurance policies, retirement benefit plans are offered to eligible employees.

EVENTS AFTER THE REPORTING PERIOD

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

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

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

OUTLOOK

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

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

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

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during Period 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules. Specific enquiries have been made of all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out the Model Code during Period 2023 and up to the date of this announcement.

CORPORATE GOVERNANCE CODE

During the Period 2023, the Company has applied the principles of and complied with all the applicable code provisions set out from time to time in the Corporate Governance Code (the “**CG Code**”) under Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors, namely Mr. Yip Wai Ming (Chairman), Mr. Yu Chun Kit and Dr. LAM, Lee G, BBS, JP.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting systems and internal control procedures and review of the Group's financial information. The Interim Financial Statements of the Group for the six months ended 31 March 2023 have been reviewed by the Audit Committee.

PUBLICATION OF THE INTERIM REPORT

The Company's interim report for the six months ended 31 March 2023 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.newhuotech.com).

By order of the Board
NEW HUO TECHNOLOGY HOLDINGS LIMITED
Du Jun
Executive Director

Hong Kong, 29 May 2023

As at the date of this announcement, the Board comprises (1) Mr. Li Lin as a non-executive Director; (2) Mr. Du Jun and Ms. Zhang Li as executive Directors; and (3) Mr. Yu Chun Kit, Mr. Yip Wai Ming and Dr. LAM, Lee G., BBS, JP as independent non-executive Directors.