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)

2019 ANNUAL REPORT

CONTENTS

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Li Lin
(Chairman and Chief Executive Officer)
(appointed with effect from 10 September 2019)
Mr. Lee Chris Curl
(Chief Financial Officer)
Mr. Lan Jianzhong
(appointed with effect from 22 February 2019)
Mr. Huo Li
(resigned with effect from 22 February 2019)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Duan Xiongfei
(appointed with effect from 11 October 2018)
Mr. Yip Wai Ming
(appointed with effect from 11 October 2018)
Mr. Ngai Matthew Cheuk Yin
(appointed with effect from 22 February 2019)
Mr. Zhou Guohua
(appointed with effect from 11 October 2018)
(resigned with effect from 22 February 2019)

AUDIT COMMITTEE

Mr. Yip Wai Ming *(Chairman)*
(appointed with effect from 11 October 2018)
Mr. Duan Xiongfei
(appointed with effect from 11 October 2018)
Mr. Ngai Matthew Cheuk Yin
(appointed with effect from 22 February 2019)
Mr. Zhou Guohua
(appointed with effect from 11 October 2018)
(resigned with effect from 22 February 2019)

REMUNERATION COMMITTEE

Mr. Ngai Matthew Cheuk Yin *(Chairman)*
(appointed with effect from 22 February 2019)
Mr. Lan Jianzhong
(appointed with effect from 22 February 2019)
Mr. Yip Wai Ming
(appointed with effect from 11 October 2018)
Mr. Huo Li
(resigned with effect from 22 February 2019)
Mr. Zhou Guohua *(Former Chairman)*
(appointed with effect from 11 October 2018)
(resigned with effect from 22 February 2019)

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

Mr. Duan Xiongfei *(Chairman)*
(appointed with effect from 11 October 2018)
Mr. Yip Wai Ming
(appointed with effect from 11 October 2018)
Mr. Lee Chris Curl

REGISTERED OFFICE

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Road Town, Tortola
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PRINCIPAL BANKER

DBS Bank Ltd., Hong Kong Branch

BVI PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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LEGAL ADVISER AS TO HONG KONG LAW

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AUDITOR

BDO Limited
25th Floor, Wing On Centre
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Hong Kong

JOINT COMPANY SECRETARIES

Mr. Lee Chris Curl
Mr. Ng Gilbert Man Him

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Huobi Technology Holdings Limited (the "Company" and together with its subsidiaries the "Group"), I am pleased to present the annual report of the Group for the financial year ended 30 September 2019.

In 2019, the world witnessed the tremendous advancement and evolution in the blockchain industry. 2019 is also the pivotal year when the Group begins to embrace innovation. During the year, the Group persisted in its corporate values of benefiting without harming and fighting without distorting competition. Despite external pressure from the China-US Trade friction, Brexit and the pricing fluctuation of raw materials, the Company remained well position. By strengthening our foundation, and enhancing our efficiency, the Group successfully delivered relatively stable operating results. Meanwhile, by closely capitalising on the global fintech development momentum, the Group utilised the expertise and experience of our controlling shareholder ("Huobi Group"), to explore the feasibility of business diversity in the blockchain and fintech sectors.

BUSINESS OVERVIEW

In confront with the pressure brought by the external uncertainties on the Group's existing major business operations, we actively maintained the current long-term cooperation with our major customers, we stepped up our efforts to develop new customers base and new markets, and we further promoted the transformation of the manufacturing business to manufacture products with higher quality and higher gross profits. Furthermore, by reducing labour costs, acquiring additional automated equipments, and hedging for the procurement of raw materials, the Company successfully continued to stabilise its operating costs.

Some of our customers obtained exemptions from new tariffs, which reduced the impact of the China-US Trade friction on the Group. Gross profit of the Group for the current period increased by approximately 2.1% as compared to the same period last year. However, due to the increase in total expenses and financing costs, our profit before taxation recorded a decrease of 20.0% as compared to the same period last year.

BUSINESS INNOVATION

In October 2019, Chinese government proposed "*it is necessary to accelerate the development of blockchain technology and industrial innovation*". Driven by national policies and guidelines, the Group will continue its commitments to serving and promoting the continuing development of the blockchain industry, as well as technological innovation and industrial upgrade in China.

Since this year, Huobi Technology as the flagship of Huobi Group, has been actively exploring new businesses in the blockchain and fintech sectors by providing technology development, services, and solutions. The acquisition of Win Techno Inc. ("Win Techno") in Japan was completed in the end of July 2019. Win Techno mainly provides cloud services and data center services for blockchain-related companies, and will also provide other customised services in the future.

To better reflect our future business development, the Group has issued an announcement on 1 November 2019 to officially change the company name, company logo and company website.

MACROECONOMIC CONDITIONS

We firmly believe that "macro-environment determines the micro-environment, while the strategy determines the tactics". From the perspective of an enterprise, we determine our business orientation and roadmap based on our observation of, perception into and judgment on macro-environment conditions.

In recent years, we have taken note of some phenomena that are perceived to be very important.

– **Emergence of Negative Interest Rates**

  At present, there is increasing scale in bonds with negative yields around the world. In various countries, sovereign bonds have entered the negative yield range.

  This indicates that stimulus monetary policies may not promote the capital flow into the real economy as expected due to lack of effective investments opportunities. In contrast, the financial system has shown adverse selection and a percentage of funds remain idle within the financial system.

– **Emergence of Smart Contracts and DAO**

  The blockchain technology development, especially the emergence of smart contracts, leads to the Decentralized Autonomous Organisation ("DAO"), which carries out its governance and operation rules through pre-set computer program.

  The rules are coded through computer programs and added to the blockchain network to constitute a public contract, subjected to public participation and oversight. Theoretically, when the preset conditions are met, smart contracts will be automatically enforced, the progress of which cannot be disrupted and terminated.

  Compared with the current business institutions and organisations, the decision-making mechanism of DAO contains no hierarchical procedures from the top to the bottom. Its power is not built on the major shareholder, senior management or any single entity. Such DAO may achieve human collaboration at a large scale, while preventing ensuing expansion in the management hierarchy.

  DAO may have an impact to the world by distorting those form of commercial organizations which intend to achieve lean labor and large scale collaboration by adopting pyramid-shape and centralized management model.

THINKING AND COGNITION

Negative interest rates indicate limitations in classic economic models. Smart contracts and DAO symbolize the exploration of new production relationships and collaborative forms.

The emergence of these phenomena indicates that our world is undergoing some changes that may exceed the boundaries of our existing cognitive system. As a business entity, we should keep improving our spectrum of perception, and to seek for a more comprehensive and accurate cognition.

We firmly believe that the internet has completed its upgrade from Web1.0 to Web2.0 during the previous information system revolution, as well as its evolution from "information transmission" to "the value transmission through intermediary institutions". In the upcoming industrial upgrade, Web2.0 will evolve into Web3.0, giving birth to the "internet of value" system characterised by "decentralisation and point-to-point value transfer", as well as becoming a catalyst for new production relations and productivity.

We are convinced that the improvement in both production relations and efficiency is ultimately derived from technological innovation. Huobi Technology pursues its goal and vision to efficiently allocate capital and resources to the technological innovation.

FUTURE PROSPECTS

Subsequent to the publication of Facebook's Libra White Paper, FATF's Guidance for a Risk-Based Approach to Virtual Assets and Virtual, Asset Service Providers, and the proposal DCEP released by the People's Bank of China, we are optimistic that the blockchain industry worldwide will enter into an era of acceleration amid the improving policy environment, gradually growing industrial applications, and significant improvement in social awareness.

The Group will embrace the above development momentums in a positive attitude. While maintaining the steady advancement of the manufacturing business, the Company will persist in promoting and venturing into business diversity by developing the internet of value as its core mission, as well as seeking cooperation with global business leaders in the blockchain and fintech sectors to identify investment and cooperation opportunities.

Meanwhile, the Group will also make vigorous efforts on the development of, as well as worldwide promotion and deployment of, various blockchain-based technical solutions, especially those solutions for virtual asset trading systems, with a view to facilitating the development of digital finance industry in the countries or regions with relatively backward financial infrastructures.

The Group believes that its persistence in the established business development strategy will generate reasonable shareholders' returns in the future.

On behalf of the Board,

Li Lin
Chairman

HKSAR
16 December 2019

Management Discussion and Analysis

MATERIAL EVENT

On 19 July 2019, Huobi Investment Limited, a wholly-owned subsidiary of the Company entered into a sale and purchase Agreement with Huobi (International) Investment Limited ("Huobi Int'l"), a wholly-owned entity of Mr. Li Lin ("Mr. Li"), to purchase 100% of Win Techno Inc, for total consideration of HK$6.0 million (the "Acquisition").

As at 19 July 2019, Mr. Li is indirectly holding approximately 65.24% issued shares in the Company and is therefore a controlling shareholder of the Company. As such, Mr. Li is a connected person of the Group under Chapter 14A.07 of the Listing Rules. As Huobi Int'l is a wholly-owned entity of Mr. Li, Huobi Int'l is considered to be an associate of Mr. Li, and hence the Acquisition constitutes a connected transaction under the Listing Rules.

The Acquisition was completed on 30 July 2019 and the details are disclosed in the announcement of the Company dated 30 July 2019.

CHANGE OF COMPANY NAMES

Subsequent to the end of the reporting period, 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 change of the official registered English name of the Company from "Pantronics Holdings Limited" to "Huobi Technology Holdings Limited" and replacement of "桐成控股有限公司" by "火币科技控股有限公司" as the Company's Chinese name become effective from 11 October 2019. 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.

PERFORMANCE REVIEW

The Group recorded a total revenue of approximately HK$312.3 million for the year ended 30 September 2019 ("FY2019"), representing a decrease of approximately 9.6% or HK$33.1 million from HK$345.4 million for the year ended 30 September 2018 ("FY2018").

The gross profit of the Group was HK$57.8 million for FY2019, representing an increase of approximately 2.1% or HK$1.2 million from gross profit of HK$56.6 million for FY2018.

The net profit of the Group decreased from HK$6.6 million recorded for FY2018 to a net loss of HK$6.1 million recorded for FY2019.

Loss per share of the Group for FY2019 was HK$1.9889 cents (FY2018: earnings per share of HK$2.1947 cents).

BUSINESS REVIEW

Power-related & electrical/electronic products business

The revenue of the Group from power-related & electrical/electronic product businesses were HK$309.9 million for FY2019, representing a decrease of approximately HK$35.5 million or 10.3% as compared with that for FY2018. The decrease was primarily due to the weakening of trading conditions across the geographical and customer base. Specifically, revenue from its largest customer decreased by 6.4%.

Cost of sales, mainly comprising raw materials, direct labour and manufacturing overheads, amounted to HK$252.9 million and HK$288.8 million for FY2019 and FY2018 respectively. Due to the completion of factory relocation and the replacement of automated production equipment, the costs of production have been reduced and the production efficiency have been increased accordingly. As a result, our cost of sales has decreased by 12.4% for FY2019 from FY2018.

The gross profit was HK$57.0 million and HK$56.6 million, representing a gross profit margin of 18.4% and 16.4% for FY2019 and FY2018 respectively for the power-related & electrical/electronic products business.

The higher gross profit margin percentage reflects a combination of higher production and development capabilities due to our relocation of manufacturing facilities to Guangming New District, Shenzhen, and favourable raw material costs, predominantly copper costs when compared to FY2018.

Selling and distribution expenses decreased by HK$2.2 million or 27.5% from HK$8.0 million for FY2018 to HK$5.8 million for FY2019 regarding power-related & electrical/electronic products business. The decrease was mainly attributable to the decrease in sale and a favourable shipment term from the largest customer obtained by the Group.

Technology solution businesses

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

For the two months ended 30 September 2019, the revenue of the newly acquired businesses is around HK$2.5 million, which was mainly attributable from the provision of data centre services.

The gross profit of the aforementioned was HK$0.8 million, representing a gross profit margin of 33.5% of the business in FY2019.

The said business has also been granted as an Advanced Consulting Partner by Amazon Web Services (“AWS”) to provide its cloud service and other add-on services such as virtual assets payment agent. This new service again intends to leverage the large customer base from its controlling 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 increased by approximately HK$1.3 million from HK$6.9 million for FY2018 to HK$8.2 million for FY2019, mainly due to the increase of HK$3.7 million in government grant received, offset by the decrease in gain on disposal of property, plant and equipment of HK$1.1 million.

Administrative expenses

Administrative expenses increased by HK$4.4 million or 10.4% from HK$42.2 million for FY2018 to HK$46.6 million for FY2019.

The increase includes, among others, increase in staff costs resulting from recruiting high calibre personnel during the year.

Finance costs

Finance costs have increased by HK$3.0 million from HK$2.5 million for FY2018 to HK$5.5 million for FY2019, which were in line with the increased level of borrowings/loans in the Group.

Profit before income tax

The Group's profit before income tax for FY2019 has decreased by HK$2.2 million from HK$10.9 million to HK$8.7 million.

Excluding the costs of the relocation including relocation costs, duplicate rental and factory maintenance-related cost of HK$3.8 million, and HK$3.4 million of costs associated with the sale of shares and subsequent composite offer, the adjusted profit before tax was HK$18.1 million for FY2018. Decrease in profit before income tax is due to the result of increase in overall expenses and finance costs.

Income tax expense

Income tax expense increased by approximately HK$10.5 million from HK$4.3 million for FY2018 to HK$14.8 million for FY2019.

The increase is attributed from the impact of a one-off expense of approximately HK$6.9 million from the one-time transfer of land use rights and certain buildings from one PRC wholly-owned subsidiary to another as part of an internal restructuring/reorganisation of the Group.

(Loss)/profit after income tax

The Group's profit after income tax decreased from approximately HK$6.6 million for FY2018 to a loss of HK$6.1 million for FY2019, representing decrease of HK$12.7 million.

Excluding the impact of a one-off tax expense of approximately HK$6.9 million from the one-time transfer of land use right and certain buildings from one PRC wholly-owned subsidiary to another as part of an internal restructuring/reorganisation of the Group, the Group experienced an adjusted profit after income tax of HK$0.8 million for FY2019, compared with an adjusted profit after income tax of HK$13.8 million for FY2018, excluding the costs of the relocation, duplicate rental, factory maintenance-related cost and cost associated with the sale of shares and subsequent composite offer of HK$7.2 million.

Dividend

The Directors do not recommend the payment of a final dividend for FY2019 (FY2018: HK$Nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

We finance our operations primarily through cash generated from operations and bank borrowings. However, the cash flows for FY2019 have been affected by the receipt of a HK$313.6 million loan from the immediate holding company. The Group's net cash as at 30 September 2019, together with the position as at 30 September 2018 is summarised below:

	30 September 2019 HK$'000	30 September 2018 HK$'000
Cash and cash equivalents	474,683	205,995
Less: Interest-bearing bank borrowings	(9,362)	(55,803)
Other borrowings	(461,321)	(86,540)
Net cash	4,000	63,652

Cash and cash equivalents, denominated in HK$, US Dollars, Renminbi and Japanese Yen.

As at 30 September 2019, the effective interest rates on the Group's floating rate borrowing range from 4.0% to 5.5% (30 September 2018: 3.0% to 5.5%) per annum.

CASH FLOW FROM OPERATING ACTIVITIES

Net cash generated from operating activities was HK$17.6 million for FY2019 (FY2018: HK$20.9 million). Contribution to the less cash flow in FY2019 were increases in working capital to HK$10.6 million.

CASH FLOW FROM INVESTING ACTIVITIES

Net cash used in investing activities was HK$15.4 million for FY2019 compared to HK$3.9 million in the comparative period. The current period outflow mainly results from HK$2.6 million of capital expenditure and HK$5.9 million to acquire a Japanese entity (FY2018: HK$5.2 million of capital expenditure and HK$1.1 million proceeds from the disposal of property, plant and equipment).

CASH FLOW FROM FINANCING ACTIVITIES

Net cash generated from financing activities was HK$266.5 million for FY2019 compared to HK$100.4 million from financing activities for FY2018. The inflow for FY2019 includes proceeds from other loan from the immediate holding company of HK$313.6 million, repayment of term loan and export loan of HK$13.4 million, interest paid of HK$1.0 million and net repayment of invoice discounting facility of HK$32.7 million.

CAPITAL EXPENDITURE

Capital expenditure in FY2019, financed by internal resources and credit facilities, amounted to HK$2.6 million (FY2018: HK$5.2 million).

TREASURY MANAGEMENT

During the year ended 30 September 2019, 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 30 September 2019, the banking facilities of the Company's wholly-owned subsidiaries based in Mainland China and HKSAR amounted to approximately HK$31,365,000 (30 September 2018: HK$116,500,000), comprising asset-back lending facility. The facilities are secured against certain bank deposits, corporate guarantees from the Company and in the case of the asset-backed lending facility, an assignment over specific trade receivables. As at 30 September 2019, the amount drawn down under the asset-backed lending facility was HK$9,362,000 (30 September 2018: HK$33,013,000), the import loan facility was HK$Nil (30 September 2018: HK$9,603,000) and the term loan was HK$Nil (30 September 2018: HK$13,187,000).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 19 July 2019, the Group entered into a sale and purchase agreement for the acquisition of 100% of the equity interest in Win Techno Inc., which is principally engaged in the provision of data centre services and cloud based services, at a consideration of HK$6,000,000 which has been settled by cash. The acquisition was made with the aim to exploring new business opportunities and achieving long-term return to the shareholders of the Company.

CONTINGENT LIABILITIES

As at 30 September 2019, the Group did not have any material contingent liabilities (30 September 2018: HK$Nil).

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

FY2019, sales to the largest customer and the five major customers respectively accounted for 47.6% and 80.3% of total revenue of the Group.

Purchases from the largest supplier and the five largest suppliers respectively accounted for 28.6% and 50.9% of total purchases of the Group for FY2019.

As at the date of this annual report, 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 disclosed above.

COMMITMENTS

As at 30 September 2019, the Group had capital commitments of HK$817,000 in respect of purchase of property, plant and equipment (30 September 2018: HK$Nil).

Our contract commitments as at 30 September 2019 include minimum lease payments under non-cancellable operating leases in respect of rented premises and office equipment of approximately HK$58.0 million (30 September 2018: HK$60.2 million).

FOREIGN CURRENCY RISK

The Group's principal operating subsidiaries carry out their operations in the People's Republic of China (the "PRC") (including Hong Kong Special Administrative Region ("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 30 September 2019, the Group had 672 employees (30 September 2018: 811) working in Mainland China, HKSAR, Japan and the USA. The Group has adopted certain bonus programmes, which are determined annually based on certain criteria including performance of the Company and individual employees. The total employment costs (including remuneration of the Directors and mandatory provident fund contributions) for FY2019 amounted to approximately HK$81.7 million (30 September 2018: HK$82.4 million).

OUTLOOK

In the FY2019, the Group has made its efforts to maintain a relatively stable business performance. Looking forward to the next fiscal year, we will continue to encounter challenges from many external uncertainties, including China-US trade frictions, fluctuation of raw material costs and shrinking market demands. Nevertheless, the Group has completed its factory relocation and replacement of automated production equipment. We can expect our production costs to be further reduced and production efficiency to be subsequently improved. At the same time, we expect our new technology solutions business to grow continuously, establish long-term cooperation with global blockchain and virtual assets practitioners, and provide high-quality technical services, including cloud and data centre services. The Group will also actively develop technology solutions based blockchain, especially virtual assets trading systems' technology solution, which will target global market and be promoted globally.

More importantly the successful loan arrangement with our controlling shareholder sheds a positive light for the Group. We will effectively utilise the current abundant financial reserves. On one hand, whilst actively maintaining the long term relationship with our core clients of manufacturing business, we will put more effort on developing new customers base and new markets, and on transforming the manufacturing business by developing high quality and high profit margin products. On the other hand, we will closely follow global fintech trend, and strive for business diversification and explore opportunities in blockchain technology and fintech to enhance the future development prospects of the Group.

The Group intends to promote blockchain technology to various institutions or government organisation by providing training or seminars, and/or other manners, so as to raise global awareness of blockchain technology. The Group also intends to strategise international financial market, to leverage licensed financial institutions, and to build up new generation financial infrastructure for the virtual assets industry based on blockchain technology.

Biographical Details of Directors and Senior Management

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

EXECUTIVE DIRECTORS

Mr. Li Lin ("Mr. Li"), aged 37, was appointed as the Chairman of the Company, an executive Director of the Company and Chief Executive Officer of the Company on 10 September 2019.

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

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

Mr. Lee Chris Curl ("Mr. Lee"), aged 43, was appointed as an executive Director, Joint Company Secretary and Chief Financial Officer of the Company on 20 September 2018. Mr. Lee was also appointed as a member of the Nomination and Corporate Governance Committee (the "NCGC") of the Company on 11 October 2018.

Mr. Lee joined Huobi Group in May 2018 and is currently group's Chief Financial Officer and board secretary. Prior to joining Huobi Group, Mr. Lee was the Chief Financial Officer of OKC Group from October 2016 to May 2018, and the Chief Executive Officer of OKEx Technology Company Limited from May 2017 to May 2018. Before that, Mr Lee joined PAX Global Technology Limited, a company listed on the Stock Exchange of Hong Kong (stock code: 0327) as the group Financial Controller from August 2011 to 2013 and became its Chief Financial Officer from 2013 to August 2016.

Mr. Lee graduated from the University of Wollongong in Australia with a Bachelor's degree in accountancy. Thereafter, He received a master's degree in commerce and fund management from The University of New South Wales in Australia. Mr. Lee is also a Chartered Accountant in Australia, a Hong Kong Certified Public Accountant and Financial Risk Manager (FRM), and has over 16 years' professional experience in corporate governance, strategic planning & execution, global business expansion and capital market in digital payment and fintech sectors.

Mr. Lan Jianzhong ("Mr. Lan"), aged 35, was appointed as an executive Director and as a member of Remuneration Committee of the Company on 22 February 2019. Mr. Lan joined Huobi Group and was appointed as Vice President in February 2018. Before joining Huobi Group, he worked as the Vice President in Beijing Caimao Shidai Network Corporation (北京財貓時代網絡股份有限公司) from April 2016 to September 2016, and worked as the Vice President in Beijing Huobi Tianxia Network and Technology Company Limited (北京火币天下網絡技術有限公司) from October 2016 to October 2017. Before that, Mr. Lan had been working as a Technology Analyst from July 2008 to December 2015 and the Technology Vice President from January 2016 to March 2016 in Goldman Sachs (Asia) L.L.C..

Mr. Lan obtained his bachelor's degree in automation, master's degree in control science and technology from Tsinghua University in Beijing, China and his master's degree in science in investment management from the Hong Kong University of Science and Technology. Mr. Lan has extensive programming experience in designing and building both high-performance server and client sides using different programming languages. Besides, he has managed and participated in various platform development and maintenance and front desk support projects.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Duan Xiongfei ("Mr. Duan"), aged 50, was appointed as an independent non-executive Director, the chairman of the NCGC and a member of the audit committee of the Company (the "Audit Committee") on 11 October 2018.

Mr. Duan is currently an independent non-executive Director of Digital Domain Holdings Limited, a company listed on the Stock Exchange of Hong Kong (stock code: 0547) and the chairman of its audit committee, nomination committee and remuneration committee. Mr. Duan holds a master's degree in economics from Renmin University of China and a master's degree in business administration from the University of Chicago. He has over 20 years of experience in securities trading and the investment industry. Mr. Duan is currently the investment manager of MIE Holdings Corporation, a company listed on the Stock Exchange of Hong Kong (stock code: 1555). He joined Atlantis Investment Management as Fund Manager in 2010 and registered as a Commodity Trading Advisor (CTA) in the National Futures Association (NFA) and the Commodity Futures Trading Commission (CFTC) in 2004.

Mr. Yip Wai Ming ("Mr. Yip"), aged 54, was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of the NCGC and the Remuneration Committee of the Company on 11 October 2018.

Mr. Yip is currently an independent non-executive Director of the following companies listed on the Stock Exchange of Hong Kong: PAX Global Technology Limited (stock code: 0327), Ju Teng International Holdings Limited (stock code: 3336), Far East Horizon Limited (stock code: 3360), Poly Culture Group Corporation Limited (stock code: 3636), and Yida China Holdings Limited (stock code: 3639). Mr. Yip acted as an independent non-executive director of BBMG Corporation (stock code: 2009) from April 2009 to November 2015. Mr. Yip served as a deputy general manager at Yuzhou Properties Company Limited from February 2010 to September 2010. He also served as the Chief Financial Officer at Haier Electronics Group Co., Ltd (stock code: 1169) from year of 2004 to 2009. Mr. Yip graduated from the University of Hong Kong with a bachelor's degree in social sciences in 1987. He also holds a bachelor's degree in law from the University of London. Mr. Yip is a fellow of the Association of Chartered Certified Accountants, and a member of the Hong Kong Institute of Certified Public Accountants and the Chinese Institute of Certified Public Accountants.

Mr. Ngai Matthew Cheuk Yin ("Mr. Ngai"), aged 38, was appointed as an Independent non-executive Director, the Chairman of Remuneration Committee, and a member of Audit Committee on 22 February 2019. Mr. Ngai has over 5 years of experience of civil litigation practice in areas such as commercial, company, insolvency, land and property, building management, construction, etc.. Mr. Ngai has been participating in the pro bono free legal advice for the Duty Lawyer Service and was recognised at the Home Affairs Bureau's Recognition Scheme for Provision of Pro Bono Legal Services. He was also a former member of the Panel of Film Censorship Advisers under the Office for Film, Newspaper and Article Administration. Prior to his legal career, he worked as a project engineer at Able Engineering Company Limited from 2008 to 2011, where he was responsible for project planning, coordination and supervision of construction works for various types of projects.

Mr. Ngai acquired his degree of Bachelor of Applied Science in Electrical Engineering from the University of Waterloo, Canada, in June 2004. He then obtained his Master of Science in International Business from the University of Nottingham, England, in December 2005. In December 2011 and July 2012, respectively, Mr. Ngai was further awarded his degree of Juris Doctor and completed Postgraduate Certificate in Laws from The Chinese University of Hong Kong. He was subsequently called to the Bar of Hong Kong in the High Court of HKSAR in March 2013. Mr. Ngai has a wide spectrum of experience in technologies, legal and engineering.

JOINT COMPANY SECRETARIES

Mr. Lee Chris Curl was appointed as the company secretary of the Company on 20 September 2018 and his biography is set out on page 13 to this annual report. After the appointment of Mr. Ng Gilbert Man Him as Joint Company Secretary of the Company with effect from 21 November 2018, Mr. Lee became Joint Company Secretary, together with Mr. Ng.

Mr. Ng Gilbert Man Him ("Mr. Ng"), aged 32, was appointed as the other Joint Company Secretary of the Company on 21 November 2018. Mr. Ng is a qualified practising solicitor in HKSAR. Prior to joining Huobi Group, Mr. Ng was the legal counsel at OKLink Technology Company Limited. Before that, he had worked in various local and international law firms in HKSAR specializing on white collar crime, commercial litigation and regulatory matters. He was admitted as a solicitor to the High Court of HKSAR in 2016. Mr. Ng joined Huobi Group as legal counsel in May 2018. Mr. Ng graduated from The University of Kansas in the USA with a bachelor's degree in economics and philosophy in 2009. He was awarded the Juris Doctor degree by The Chinese University of Hong Kong in 2011. In 2014, Mr. Ng was awarded the Postgraduate Certificate in Laws by The University of Hong Kong.

SENIOR MANAGEMENT

Mr. Henry Woon-hoe Lim ("Mr. Lim"), aged 68, is a Director and chairman of Pantene Industrial Company Limited since 1 July 2010. Mr. Lim was the executive Director and chief executive officer of the Company from 1 July 2010 to 10 October 2018.

Mr. Lim has over 40 years of experience in professional audit, financial accounting and international management. Prior to joining our Group, he spent 15 years with Fritz Companies, Inc., a former NASDAQ-listed company, where he was promoted to become a director of finance for international operations. He then served as the chief financial officer of Morrison Express Corporation, an Asia-based global freight forwarding and logistics service provider, from February 2000 to May 2009. In September 2004, he was appointed as an independent non-executive director of United Pacific Industries Limited ("UPI") (now known as Superactive Group Company Limited) (stock code: 0176), a company listed on the Hong Kong Stock Exchange, and subsequently became the executive director and chief executive officer of UPI from June 2010 until September 2014. Mr. Lim has been the chief executive officer of SNH Global Holdings Limited since October 2014.

Mr. Lim is a certified public accountant and is a fellow of the Institute of Singapore Chartered Accountants, Certified Public Accountants Australia and the Association of Chartered Certified Accountants.

Mr. Lim obtained his Bachelor of Commerce with Honours from Nanyang Technological University (formerly known as Nanyang University) of Singapore in 1974.

Mr. Wu Shupeng ("Mr. Wu"), aged 43, was appointed as the Chief Security Officer of the Company on 1 April 2019.

Mr. Wu joined Huobi Group in April 2018 and is currently group's Chief Security Officer. Prior to joining Huobi Group, Mr. Wu was the Chief Security Consultant of Didi Chuxing from March 2016 to April 2018. Before that, Mr. Wu was the Senior Manager of PwC Risk Management Consulting focusing on risk management from November 2014 to March 2016. Mr. Wu worked as Managing Director of Zedun Data Technology (Beijing) Co., Ltd. (澤敦數據科技（北京）有限公司) from December 2013 to November 2014. Mr. Wu also worked as the Co-Director of Protiviti Consulting (Shanghai) Co., Ltd. from November 2006 to November 2013.

Mr. Wu obtained an MBA Degree from the University of Chinese Academy of Sciences. Mr. Wu has more than 21 years' professional experience in information security technology, business operations security, capital market compliance, risk management and internal control in technology and financial services etc.

Ms. Sun Yanlin ("Ms. Sun"), was appointed as the Compliance Director of the Company on 1 April 2019.

Ms. Sun joined Huobi Group in December 2018 to build and lead the compliance team and is currently the Group's Compliance Director. Prior to joining Huobi Group, Ms. Sun acted as Head of Compliance in well-known financial institutions. Ms. Sun was the Head of Compliance of State Street China, State Street APAC (in Private Equity, Hedge Fund and other alternative investments) from 2012 to 2018. And Ms. Sun was the Head of Compliance, China at OCBC Bank from 2005 to 2012. Ms. Sun has extensive experience and network in global financial regulatory compliance, public policy etc.

Ms. Sun obtained a Bachelor of International Laws from East China University of Political Science and Law in 2002. Ms. Sun became a PRC qualified lawyer in the subsequent year. And Ms. Sun obtained an MBA degree from the University of Hong Kong in 2011.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to upholding high standards of corporate governance practices and business ethics in the firm belief that they are crucial to improving the efficiency and performance of the Group and to safeguarding the interests of the shareholders. The Chairman takes primary responsibility for ensuring that good corporate governance practices and procedures are established. The Board reviews the Company's corporate governance practices from time to time in order to meet the expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance. Set out below are the principles of corporate governance as adopted by the Company during the year ended 30 September 2019.

CORPORATE GOVERNANCE CODE

During the year ended 30 September 2019, 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), save as and except for the deviations from (1) code provision A.2.1 of the CG Code relating to the separate roles of chairman and chief executive officer and 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 that the arrangement that Mr. Li is the Chairman and also 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.

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 Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules. Specific enquiries have been made of all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out the Model Code during the year ended 30 September 2019 and up to the date of this annual report.

CORPORATE GOVERNANCE FUNCTIONS

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

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

1. to develop and review the Company's policies and practices on corporate governance and make recommendations;

2. to review and monitor the training and continuous professional development of Directors and senior management of the Company;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors of the Company; and

5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

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

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

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

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

THE BOARD, ROLE AND FUNCTION

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

Composition

As at the date of this annual report, the Board comprised six members, consisting of three executive Directors and three independent non-executive Directors. The Directors for the year ended 30 September 2019 and up to the date of this report are as follows:

Executive Directors

Mr. Li Lin *(Chairman and Chief Executive Officer) (appointed with effect from 10 September 2019)*
Mr. Lee Chris Curl *(Chief Financial Officer)*
Mr. Lan Jianzhong *(appointed with effect from 22 February 2019)*
Mr. Huo Li *(resigned with effect from 22 February 2019)*

Independent non-executive Directors

Mr. Duan Xiongfei *(appointed with effect from 11 October 2018)*
Mr. Yip Wai Ming *(appointed with effect from 11 October 2018)*
Mr. Ngai Matthew Cheuk Yin *(appointed with effect from 22 February 2019)*
Mr. Zhou Guohua *(appointed with effect from 11 October 2018 and resigned with effect from 22 February 2019)*

Biographical details of the Directors of the Company are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 13 to 16 of this annual report.

The Board has assessed the independence of all the independent non-executive Directors and considers all of them to be independent having regard to (i) their annual confirmation on independence as required under the Listing Rules, (ii) the absence of involvement in the daily management of the Company and (iii) the absence of any relationships or circumstances which would interfere with the exercise of their independent judgement. Throughout the year ended 30 September 2019, the number of independent non-executive Directors on the Board meets the one-third requirement under the Listing Rules.

Chairman and Chief Executive Officer

Pursuant to code provision A.2.1 of the CG Code, the role of chairman of the Company (the "Chairman") and chief executive officer of the Company (the "CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing.

From 1 October 2018 and up to 10 October 2018, Mr. Simon Nai-cheng Hsu was the Chairman and Mr. Henry Woon-hoe Lim was the CEO. The Chairman and CEO were not related to each other and there were clear divisions among their responsibilities with a view to achieving a balance of power and authority.

The Chairman provides leadership and strategic direction for the Board and is also responsible for chairing meetings, managing the operations of the Board, and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. The CEO is responsible for running the Company's businesses and implementing the Group's strategic plans and business goals.

Following the resignation of Mr. Simon Nai-cheng Hsu and Mr. Henry Woon-hoe Lim on 11 October 2018, the Company had no Chairman and CEO until 9 September 2019. The Board was of the view that although there is no Chairman and CEO during the period, the balance of power and authority was ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting operations of the Company and the Group. This arrangement can still enable the Company to make and implement decisions promptly, and thus achieve the Company's objectives efficiently and effectively.

On 10 September 2019, the Company appointed Mr. Li as the executive Director, the Chairman and the CEO with effect from the even date. The Board believes that the arrangement of Mr. Li being the Chairman while also serving as the 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.

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

There was no relationship among the members of the Board during the year ended 30 September 2019.

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

Pursuant to the code provision A.5.6 of the CG Code, listed issuers are required to adopt a board diversity policy. The Board has adopted a board diversity policy with a view to achieving a sustainable and balanced development of our Group. In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. This diversity policy is reviewed annually by the NCGC, and where appropriate, revisions will be made with the approval from the Board.

Board and Board Committee Meetings

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

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

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

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

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

Attendance records

The attendance records of all the Directors for Board and committee meetings for the year ended 30 September 2019 are set out below:

	Number of meetings attended/Number of meetings held				
Directors	Full Board	Audit Committee	NCGC	Remuneration Committee	AGM[8]
Executive Directors					
Mr. Li Lin[1]	0/1	N/A	N/A	N/A	N/A
Mr. Lee Chris Curl	4/5	N/A	1/1	N/A	1/1
Mr. Lan Jianzhong[2]	3/5	N/A	N/A	N/A	1/1
Mr. Huo Li[3]	1/5	N/A	N/A	1/1	0/0
Independent non-executive Directors					
Mr. Duan Xiongfei[4]	5/5	2/2	1/1	N/A	1/1
Mr. Yip Wai Ming[5]	5/5	2/2	1/1	1/1	1/1
Mr. Ngai Matthew Cheuk Yin[6]	4/5	1/1	N/A	N/A	1/1
Mr. Zhou Guohua[7]	1/5	1/1	0/0	1/1	0/0
Number of meetings held during the year	5	2	1	1	1

Notes:

(1) Mr. Li Lin was appointed as an executive Director, Chairman and the CEO with effect from 10 September 2019.

(2) Mr. Lan Jianzhong was appointed as an executive Director with effect from 22 February 2019.

(3) Mr. Huo Li resigned as an executive Director with effect from 22 February 2019.

(4) Mr. Duan Xiongfei was appointed as an independent non-executive executive Director with effect from 11 October 2018.

(5) Mr. Yip Wai Ming was appointed as an independent non-executive executive Director with effect from 11 October 2018.

(6) Mr. Ngai Matthew Cheuk Yin was appointed as an independent non-executive Director with effect from 22 February 2018.

(7) Mr. Zhou Guohua was appointed as an independent non-executive Director with effect from 11 October 2018 and resigned with effected from 22 February 2019.

(8) AGM held on 27 March 2019.

N/A: not applicable

Access to information

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

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

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

Appointments and re-election of Directors

Directors can be nominated by members of the Board during the year ended 30 September 2019 to fill casual vacancies or as an addition to the existing Board. The NCGC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the appointment of new Directors. The NCGC then nominates the most suitable candidate to be appointed to the Board.

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

In accordance with code provision A.4.2 of the CG Code, all Directors are subject to retirement by rotation at least once every three years at each annual general meeting. Any new Director appointed shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company and they will be eligible for re-election at the annual general meeting (the "AGM") under the Memorandum and Articles of Association. Accordingly, Mr. Li Lin, Mr. Lee Chris Curl, Mr. Lan Jianzhong, Mr. Duan Xiongfei, Mr. Yip Wai Ming and Mr. Ngai Matthew Cheuk Yin will hold office as the Directors until the forthcoming annual general meeting of the Company where they will be subject to re-election.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 30 September 2019, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, the number of which must represent at least one-third of the Board, with at least one independent non-executive Director possessing appropriate professional qualifications and accounting and related financial management expertise. The views of the independent non-executive Directors carry weight in the Board's decisions, and their participation helps the Board exercise judgement, make decisions and act objectively in the interests of the Company and its shareholders as a whole.

As at the date of this annual report, the Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors' responsibilities for the financial statements and the responsibilities of the external auditor to the shareholders are set out on pages 65 to 66 of this annual report.

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

The Company has established the NCGC with written terms of reference in compliance with code provision A.5 of the CG Code. The NCGC was set up on 25 September 2017 to replace the NC previously established on 27 October 2016.

Up until 11 October 2018, the NCGC comprised three members, namely Ms. Hui Leung Ching Patricia (former chairman of the NCGC), Mr. Danny J Lay and Mr. Simon Nai-cheng Hsu. On that date, all of the above members resigned and were replaced by Mr. Duan Xiongfei (chairman of the NCGC), Mr. Yip Wai Ming and Mr. Lee Chris Curl, the majority of its members are independent non-executive Directors.

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

– review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

– review the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy;

– identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

– assess the independence of independent non-executive Directors;

– make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors;

– develop and review the policies and practices on corporate governance of the Company and its subsidiaries and make recommendations to the Board;

– review the Company's compliance with the CG Code as set out in Appendix 14 to the Listing Rules and disclosure in the Corporate Governance Report of the Company; and

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

The Board has adopted a Board diversity policy and the objectives and progress on achieving those objectives are set out on page 20 of this annual report.

REMUNERATION COMMITTEE

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

Up until 11 October 2018, the Remuneration Committee comprised three members, namely Mr. Danny J Lay (former chairman of the Remuneration Committee), Mr. Pochin Christopher Lu and Mr. Simon Nai-cheng Hsu. On that date, all of the above members resigned and were replaced by Mr. Zhou Guohua (chairman of the Remuneration Committee), Mr. Yip Wai Ming and Mr. Huo Li. On 22 February 2019, Mr. Zhou Guohua (chairman of the Remuneration Committee) and Mr. Huo Li resigned and were replaced by Mr. Ngai Matthew Cheuk Yin (chairman of the Remuneration Committee) and Mr. Lan Jianzhong. Therefore, the composition of the Remuneration Committee as at 30 September 2019 is Mr. Ngai Matthew Cheuk Yin (chairman of the Remuneration Committee), Mr. Yip Wai Ming and Mr. Lan Jianzhong. The majority of the members of the Remuneration Committee are independent non-executive Directors which complies with Rule 3.25 of the Listing Rules.

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

– consult with the chairman of the Board and/or chief executive about their remuneration proposals for other executive Directors;

– make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

– review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

– make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

– make recommendations to the Board on the remuneration of non-executive Directors;

– consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries;

– review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

– review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct;

– ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration; and

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

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

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

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

AUDIT COMMITTEE

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

Up until 11 October 2018, the Audit Committee comprised three independent non-executive Directors, namely Mr. Pochin Christopher Lu (former chairman of the Audit Committee), Mr. Danny J Lay and Ms. Hui Leung Ching Patricia. On that date, all the above members resigned and were replaced by Mr. Yip Wai Ming (chairman of the Audit Committee), Mr. Duan Xiongfei and Mr. Zhou Guohua. On 22 February 2019, Mr. Zhou Guohua resigned and was replaced by Mr. Ngai Matthew Cheuk Yin. Therefore the composition of Audit Committee as at 30 September 2019 is Mr. Yip Wai Ming (chairman of the Audit Committee), Mr. Duan Xiongfei and Mr. Ngai Matthew Cheuk Yin.

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

– to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve and review the remuneration and terms of engagement of the external auditors;

– to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

– to develop and implement policy on engaging external auditor to supply non-audit services;

– to monitor the integrity of financial statements and the annual report and accounts and interim report, and to review significant financial reporting judgements contained in them;

– to discuss the risk management and the internal control systems with the management of our Group to ensure that the management of our Group has performed its duty to have effective internal control systems;

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

– to review the continuing connected transactions.

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

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

AUDITOR'S REMUNERATION

The Directors acknowledge the responsibilities of preparing the financial statements of the Group which give a true and fair view. The statement of the external auditor of the Company about its reporting responsibilities for consolidated financial statements is set out in the "Independent Auditor's Report" on pages 63 to 66.

The total remuneration paid and payable to BDO Limited in respect of audit services for the year ended 30 September 2019 amounted to approximately HK$830,000.

Non-audit services provided to the Group mainly represented: the interim review service and other services provided by BDO Limited of approximately HK$275,000 and HK$18,000 respectively; taxation services provided by BDO Tax Limited of approximately HK$45,000; IT review service provided by BDO Financial Services Limited of approximately HK$165,000.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

As at the date of this annual report, 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 year ended 30 September 2019 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.

During the year ended 30 September 2019, the Board conducted a review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the extent and frequency of communication with the Board in relation to risk management and internal control review; the scope and quality of management's review on risk management and internal control systems; significant failures or weakness identified and their related implications; financial controls; and states of compliance with the Listing Rules. The Board considers the risk management and internal control systems effective and adequate. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

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

COMPANY SECRETARY

The Company Secretary is responsible for facilitating the Board process, as well as communications among Board members. Mr. Lee Chris Curl and Mr. Ng Gilbert Man Him, who became the Joint Company Secretaries with effect from 20 September 2018 and 21 November 2018 respectively, are also employees of the Company, who has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS

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

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

The AGM of the Company will be held on around 20 March 2020. The notice of the AGM will be sent to shareholders at least 20 clear business days before the AGM.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting

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

Procedures for putting forward proposals at a shareholders' meeting

Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the Group at a shareholders' meeting. Proposals shall be sent to the Board or the Company Secretary by written requisition to the Company Secretary at the Company's principal place of business in Hong Kong at Room 1404–05, 14/F, Nan Fung Tower, 88 Connaught Road Central, Hong Kong.

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

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

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

Shareholders' enquiries

Shareholders may send their enquiries and concerns to the Board by addressing them to the Company Secretary or relevant personnel by mail to the Company's principal place of business in Hong Kong at Room 1404–05, 14/F, Nan Fung Tower, 88 Connaught Road Central, Hong Kong.

CONSTITUTIONAL DOCUMENTS

During the year ended 30 September 2019, there was no change in the Company's constitutional documents. With effect from 11 October 2019, the Company adopted amended Memorandum and Articles of Association to reflect the change of names of the Company. For further details, please refer to the announcement of the Company dated 10 September 2019, the circular of the Company dated 19 September 2019 and the poll results announcement of the Company dated 9 October 2019.

INVESTOR RELATIONS

The Company keeps on promoting good investor relations and enhancing communication with the Shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public who may contact the Company by phone on (852) 3616 0815 during normal business hours, or by fax at (852) 3596 3011.

The Directors are pleased to present their annual report and consolidated audited financial statements for the Group for the year ended 30 September 2019.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

The business review and outlook of the Group for the year ended 30 September 2019 are set out in the section headed "Management Discussion and Analysis" on pages 7 to 12 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 September 2019 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 67 to 151 of this annual report.

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

SUMMARY OF FINANCIAL INFORMATION

A financial summary of the Group for the last five financial years, as extracted from the audited financial statements and the Prospectus, is set out on page 152 in this annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 30 September 2019 are set out in notes 16 and 17 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Information on the environmental policies and performance of the Company is set out in the section headed "Environmental, Social and Governance Report" on pages 40 to 62 in this annual report.

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

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

SHARE CAPITAL

Details of the Company's share capital are set out in note 29 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year ended 30 September 2019 are set out in the consolidated statement of changes in equity on pages 70 to 71 to the consolidated financial statements.

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

At 30 September 2019, the Company's reserves, for distribution purposes, showed a surplus of HK$111,522,000 comprising accumulated losses of HK$111,181,000 and other reserves of HK$222,703,000.

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

RELATED PARTY TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

On 19 July 2019, Huobi Investment Limited ("Huobi Investment"), a wholly owned subsidiary of the Group entered into a Sale and Purchase Agreement with Huobi (International) Investment Limited ("Huobi Int'l"), a wholly owned entity of Mr. Li Lin, to purchase 100% of Win Techno Inc. ("Win Techno"). Upon the completion on 30 July 2019, Win Techno has become a wholly-owned subsidiary of the Group and the financial results of Win Techno will be consolidated into the financial statements of the Group (the "Acquisition").

As at 19 July 2019, Mr. Li is indirectly holding approximately 65.24% issued shares in the Group and is therefore a controlling shareholder of the Group. As such, Mr. Li is a connected person of the Group under Chapter 14A.07 of the Listing Rules. As Huobi Int'l is a wholly-owned entity of Mr. Li, Huobi Int'l is considered to be an associate of Mr. Li, and hence the Acquisition constitutes a connected transaction under the Listing Rules.

On 1 May 2019, Win Techno has entered into a service agreement with Huobi Global Limited, a company incorporated with limited liability under the law of Seychelles and is indirectly controlled by Mr. Li, to provide data centre services for the term of one year. Hence, Win Techno and Huobi Global Limited entered into a supplemental agreement on 19 July 2019 for the continuation of provision of service which has come into effect upon completion of the Acquisition.

As Huobi Global Limited is indirectly controlled by Mr. Li, it is an associate of a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, upon completion of the Acquisition, the supplemental agreement and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Full details of the transactions were disclosed in the Company's announcement dated 19 July 2019.

During the year ended 30 September 2019, the approximate services provided/received by the Group and the annual caps of the transactions are set out below:

Nature of services transaction provided under the Supplemental Agreement	Services provider	Services recipient	Applicable annual cap(s) 1 August 2019 to 30 September 2019	Applicable annual cap(s) 1 October 2019 to 30 April 2020
Provision of data centre services	Win Techno Inc.	Huobi Global Limited	JPY 34 million (equivalent to approximately HK$2,467,040)	JPY 119 million (equivalent to approximately HK$8,634,640)

During the year ended 30 September 2019, the above continuing connected transactions were carried out within their respective annual caps. The independent non-executive Directors have reviewed and confirmed that the above continuing connected transactions were all conducted and entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this annual report in accordance with Rule 14A.56 of the Listing Rules. The auditor of the Company has also confirmed to the Board in writing that the above continuing connected transactions for the year ended 30 September 2019 (i) have received the approval of the Board of Directors; (ii) have been entered into in accordance with the relevant pricing policies of the Group; (iii) have been entered into in accordance with the relevant agreements governing the transactions; and (iv) have not exceeded the annual cap disclosed in the Company's announcement dated 19 July 2019. A copy of the auditor's letter has been provided by the Company to the Stock Exchange of Hong Kong.

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

Save as disclosed in note 39 to the consolidated financial statements, no other significant related party transactions were conducted by the Group during the year ended 30 September 2019. The Company confirms that it has complied with the disclosure requirements under chapter 14A of the Listing Rules in relation to the above mentioned related party transaction which also constitutes continuing connected transaction of the Group as defined in the Listing Rules.

DIRECTORS

The Directors of the Company during the year ended 30 September 2019 and up to the date of this annual report were as follows:

Executive Directors

Mr. Li Lin *(Chairman and Chief Executive Officer) (appointed with effect from 10 September 2019)*
Mr. Lee Chris Curl *(Chief Financial Officer)*
Mr. Lan Jianzhong *(appointed with effect from 22 February 2019)*
Mr. Huo Li *(resigned with effect from 22 February 2019)*

Independent non-executive Directors

Mr. Duan Xiongfei *(appointed with effect from 11 October 2018)*
Mr. Yip Wai Ming *(appointed with effect from 11 October 2018)*
Mr. Ngai Matthew Cheuk Yin *(appointed with effect from 22 February 2019)*
Mr. Zhou Guohua *(appointed with effect from 11 October 2018 and resigned with effect from 22 February 2019)*

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

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' BIOGRAPHIES

The biographical details of the Directors of the Company are set out on pages 13 to 16 of this annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors of the Company and the five highest paid individuals in the Group are set out in note 13 to the consolidated financial statements.

EMOLUMENT POLICY

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

RETIREMENT BENEFIT PLANS

Particulars of retirement benefit plans of the Group as at 30 September 2019 are set out in note 27 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS, ARRANGEMENT OR TRANSACTION

Save as disclosed in the related party transactions in note 39 to the consolidated financial statements, no Director had a material interest, either directly or indirectly, in any contract, arrangement or transaction of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 30 September 2019.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 30 September 2019, and up to the date of this annual report, the Directors were not aware of any business or interest of the Directors or any substantial shareholder (as defined under the Listing Rules) of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

MANAGEMENT CONTRACTS

As at 30 September 2019, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Apart from as disclosed under "Directors' Interests and Short Positions in Shares and Underlying Shares of the Company", at no time during the year ended 30 September 2019, were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company of a subsidiary of the Company's holding company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

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

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

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

	Date of grant	Exercise price *HK$*	Outstanding at 1 October 2018[3] *Number*	Granted during the year *Number*	Exercised during the year *Number*	Cancelled during the year *Number*	Outstanding at 30 September 2019 *Number*
Executive Directors							
Mr. Lee Chris Curl	3.4.2019	3.13	–	2,700,000	–	–	2,700,000
Mr. Lan Jianzhong	3.4.2019	3.13	–	600,000	–	–	600,000
Independent non-executive Directors							
Mr. Pochin Christopher Lu[1]	3.4.2017	1.50	300,000	–	–	(300,000)	–
Mr. Danny J Lay[2]	3.4.2017	1.50	300,000	–	–	(300,000)	–
Other eligible participants	3.4.2019	3.13	–	2,892,000	–	–	2,892,000
			600,000	6,192,000	–	(600,000)	6,192,000

The options granted are vested for a period of three years immediately after the date of the grant by one-third each anniversary and are fully vested on 3 April 2022.

Notes:

(1) Mr. Pochin Christopher Lu resigned as an independent non-executive Director with effect from 11 October 2018.

(2) Mr. Danny J Lay resigned as an independent non-executive Director with effect from 11 October 2018.

(3) All total outstanding 600,000 share options held by Mr. Pochin Christopher Lu and Mr. Danny J Lay as at 30 September 2018 have been cancelled on 5 October 2018.

PRE-EMPTIVE RIGHTS

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

DONATIONS

The Group has not made any donations during the year ended 30 September 2019 (2018: HK$Nil).

MANDATORY UNCONDITIONAL CASH OFFER

On 21 August 2018, Huobi Global Limited and Trinity Gate Limited acquired 215,576,000 ordinary shares (the "Sale Shares") from New Wave Capital Limited ("NWC"), representing approximately 71.67% of the ordinary shares of the Company in issue as at 29 August 2018, the date of the joint announcement pursuant to Rule 3.5 of the Takeovers Code by Huobi Global Limited and the Company, at a total consideration of HK$586,366,720.00 (equivalent to HK$2.72 per Sale Share). The transaction of the Sale Shares was completed on 21 August 2018.

In addition, on 21 August 2018, each of Mr. Simon Nai-cheng Hsu, Mr. Henry Woon-hoe Lim, Mr. Ho Hon Ching, Mr. Fung Chow Man, Mr. Som Wai Tong Ivan and Ms. Alaina Shone (collectively, the "Option Shares Vendors"), individually entered into six option shares agreements (collectively, the "Option Shares Agreements") with Trinity Gate Limited in relation to the sale and purchase of a total of 4,166,668 ordinary shares (the "Option Shares") to be issued by the Company to the Option Shares Vendors upon exercise of their respective rights under the share option scheme of the Company adopted on 27 October 2016, for the total consideration of HK$11,333,336.96 (equivalent to HK$2.72 per Option Share). The transactions of the Option Shares under each of the Option Shares Agreements were completed on 5 October 2018.

Upon completion of the transactions of the Sale Shares and Option Shares, the controlling shareholder of the Company changed from NWC to Huobi Global Limited, which is held by Huobi Universal Inc. and Huobi Capital Inc. as to 70% and 30% of its totally issued shares, respectively.

Pursuant to Rules 26.1 and 13.5 of the Takeovers Code, Huobi Global Limited and parties acting in concert (including Trinity Gate Limited) are required to make mandatory unconditional cash offers (the "Mandatory Unconditional Cash Offers") for all the issued shares of the Company (other than those already owned and/or agreed to be acquired by Huobi Global Limited and Trinity Gate Limited) ("Offer Share(s)") and to cancel all outstanding options ("Offer Share Option(s)"). The offer price for each Offer Share was HK$2.72, and the offer price for cancellation of each Offer Share Option was HK$1.22.

The Mandatory Unconditional Cash Offers were closed on 10 October 2018. For details of the Mandatory Unconditional Cash Offers, please refer to the Company's announcements dated 29 August 2018, 19 September 2018, 28 September 2018, 5 October 2018 and 10 October 2018, respectively, and the Company's composite document dated 19 September 2018.

Equity-Linked Agreements

No equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company, or subsisting during the year ended 30 September 2019.

Debenture, Convertible Securities, Options, Warrants or Similar Rights

No debenture, convertible securities, options, warrants or similar rights were issued or granted by the Company, or subsisting, during the year ended 30 September 2019.

Fund Raising Activities

There were no fund-raising activities conducted by the Company during the year ended 30 September 2019.

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

As at the date of this annual report, so far as is known to the Directors, the interests or short positions of the Directors of the Company and their associates in the ordinary shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have taken under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

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

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

Name of Directors	Capacity	Number of shares interested (L) Note (1)	Percentage of Shareholding
Mr. Li Lin	Beneficial owner (Note 2)	199,303,207	65.24%
Mr. Lee Chris Curl	Beneficial owner (Note 3)	2,700,000 (L)	0.88%
Mr. Lan Jianzhong	Beneficial owner (Note 4)	600,000 (L)	0.20%

Notes:

1. The letter "L" denotes the person's long position in the shares.

2. Huobi Capital and Huobi Universal hold 30% and 70% interests, respectively, in the total issued shares of Huobi Global. Techwealth holds 58.44% interest in the total issued shares of Huobi Universal and Mr. Li holds 89.09% interest in the total issued shares of Techwealth and 100% interest in the total issued shares of Huobi Capital, respectively. Therefore, each of Huobi Capital, Huobi Universal, Techwealth and Mr. Li is deemed to be interested in the shares held by Huobi Global for the purpose of Part XV of the SFO.

3. Pursuant to the share option scheme adopted by the Company on 27 October 2016, Mr. Lee Chris Curl is deemed to be interested in 2,700,000 shares as 2,700,000 share options have been granted to him on 3 April 2019, as at the date of this annual report, none of these share options has been exercised.

4. Pursuant to the share option scheme adopted by the Company on 27 October 2016, Mr. Lan Jianzhong is deemed to be interested in 600,000 shares as 600,000 share options have been granted to him on 3 April 2019, as at the date of this annual report, none of these share options has been exercised.

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

As at 30 September 2019, the interests or short positions of those persons (other than the Director whose interests are disclosed above) in the ordinary shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO were as follows:

Name of shareholders	Capacity/ Nature of interest	Number of shares interested	Percentage of shareholding(*)
Huobi Global Limited ("Huobi Global")	Beneficial owner	199,303,269	65.24%
Huobi Capital Inc. ("Huobi Capital")	Interest of controlled corporation (Note 1)	199,303,269	65.24%
Huobi Universal Inc. ("Huobi Universal")	Interest of controlled corporation (Note 1)	199,303,269	65.24%
Techwealth Limited ("Techwealth")	Interest of controlled corporation (Note 1)	199,303,269	65.24%
Mr. Li Lin ("Mr. Li")	Interest of controlled corporation (Note 1)	199,303,269	65.24%
Trinity Gate Limited ("Trinity Gate")	Beneficial owner	20,447,399	6.69%
Timeness Vision Limited ("Timeness Vision")	Interest of controlled corporation (Note 2)	20,447,399	6.69%
Teng Rongsong ("Mr. Teng")	Interest of controlled corporation (Note 2)	20,447,399	6.69%

(*) The percentage has been calculated based on 305,495,000 shares in issue as at 30 September 2019.

Note:

(1) Huobi Capital and Huobi Universal hold 30% and 70% interests, respectively, in the total issued shares of Huobi Global. Techwealth holds 58.44% interest in the total issued shares of Huobi Universal and Mr. Li holds 89.09% interest in the total issued shares of Techwealth and 100% interest in the total issued shares of Huobi Capital, respectively. Therefore, each of Huobi Capital, Huobi Universal, Techwealth and Mr. Li is deemed to be interested in the shares held by Huobi Global for the purpose of Part XV of the SFO.

(2) Trinity Gate is a wholly-owned subsidiary of Timeness Vision and in turn wholly and ultimately owned by Mr. Teng. Therefore, each of Timeness Vision and Mr. Teng is deemed to be interested in the shares held by Trinity Gate for the purpose of Part XV of the SFO.

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

PUBLIC FLOAT

Based on information that was publicly available to the Company and to the best knowledge of the Board, as at the date of this annual report, the Directors confirm that the Company has maintained at all times during the year ended 30 September 2019 sufficient public float requirement as prescribed by the Listing Rules.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 17 to 28 of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDITOR

The financial statements of the Company for the year ended 30 September 2019 were audited by BDO Limited. A resolution will be proposed at the forthcoming AGM of the Company to re-appoint BDO Limited as auditor of the Company.

There has been no change in the Company's auditor in any of the preceding three years.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year ended 30 September 2019, the Group was not aware of material non-compliance with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

On behalf of the Board

Li Lin
Chief Executive Officer
HKSAR
16 December 2019

Environmental, Social and Governance Report

INTRODUCTION, ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

This Environmental, Social and Governance Report (the “ESG Report”) summarises the environmental, social and governance (“ESG”) initiatives, plans and performances of Huobi Technology Holdings Limited (the “Company”) (formerly known as Pantronics Holdings Limited) together with its subsidiaries, (the “Group” or “we”) and demonstrates its commitment to sustainable development.

As a responsible corporate, the Group understands that we have a significant responsibility to bring a positive impact to the environment and the communities in which we operate. We pursue our goal with satisfactory quality, take environmental protection as our responsibility, carry out management activities with the spirit of excellence, strictly abide by environmental protection laws and regulations and customer requirements, effectively manage the source, purchase environmentally friendly materials, produce environmentally friendly products, and continuously improve and create green environment, thereby becoming a first-class electronics manufacturer. Our environmental policy is to abide by the law; prevent pollution; continuous improvement; enhance satisfaction.

The ESG Governance Structure

The Group has established the ESG Taskforce (the “Taskforce”). The Taskforce comprises core members from the Group’s different departments and is responsible for collecting relevant information on our ESG aspects for preparing the ESG Report. The Taskforce reports to the Board of Directors (the “Board”), assists in identifying and evaluating the Group’s ESG risks and the effectiveness of the internal control mechanisms. The Taskforce also examines and evaluates our performances in different aspects such as environment, health and safety, labour standards and product responsibilities in the ESG aspects. The Board sets up a general direction for the Group’s ESG strategies, ensuring the effectiveness in the control of ESG risks and internal control mechanisms.

SCOPE OF REPORTING

This ESG Report focuses on the two company offices in HKSAR, one office and one factory in Shenzhen of the People’s Republic of China (“PRC”) which manufactures and sales of electrical and electronic or electronic products. The Group’s core businesses include related services from electronic power supplies, battery chargers, coils, solenoids and optical product, such as LED lights etc. Unless otherwise specified, we obtain ESG key performance indicator (“KPI”) data through the operational control mechanisms of the Group. After the Group’s data collection system is more mature and the sustainability work is deepened, we will continue to expand the scope of disclosure in the future.

REPORTING FRAMEWORK

The ESG Report has been prepared in compliance with all applicable provisions set out in the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) contained in Appendix 27 of the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited (“HKEX”).

For the Group’s corporate governance practices, please refer to p.17 to p.28 for the section “Corporate Governance Report” contained in the Group’s 2019 Annual Report.

REPORTING PERIOD

The ESG Report describes the ESG activities, challenges and measures taken by the Group during the year ended 30 September 2019 (“FY2019”).

STAKEHOLDER ENGAGEMENT

Stakeholder participation is an integral part of the Group's continuous improvement in sustainable development performance. The Group therefore values its stakeholders and their views related to its business and ESG issues. In order to understand, respond to and address stakeholders' core concerns, we closely communicate with our different stakeholders, including but not limited to shareholders and investors, customers, suppliers, employees, government and regulatory authorities, non-governmental organisations ("NGO"), industry chamber of commerce and communities.

Through different stakeholder engagement and communication channels, we will consider the expectations of stakeholders in developing operational strategies and ESG measures. The stakeholder participation and communication channels are as follows:

Main Stakeholders	Expectations and Concerns	Communication Channels
Shareholders and investors	• Investment return • Corporate governance • Business compliance • Protection of the voting rights of shareholders and investors • Appointment of directors	• Annual general meeting • Annual and interim report • Announcements and circulars
Customers	• Quality products and services • Protect customers rights	• Customer service hotline • Customer satisfactory surveys
Suppliers	• Appointment of suppliers • Sustainable supply chain	• On-site audit management system • Supplier management meeting and events
Employees	• Improve the policies of manufacturing companies • Employee compensation and benefits • Training management	• Channels for employees to express their opinions (such as forms and suggestion boxes) • Regular meetings and management communication (such as email and phone calls) • Intranet • Field trip • Job performance evaluation
Government and regulatory authorities	• Compliance with laws and regulations • Support research and development of high-tech products	• Regulate compliance with local laws and regulations
NGO, industry chamber of commerce and communities	• Community participation • Business compliance • Environmental protection awareness	• Community investment plan • ESG report

MATERIALITY ASSESSMENT

The management and staff of the Group's respective major operations have participated in the preparation of the ESG Report to assist the Group in reviewing our operations and identifying relevant ESG issues and assess the importance of related matters to our businesses and stakeholders. Based on the assessed significant ESG issues, stakeholder engagement and materiality assessment survey was prepared, and information were collected from relevant departments and business units of the Group.

The following table is a summary of the Group's material ESG issues included in this ESG Report:

The ESG Reporting Guide	Material ESG aspects of the Group	
A. Environmental		
A1. Emissions	Exhaust Gas Emissions	P. 44
	Greenhouse Gas ("GHG") Emissions	P. 44
	Waste Management	P. 46
A2. Use of Resources	Electricity Consumption Management	P. 47
	Water Consumption Management	P. 49
	Use of Packaging Materials	P. 49
A3. The Environment and Natural Resources	Noise Pollution	P. 50
B. Social		
B1. Employment	Recruitment, Promotion and Dismissal	P. 51
	Remuneration and Benefits	P. 51
	Equal Opportunities	P. 51
	Democratic Participation	P. 52
B2. Health and Safety	Safety Production Management System	P. 52
	Safety Production Management	P. 52
	Fire Safety Management	P. 53
B3. Development and Training	Training Management and Courses	P. 53
	Focus on Employee Development	P. 54
B4. Labour Standards	Preventive Measures for Child Labour	P. 54
	Preventive Measures for Forced Labour	P. 54
B5. Supply Chain Management	Supply Chain Management Structure	P. 55
	Fair and Open Procurement	P. 55
	Business Ethics	P. 56

The ESG Reporting Guide	Material ESG aspects of the Group	
B6. Product Responsibility	Quality Control	P. 56
	Customer Services	P. 57
	Advertising and Labelling	P. 57
B7. Anti-corruption	Anti-corruption	P. 58
	Whistle-blowing Mechanism	P. 58
B8. Community Investment	Corporate Social Responsibility	P. 58

As at the year ended 30 September 2019, the Group confirmed that it has established appropriate and effective management policies and internal control systems for ESG issues, and confirmed that the disclosed contents are in compliance with the requirements of the ESG Reporting Guide.

CONTACT US

The Group welcomes stakeholders to provide their opinions and suggestions. You can provide valuable advices in respect of the ESG report or our performances in sustainable development by post at Room 1404–05, 14/F, Nan Fung Tower, 88 Connaught Road Central, Hong Kong.

A. ENVIRONMENTAL

A1. Emissions

General Disclosure and KPIs

As a leader in the electronics and electrical industry, we fully understand our responsibility to protect the environment. We are committed to leadership, achieving low carbon and sustainable business operations by improving resource efficiency and reducing environmental pollution. The Group also continues to focus on the use of a standardised management system to regulate the Group's environmental management. We implement an internationally recognised ISO14001:2015 standard certified Environmental Management System in our plant operations. The Environmental Management System and the clear environmental policy allow us not only to strictly abide by relevant environmental legislation, but also to systematically control and manage the known environmental risks and opportunities in our business operations, and to make continuous improvement to meet the evolving long-term needs of our customers.

The Group strictly abides by "Environmental Protection Law of the PRC", "Water Pollution Prevention Law of the PRC", "Law of the PRC on the Prevention and Control of Atmospheric Pollution", "Law of the PRC on Prevention and Control of Pollution From Environmental Noise", "Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste", Hong Kong's "Air Pollution Control Ordinance", Hong Kong's "Water Pollution Control Ordinance", Hong Kong's "Waste Disposal Ordinance" and other laws and regulations concerning environmental protection, established an environmental protection responsibility system, and actively adopted environmental protection measures in the course of operation for environmental pollution generated during the operation process.

The Group's subsidiary Shenzhen Pantai Electronic Co., Ltd. owned a production base located in Shenzhen. In order to address the increasingly serious global environmental pollution and ecological damage, major environmental problems such as ozone depletion, global warming, and the disappearance of biodiversity threaten the future survival and development of human beings, the production bases are in line with the needs of international environmental protection. According to the needs of international economic and trade development, the ISO14001:2015 Environmental Management System has been established to continuously and effectively improve the environmental risks and opportunities in the operation process.

In FY2019, the Group did not have any violation of relevant local environmental laws and regulations in relation to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that have a significant impact on the Group.

Exhaust Gas Emissions

Based on the nature of the Group's business, the Group is concerned about the relevant exhaust gas emissions generated during our operations, especially in the work area where a large number of ventilation systems have been installed to maintain good internal air quality. We also have gas treatment facilities at our production facilities to ensure that the generated exhaust gases are diluted in the chimney before being released into the atmosphere. We minimise the exhaust gas and GHG emissions generated during the operation and ensure that emissions meet legal standards. Our main source of exhaust gas emissions is the combustion of gasoline and diesel from vehicles. In FY2019, sulphur oxides ("SOx") generated from the vehicles was approximately 0.0002 tonnes which was accounted for immaterial exhaust gas emissions.

In the production process of the Group's products, a large number of vehicles are required to transport materials and products. The gasoline and diesel consumed also cause air pollutants to be emitted. The treatment methods and emission reduction measures are as follows:

- Turn off the engine when the vehicle is not in use;
- Use unleaded fuel and low-sulphur fuel according to the laws and regulations;
- Eliminate non-compliant vehicles in accordance with national emission policy regulations (national standard IV);
- Regular maintenance of the vehicle to ensure that engine performance does not interfere with the effective use of fuel; and
- Optimise operational procedures to increase efficiency and reduce vehicle idling rates.

The employee's awareness of reducing exhaust gas emissions has been increased through these exhaust gas emissions mitigation measures.

GHG Emissions

The major sources of the Group's GHG emissions are direct GHG emissions from combustion of gasoline and diesel (Scope 1), indirect GHG emissions from purchased energy (Scope 2) and other indirect GHG emissions from air travel and paper disposed into landfills in HKSAR (Scope 3).

To reduce GHG emissions, the Group actively implements the following measures:

- Actively adopts environmental protection, energy conservation and water saving measures, please refer to the sections of "Electricity Consumption Management" and "Water Consumption Management" of Aspect A2 of this ESG Report.
- Actively adopts paper saving measures, please refer to the section of "Waste Management"; and
- Reduces the number of business trips through utilising electronic communication such as video conferences and WeChat meetings.

In FY2019, the Group's GHG emissions decreased significantly by approximately 44% from approximately 3,803.21 tCO_2e in FY2018 to approximately 2,112.65 tCO_2e in FY2019. It was mainly due to the co-existence of two factories operating at the same time in FY2018; while there was only one factory operating in FY2019 after the completion of transferral.

In FY2019, the summary of GHG emissions and its intensity performances:

Indicator[1]	**Unit**	**FY2019**	**FY2018**
Direct GHG emissions (Scope 1) – Gasoline and diesel consumed	tCO_2e	48.11	41.31
Indirect GHG emissions (Scope 2) – Purchased electricity	tCO_2e	2,032.38	3,758.26
Other indirect GHG emissions (Scope 3) – Air travels and paper disposed into landfills[2]	tCO_2e	32.16	3.64
Total GHG emissions (Scope 1,2 and 3)	**tCO_2e**	**2,112.65**	**3,803.21**
GHG emissions (Scope 1,2 and 3) intensity	**tCO_2e/employee**[3]	**3.14**	**4.78**
	tCO_2e/product[4] **(thousand pieces)**	**0.10**	**0.14**

Note:

1. GHG emission data is presented in terms of carbon dioxide equivalent and are based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, the latest released emission factors of China's regional power grid basis, "How to prepare an ESG Report? – Appendix II: Reporting Guidance on Environmental KPIs" issued by the HKEX, the latest released emission factors of China's regional power grid basis, the "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5), CLP 2018 Sustainability Report, and HK Electric Investments Sustainability Report 2018.

2. In FY2018, the emissions figure of Scope 3 only included air travels, while in FY2019, the data of both air travels and paper disposed into landfills are included.

3. As at 30 September 2019, the Group had 672 full-time employees in total. The data is also used for calculating other intensity data.

4. In FY2019, the Group's production of products was 21,551,521 pieces. The data is also used for calculating other intensity data.

Sewage Discharge

Since our business activities do not consume significant volume of water during our daily operation, therefore we did not generate material portion of sewage. As the sewage discharged by the Group will be discharged into the municipal sewage pipe network to the regional water purification plant, the water consumed by the Group is considered as sewage discharged. The data on water consumption will be described in the section "Water Consumption Management" in Aspect A2.

Waste Management

Various industrial wastes are produced in our production process. We have established a waste treatment system and provided employees with a standardised program to manage, classify, store and dispose of hazardous and non-hazardous wastes.

Hazardous waste

The disposal of hazardous waste is the responsibility of the concessionaire qualified waste collector. Some hazardous waste (such as waste oil rag, organic cleaning waste liquid, waste cutting fluid, waste day light tube, waste empty container, waste dry battery, waste glue water, waste washing machine water and waste engine oil) must be isolated and stored in a designated container to prevent leakage and be recycled and disposed of by a licensed waste collector. We also arrange adequate training for our employees to ensure their safety and prepare emergency response plans to prevent leakage.

In FY2019, the Group's emissions of hazardous waste decreased significantly by approximately 75% from approximately 5.89 tonnes in FY2018 to approximately 1.47 tonnes in FY2019. The decrease in hazardous waste emission was attributed to the co-existence of two factories operating at the same time in FY2018; while there was only one factory operating in FY2019 after the completion of transferral. All of these hazardous wastes were recovered by qualified collectors.

In FY2019, the summary of hazardous wastes discharge and its intensity performance:

Type of hazardous waste	**Unit**	**FY2019**	**FY2018**
Hazardous waste	tonnes	1.47	5.89
Hazardous waste intensity	**tonnes/employee**	**0.002**	**0.007**
	tonnes/product (thousand pieces)	**0.00007**	**0.00022**

Non-hazardous waste

Non-hazardous wastes such as metals, waste residues, plastics, paper and general waste are properly classified according to recyclable waste and non-recyclable waste, and are stored in designated collection areas. The collected recyclable waste is then periodically recycled by the waste collector. The Group identifies and classifies waste, centrally stores it, and disposes it in a unified manner. The persons in charge dispose of waste in a timely manner and maintain environmental sanitation around them.

In addition, the Group is committed to establishing electronic and green offices:

- Making full use of the online system in the offices, general transaction notification, data transmission, etc. through the network system;
- Requiring employees to copy or print on both sides as much as possible;
- Using both sides of offices paper as much as possible;
- Collecting and recycling waste paper by the administrative department; and
- Disposing of waste packaging boxes as “recyclable” waste.

During the operation, the Group inevitably generates waste, but after effective relevant waste disposal strategies and policies, the Group has minimised the environmental risks and impacts caused by waste. In FY2019, the Group implemented the above measures as well as the decreased in sales, the generation of non-hazardous waste decreased by approximately 17% from approximately 2.38 tonnes in FY2018 to approximately 1.97 tonnes in FY2019.

In FY2019, the summary of non-hazardous wastes discharge and its intensity performance:

Type of non-hazardous waste	**Unit**	**FY2019**	**FY2018**
Paper	tonnes	1.97	2.38
Paper intensity	**tonnes/employee**	**0.0029**	**0.0030**
	tonnes/product (thousand pieces)	**0.000091**	**0.000087**

A2. Use of Resources

General Disclosure and KPIs

The Group integrates resource conservation and environmental protection concepts into its business operations and is committed to optimising the use of resources throughout its business and production operations.

Electricity and water resources are consumed throughout the operation. We strive to increase our efficiency and reduce our carbon footprint. We use a variety of resources (such as raw materials, energy and water) in our daily operations. We have developed guidelines to promote a green culture in the offices by adopting the 4Rs “Reduce, Reuse, Recycle and Replace” principles.

We have always attached great importance to the impact of the environment and the consumption of natural resources, and we hope to identify and mitigate the impact by adding sustainable development to all of our affairs.

Electricity Consumption Management

The Group actively implements the concept of energy saving and emission reduction, and follows the methods and measures for energy saving and water saving. We control the operation process, and are committed to pollution prevention: using environmentally friendly materials to produce green products; implementing technological transformation to save energy and reducing consumption; reducing or controlling pollution emissions, effectively recycling resources; implementing and deepening the management system to enable the minimisation of the Company’s environmental pollution.

The Group has formulated rules and regulations to achieve the goal of electricity saving and efficient electricity consumption, the relevant specific measures are as follows:

- Procure equipment, electrical appliances and lamps for production, offices and domestic use;
- Strictly forbid scenarios such as: leaving the equipment operating when not in use, unreasonable distribution line and wire system;
- Switch on the electrical equipment according to actual needs during working hours, including lighting equipment, air conditioners, fans, etc. Turn off the power when not in use and before leaving work;
- Purchase energy-saving models of electrical appliances;
- Strictly regulate the use of air conditioners; and
- Strengthen the maintenance and repair of equipment to maintain the best state of each electronic equipment, and use electricity efficiently.

In FY2019, the total gasoline consumption increased by approximately 7% from approximately 148.86 MWh in FY2018 to approximately 159.01 MWh in FY2019, this was due to vehicles being disclosed in HKSAR offices in FY2019. The total diesel consumption decreased by approximately 27% from approximately 23.02 MWh in FY2018 to approximately 16.70 MWh in FY2019; total electricity consumption decreased by approximately 13% from approximately 4,331.79 MWh in FY2018 to approximately 3,748.84 MWh in FY2019. These reductions were due to the co-existence of two factories operating at the same time in FY2018, while there was only one factory operating in FY2019 after the completion of transferral and the sales decreased in FY2019.

In FY2019, the energy consumption of the Group and its intensity performance:

Type of Energy	Unit	FY2019	FY2018
Gasoline[5]	MWh	159.01	148.86
Gasoline intensity	**MWh/employee**	**0.24**	**0.18**
	MWh/product (thousand pieces)	**0.007**	**0.006**
Diesel[5]	MWh	16.70	23.02
Diesel intensity	**MWh/employee**	**0.02**	**0.03**
	MWh/product (thousand pieces)	**0.0008**	**0.0001**
Electricity	MWh	3,748.84	4,331.79
Electricity intensity	**MWh/employee**	**5.58**	**5.44**
	MWh/product (thousand pieces)	**0.17**	**0.16**

Note:

5. In FY2019, the actual gasoline consumption was approximately 16,454.84 litres and the actual diesel consumption was approximately 1,640.98 litres.

Water Consumption Management

The Group's water use is mainly domestic water for offices and living areas. To encourage all employees to develop a habit of conscious water use, we post posters in public area to remind employees to save water. In order to seek continuous improvement, we monitor water usage on a monthly basis, which allows us to monitor and measure the effectiveness of the implemented environmental practices and to identify areas for improvement in bettering the efficiency of water and electricity use in our activities.

In FY2019, the total water consumption significantly decreased by approximately 41% from approximately 29,319.08 cubic meters in FY2018 to approximately 17,319.59 cubic meters in FY2019. It was due to the co-existence of two factories operating at the same time in FY2018; while there was only one factory operating in FY2019 after the completion of transferral and the sales decreased in FY2019.

In FY2019, the water consumption of the Group and its intensity performance:

Type of Water	Unit	FY2019	FY2018
Domestic water	cubic meters	17,319.59	29,319.08
Domestic water intensity	**cubic meters/ employee**	**25.77**	**36.83**
	cubic meters/ product (thousand pieces)	**0. 80**	**1.12**

Due to the nature of the business of the Group, there was no problem in sourcing water issues.

Use of Packaging Materials

The Group's packaging materials are carton boxes used to package the products for sale. In FY2019, the packaging material used decreased by approximately 24% from approximately 115.47 tonnes in FY2018 to approximately 87.25 tonnes in FY2019. The reduction was due to the decrease in sales in FY2019 as compared to FY2018.

In FY2019, the use of packaging material and its intensity performance:

Type of Packaging Material	Unit	FY2019	FY2018
Carton boxes	tonnes	87.25	115.47
Carton boxes intensity	**tonnes/employee**	**0.13**	**0.15**
	tonnes/product (thousand pieces)	**0.0040**	**0.0042**

A3. The Environment and Natural Resources

General Disclosure and KPIs

The Group pursues best practices with the environment and focuses on the impact of its business to the environment and natural resources. In addition to complying with environmental laws and international standards and appropriate protection of the natural environment, the Group also integrates the concept of environmental protection into its internal management and daily operating activities, and strives to achieve the goal of environmental sustainability and obtain the ISO14001:2015 certificate.

The main resources used in the daily operations of the Group are electricity and automobile gasoline and diesel, which have been described in the Aspect of A2 of "Use of Resources" in this ESG Report. Apart from this, the Group does not use other environmental and natural resources in large quantities.

The Group highly focuses on its environmental impact and the use of natural resources, we hope to identify and mitigate the impact by including sustainable development in all of our activities. The Group assesses the potential environmental impacts to understand the footprint identification and measurement management at the frontline. Our production facilities have implemented rigorous procedures to prevent chemical spills or spills from the environment. We conduct emergency planning and exercises to reduce the risk of accidents and maintain our business continuity.

Noise Pollution

The Group attaches great importance to noise control and corresponding employee occupational protection, and monitors and controls the impact of production noise on employee health and surrounding communities in accordance with national noise control standards. In terms of the plant layout, we have chosen a design with strong sound insulation and shock absorption effects; and through measures such as improving equipment, upgrading technology and occupational protection, we can reduce noise production and ensure that factory noise level meets the standards.

B. SOCIAL

B1. Employment

General Disclosure

Employees are the greatest and most valuable asset of the Group and our core competitive advantage, at the same time, they provide the Group with the motivation to continuously innovate. We respect the "Everyone is equal" principle, adhere to the people-oriented approach, standardise labour employment management to respect and protect the legitimate interests of every employee. At the same time, we strive to ensure our employees' occupational health and safety, strengthen democratic management, protect rights of employees, fully respect and value employees' initiative and creativity, commit to building a harmonious labour relations.

In FY2019, the Group actively complied with labour laws and regulations, including but not limited to the "Labour Law of the PRC", "Labour Contract Law of the PRC" and "Employment Ordinance" of Hong Kong. The Group has formulated relevant personnel management policies such as "Human Resources Management Program" and "Employee Handbook", and has not found any major issues that violate the laws and regulations on human resources.

Recruitment, Promotion and Dismissal

The Group actively implements the strategy of strengthening talents and constantly establishes and improves the recruitment selection system. During recruitment, the process and recruitment principles are specified, and consider the suitability under the principles of merit, knowledge, ability, experience and physique. The principles of fairness, fairness, equality and openness are adhered to, so as to attract outstanding talents.

The Group stipulates the basis and process for promotion, transfer and demotion management, standardises the resignation process, and protects the interests of both employees and the Group. The promotion of employees depends on their work performance, work ability, internal potential and the Group's needs, and will be executed after seeking relevant approval.

When the employees leave the Company, the Group can arrange an exit interview to solve the problem and continuously optimise the operating mechanism of the Group. The Group also handles employee resignation procedures in accordance with internal operating procedures and relevant national regulations.

Remuneration and Benefits

The Group has established a relatively fair, just, reasonable and competitive remuneration system that pays employees based on the principles of fairness, competition, incentives, rationality and legality. The remuneration of the Group's employees consists of basic salary, performance salary, etc. According to the Company's operating conditions, when the annual profit and performance are steadily improve, the Group will formulate a salary adjustment plan based on market data and current salary status, and make annual adjustments to employees' salaries according to factors such as the employee's annual performance and changes in departmental requirements. The Group signed and executed labour contracts with employees in accordance with the "Labour Contract Law of the PRC" and the labour contract signing rate was 100%.

The Group pays "Five Insurance and One Fund" for employees, namely pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing provident fund, to protect employees' social insurance benefits.

The Group has established the "Employee Handbook" in accordance with relevant laws and regulations, which stipulates employee working hours and vacation arrangements. The Group emphasises work efficiency, employees are not encouraged to work overtime under normal circumstances and employees may also work overtime due to work needs. In addition to basic statutory holidays, employees are entitled to paid annual leave, marriage leave, maternity leave, paternity leave, sick leave, etc.

Equal Opportunities

The Group strictly complies with national and local standards by adopting a fair, just and open requirement process and develop relevant system files to eliminate discrimination in the recruitment processes. Employees face no discrimination of race, sex, colour, age, family background, family background, ethnic tradition, religion, physical fitness and nationality,etc. and thus allowing them to enjoy fair treatment in every phase including recruitment, salary, training and promotion. We endeavour to attract professionals with diverse background to join the Group.

Democratic Participation

The Group also attaches great importance to employee's opinions and suggestions. We conduct an annual employee satisfaction survey to understand the level of satisfaction of employees at all levels with regard to management strategy, business objectives, product quality, training opportunities, safety, remuneration packages, working conditions and any other aspects related to the Group. Based on the survey results, we analyse the issues that employees expressed dissatisfaction and report them to the top management. Then carry out corrective and preventive plans to address and improve the areas of these findings.

B2. Health and Safety

General Disclosure

The Group shoulders the responsibility of maintaining a healthy and safe working environment for all employees and is committed to instilling the concept of "safety first" to all its work teams. The Group has developed comprehensive safety work policies and management procedures to protect employees from occupational hazards and maintain a healthy and safe working environment.

The Group strictly implements the relevant laws and regulations such as the "Labour Law of the PPC, the "Law of the PRC on Safe Production", and the "Law of the PRC on the Prevention and Control of Occupational Diseases".

In FY2019, the total number of working days lost to employees of the Group due to work-related injuries was 40 hours. The Group has not recorded any other incidents that caused death or serious bodily injury, no claims or compensation for our employees due to such incidents, and no significant violations of laws and regulations relating to employees' health and safety matters.

Safety Production Management System

In order to strengthen the Group's commitment to safety management, the Group has implemented 5S Management in its manufacturing facilities – "Seir, Seiton, Seiso, Seiketsu and Shitsuke". The implementation intends to promote safe and efficient workplaces, minimise the risk of occupational injuries or accidents, and increase employee productivity, performance and morale. Regular inspections are carried out to ensure that this method covers our production operations and is properly implemented, and will be corrected immediately to prevent accidents.

Safety Production Management

Safety facilities such as exhaust ventilation systems are installed at our job site, first aid kits and emergency medicines are also available. Employees working under potential occupational hazards must also wear protective equipment such as masks and earplugs.

The Group has provided regular occupational safety education and training to enhance employees' safety awareness. If necessary, we will provide special training for workers on special events. We will assess their relevant safety knowledge, such as safe work and knowledge of handling emergencies before allowing workers to start working. In addition, we provide production workers with "Production and Service Operation Procedures" and "Production Process Management Procedures" to guide their work.

Fire Safety Management

In addition to safety training, the Group will also conduct fire and other emergency drills from time to time to minimise accidents and reduce casualties. The Group designs the offices in accordance with the National Engineering Building Fire Control Standards, formulates fire safety work methods and establishes a fire control system. Various fire-fighting facilities have been installed in the offices, including fire sprinkler systems, fire extinguishers, fire hoses, etc., and are regularly maintained by external professional teams to reduce fire hazards and improve fire prevention awareness of all employees.

B3. Development and Training

General Disclosure

The Group believes that appropriate and adequate training opportunities enable its employees to enrich their expertise and skills, enhance their work and product quality, increase their potential and develop their work teams. To coordinate with the Group's operational policies and organisational development needs, the staff of all walks of life will receive appropriate and compulsory training to improve the quality of their employees, enrich their professional knowledge and skills. This can also enhance their work quality and work ability, and stimulate the potential of work, improve work efficiency, and improve the overall quality and environment of the Group and cultivate the Company's human resources.

The Group is also committed to providing employees with a wide range of training activities, combining internal training, external training and new personnel education and training to improve the professional skills of employees and promote their career development.

Training Management and Courses

The Group will design training development plans based on the training requirements and business strategies proposed by various departments every year. Various training programs (including internal and external training) will then be tailored to employees based on the plan. After completing the training plan, the Group will evaluate the quality and effectiveness of the plan, and record the evaluation results to further make continuous improvements.

The internal training of the Group includes manual soldering training, tooling equipment manufacturing training and electronic component awareness. External training refers to hiring external teachers to the factory or sending personnel to external institutions for training. When there is no internal resources to support special education and training, the Group will apply for relevant external institutional training.

All newly recruited employees are required to participate in induction training on the Group's business philosophy, product quality policies and objectives, safety precautions, occupational health, ISO9001 and ISO14001 to help them adapt quickly to the new working environment. At the Group's manufacturing facilities, all workers are trained and have the necessary skills and knowledge before starting work. We also carry out constantly updated training programs to ensure that workers are aware of the latest methods and practices.

The Group also attaches great importance to safety production training to protect employees' personal safety, the relevant policies have been described in detail in the section "Safety Production Management" in the Aspect B2.

Focus on Employee Development

Team spirit is one of the core values of the Group. To strengthen the link between employees and promote a balance between work and life, we also arrange a range of corporate and social events for our employees to enhance their corporate culture and their sense of belonging.

The Group has established the "Training Operation Management Program" according to the requirements of ISO9001:2015 & IATF16949:2016 and ISO14001:2015 standards, and based on it to execute the induction for all new employees of the Company regarding corporate culture, safety production, occupational health, environmental protection and vocational skills. Over 80% of the employees of different levels (such as senior managers, middle management, on-site grassroots management, etc.) have participated in internal and external training and the average training hours through attending courses or self-studying for factory management personnel exceed 32 hours.

B4. Labour Standards

General Disclosure

The Group strictly implements the "Labour Law of the PRC", the "Labour Contract Law of the PRC", and the laws and regulations concerning labour and personnel in the place of operation. At the same time, it continuously optimises the appointment policy and regulates recruitment. For basic labour issues, such as employment of child labour and forced labour, etc., the Group adopts a zero-tolerance attitude in terms of rules and regulations and monitoring mechanisms. The Group clearly stipulates in the recruitment briefing that only employees who have reached the legal working age are recruited, and that new employees are required to provide true and accurate personal information when they join the Company. In order to avoid under-aged and unapproved employment, the details of the work will be clearly stated before recruitment and the identity document will be checked.

In FY2019, the Group has complied with all laws and regulations relating to the prevention of child labour or forced labour and has not found any major issues that violate laws and regulations related to child labour or forced labour, including but not limited to China's "Labour Law of the PRC", the "Labour Contract Law of the PRC" and the "Employment Ordinance" of Hong Kong that have significant influence on the Group.

Preventive Measures for Child Labour

The Group strictly prohibits the use of any child labour and forced labour in our business in HKSAR and the Mainland China. Our recruitment requirements stipulate that only employees over the age of 18 are recruited and all new employees are required to provide true and accurate personal information. Recruiters will rigorously verify their information, including physical examination results, academic credentials, ID cards and account information. The Human Resources Department will eliminate job seekers under the age of 18. In addition, the Group conducts child labour inspections every year and verifies the true age of employees on the official website.

Preventive Measures for Forced Labour

The Group has a well-developed recruitment process that includes reviewing the candidate's background and formal reporting process to address any particular circumstances. The Group also conducts regular reviews and inspections to prevent any child labour or forced labour in the operation. The Group complies with relevant laws on labour standards, such as the content of mandatory labour in the International Labour Organisation framework. The Group respects human rights and promises that all employees should be protected by the Group and that no employees of any category should be forced to work.

In addition, on the basis of voluntary overtime work, we promise not to force employees to work overtime to avoid violating the labour standards and effectively protecting employees' rights. The Group will not collect deposits or seize identity documents from new employees. The Human Resources Department also regularly checks the working time records and will investigate immediately if overworking is found. The Group prohibits punitive measures, management methods and behaviours for any reason, such as abuse, corporal punishment, violence, mental stress, sexual harassment (including inappropriate language, posture and physical contact), sexual abuse, etc.

B5. Supply Chain Management

General Disclosure

As a manufacturer of various electronic and electrical products, the Group relies on the support of a wide range of suppliers and contractors who support a series of raw materials, components and sub-components to support our product supplies and business operations. Therefore, the choice of suppliers and contractors is extremely important as it will directly affect the quality of our products and services. To maintain an efficient operation and a sustainable supply chain, we have deployed an effective supplier management system to properly assess the qualifications and performance of our suppliers. The Group is committed to cooperating with suppliers who are technically capable, reliable and environmentally friendly in the provision of raw materials or services.

Supply Chain Management Structure

The Group complies with its "Supplier Qualification Management Guidelines" and the "Supplier Competency Assessment Form", inviting all new suppliers to complete the pre-qualification file of suppliers to assess their compliance in technical capabilities, quality management performance and safety and environment. These suppliers are also required to submit product samples together with violations of applicable international and national standards (such as the "Directive on Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment" ("RoHS") and the "Registration, Evaluation, and Authorization and Restrictions" ("REACH")) about the relevant declarations of the use of dangerous goods, to protect the environment and the well-being of end users. This helps us evaluate potential candidates objectively and fairly and choose the right suppliers to support our operations. Only those suppliers who meet our requirements can become our approved materials or service providers.

We believe that continuous improvement is critical to our day-to-day operations. We conduct supplier performance evaluations on existing suppliers and contractors on a quarterly basis and continuously evaluate their performance. If the supplier fails to meet our performance standards, we will issue a corrective action plan to the supplier for improvement (if applicable). In addition, to encourage suppliers to pursue sustainable development in their operations, we maintain close communication with our suppliers and provide training to share the latest knowledge on quality, safety and good environmental practices. We also provide the necessary guidance on how to implement environmental practices throughout the supply chain.

Fair and Open Procurement

The Group's procurement process strictly implements the relevant provisions of "Shopping around" and is conducted in an open, fair and impartial manner. The Group does not discriminate against any supplier, and employees and other individuals who have an interest in the relevant suppliers will not be allowed to participate in related procurement activities.

Business Ethics

The Group also focuses on the integrity of its suppliers and partners. We will only select suppliers and partners who have a good track record in the past and who do not have any serious violations or violations on business ethics. We have zero tolerance for bribery and corruption, and it is strictly forbidden for suppliers and partners to obtain procurement contracts or partnerships through any form of transfer of benefits.

B6. Product Responsibility

General Disclosure

The Group has implemented a number of management systems in its operation. Our "Quality Manual" has been prepared in accordance with the requirements of ISO9001:2015, IATF16949:2016 and the actual situation of the Group. It aims to continuously improve our quality control system and boost the comprehensive management standard of product manufacturing, continue to meet customer requirements and related laws, regulations and policies.

In FY2019, the Group complied with all laws and regulations was not aware of any material non-compliance with any of the said laws and regulations in relation to privacy issues and compensation regarding health and safety, advertisement, labelling, and products and service provided, including but not limited to "Law of the PRC on Protection of Consumer Rights and Interests", "Patent Law of the PRC" and "Sale of Goods Ordinance", "Copyright Ordinance", "Personal Data (Privacy) Ordinance" of Hong Kong.

Quality Control

Through effective implementation of our quality management system, we effectively manage and resolve product safety and quality assurance issues throughout the entire production cycle (i.e. from product design, material selection, procurement, and product manufacturing to product delivery), which helps to prevent us from having serious product flaws in the manufacturing process. In fact, the production process management plan is based on the specific needs of the customer and the compliance regulations of applicable laws and regulations (especially product safety regulations), to control the overall quality and monitor our production operations. Our Quality Assurance Department conducts routine quality checks to ensure that manufactured products meet the specified product sketches, specifications and predetermined quality standards. In addition, we conduct an annual assessment to determine if there are any non-conforming products, analyse the root causes of non-conformity and determine the correct solution to avoid repeating such cases.

All employees of the Group must strictly implement the provisions of the "Quality Manual" and other quality control system files to ensure continuous improvement of quality control system, quality, technology and cost and has the following responsibilities:

- Actively participate in the activities of the quality control system, implement quality policies in their own work, and strive to achieve the Company's quality objectives, continuously improve the effectiveness of the quality system, and product quality, process capability and performance;

- Place customers as the focus, meet customers' requirements, improve customers' satisfaction, and exceed customers' expectations;

- Strictly implement the system file to prevent any inconsistency with the quality control system; and

- The Group encourages and supports the innovative spirit of its employees. Any improvement opportunities and other issues discovered by employees regarding the quality control system shall be promptly submitted to the Company through the prescribed channels.

Customer Services

The Group has also established the "Quality Manual", "Customer-Related Process Procedures" and "Information Exchange Procedures" files to effectively communicate with customers in the following aspects:

- Pre-sales service: providing product information to customers in a timely manner, so that customers can understand and use the Company's products with confidence;

- Sales service: handling and revision of contracts and orders;

- After-sales service: customer's feedback on the product after delivery, including customer complaints;

- Any use of hazardous substances, the possibility of contamination, the incorporation of processes or products, and the changes affecting the harmless nature of the product should be communicated to the customer;

- Dispose of or control customer property; and

- Develop specific requirements for emergency measures when the relationship is significant.

In addition to the above, the Group shall communicate in written or verbal form in the language agreed by the customer. The Group shall be capable of communicating the necessary information in the language and form specified by the customer, including information in the computer language and format (e.g. electronic data exchange, etc.).

Advertising and Labelling

According to the nature of the business of the Group, the Group only conducts limited publicity activities. Therefore, the Group's business operations do not involve significant advertising and label related risks.

B7. Anti-corruption

General Disclosure

The Group promotes honesty, fairness and transparency in all business activities. At the same time, the Group is committed to creating a fair, honest, open, transparent and standardised internal management atmosphere, requiring employees, especially the management level, to be honest, trustworthy and incorruptible as the most basic code of conduct. We strictly abide by the laws and regulations of the "Company Law of the PRC", the "Anti-Unfair Competition Law of the PRC", and "Prevention of Bribery Ordinance" of Hong Kong.

In FY2019, the Group was not aware of any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering.

Anti-corruption

To ensure that all employees are able to perform their duties with high ethical standards and professionalism, we have established an “Anti-corruption Policy” and the “Code of Prevention of Bribery and Confidentiality” that requires employees to follow in our business transactions. All employees are required to sign an agreement to comply with the requirements and code of conduct under the said Code. For example, it is strictly forbidden for all employees to seek or receive any benefit, directly or indirectly, in the form of money, gifts, hospitality or personal benefits. Violators will be punished.

Similarly, in order to provide a level playing field and maintain long-term business partnerships with suppliers and contractors, we require all suppliers and contractors to sign the “Abolition of Corruption and Rebate Agreement” and strictly abide by it and prohibit providing our employees with benefits (such as gifts and rebates). If we find that any supplier and contractor has failed to comply with the rules under the agreement, we will terminate our business relationship with them.

Whistle-blowing Mechanism

The Group forbids any misconduct such as bribery, extortion, fraud and money laundering. Suppliers can report to the senior management of the Group for any suspected misconduct with full details and supporting evidence. The management will conduct investigations against any suspicious or illegal behaviour to protect the Group’s interests. The Group advocates a confidentiality mechanism to protect the whistle-blowers against unfair dismissal or victimisation. When criminality is suspected, a report will be made to the relevant regulators or law enforcement authorities when the management considers it necessary.

B8. Community Investment

General Disclosure

Corporate Social Responsibility

The Group believes that enterprises are the cells of society and grow because of society’s fostering. At the same time, they also shoulder the responsibility of giving back to society. We have been working hard to build a pleasant and healthy community and hope to cultivate employees’ sense of social responsibility. Therefore, we always encourage employees to participate in social welfare activities during their work and private time, and make greater contributions to society.

Corporate Social Education

The Group hopes to foster employees’ sense of social responsibility and encourage employees to participate in social welfare activities during work and leisure time to make greater contributions to society. We also arrange activities such as environmental donations and social services for our employees. We believe that by participating in community activities, we can increase employees’ consciousness of citizenship and build positive values.

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to Exhaust Gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1 (“comply or explain”)	The types of emissions and respective emissions data.	Emissions – Exhaust Gas Emissions, GHG Emissions, Sewage Discharge, Waste Management
KPI A1.2 (“comply or explain”)	GHG emissions in total (in tonnes) and intensity.	Emissions – GHG Emissions
KPI A1.3 (“comply or explain”)	Total hazardous waste produced (in tonnes) and intensity.	Emissions – Waste Management
KPI A1.4 (“comply or explain”)	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions – Waste Management
KPI A1.5 (“comply or explain”)	Description of reduction initiatives and results achieved.	Emissions – Sewage Discharge, Waste Management
KPI A1.6 (“comply or explain”)	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions – Waste Management

Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1 (“comply or explain”)	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources – Electricity Consumption Management
KPI A2.2 (“comply or explain”)	Water consumption in total and intensity.	Use of Resources – Water Consumption Management
KPI A2.3 (“comply or explain”)	Description of energy use efficiency initiatives and results achieved.	Use of Resources – Electricity Consumption Management
KPI A2.4 (“comply or explain”)	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources – Water Consumption Management
KPI A2.5 (“comply or explain”)	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Use of Packaging Materials
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer’s significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1 (“comply or explain”)	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources – Noise Pollution

Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.2 (Recommended Disclosure)	Lost days due to work injury	Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards

Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment

Independent Auditor's Report

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TO THE SHAREHOLDERS OF HUOBI TECHNOLOGY HOLDINGS LIMITED
(formerly known as Pantronics Holdings Limited)
(Incorporated in the British Virgin Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Huobi Technology Holdings Limited (formerly known as Pantronics Holdings Limited) (the "Company") and its subsidiaries (together the "Group") set out on pages 67 to 151, which comprise the consolidated statement of financial position as at 30 September 2019, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 September 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Impairment assessment of trade receivables

Refer to notes 4 and 20 to the consolidated financial statements and the accounting policies in note 3 to the consolidated financial statements.

As at 30 September 2019, the carrying amount of the Group's trade receivables was HK$43,898,000. The assessment of recoverability of trade receivables required management to make significant judgements based on the current creditworthiness of each customer, the past collection history of each customer and ageing analysis of the trade receivables. Based on management's assessment, the Group recognised no impairment loss on trade receivables during the year.

We identified the impairment of trade receivables as a key audit matter due to the significance of the balance to the consolidated statement of financial position and significant judgements involved by management to estimate the expected credit losses ("ECLs") on trade receivables.

Our response:

Our procedures in relation to management's impairment assessment of trade receivables included:

– obtaining an understanding of the basis of the estimation of the ECLs on trade receivables;

– testing the accuracy of ageing analysis of trade receivables, on a sample basis, to the related sales invoices and goods delivery documents;

– obtaining and evaluating management's assessment on the ECLs with reference to the collectability and ageing of the receivables, the creditworthiness and past collection history of these customers and the Group's current and expected future business relationship with these customers; and

– testing the settlements of trade receivables subsequent to the end of reporting period by, on a sample basis, checking to the related sales invoices and bank records.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

– continued

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

BDO Limited
Certified Public Accountants
Jonathan Russell Leong
Practising Certificate no. P03246

HKSAR, 16 December 2019

Consolidated Statement of Profit or Loss

For the year ended 30 September

	Notes	2019 HK$'000	2018 HK$'000 (Re-presented)
Revenue	6	312,341	345,411
Cost of sales and services		(254,526)	(288,770)
Gross profit		57,815	56,641
Other income	7	8,193	6,918
Interest income	8	576	199
Selling and distribution expenses		(5,800)	(8,019)
Administrative expenses		(46,556)	(42,180)
Impairment loss on trade receivables	10	–	(205)
Finance costs	9	(5,536)	(2,494)
Profit before income tax	10	8,692	10,860
Income tax expense	12	(14,768)	(4,269)
(Loss)/profit for the year		(6,076)	6,591
(Loss)/profit for the year attributable to owners of the Company		(6,076)	6,591
		2019 HK cents	2018 HK cents
(Loss)/earnings per share	15		
– Basic		(1.9889)	2.1947
– Diluted		N/A	2.1939

Consolidated Statement of Other Comprehensive Income

For the year ended 30 September

	2019 HK$'000	2018 HK$'000
(Loss)/profit for the year	(6,076)	6,591
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	(2,842)	(2,383)
Other comprehensive income for the year, net of tax	(2,842)	(2,383)
Total comprehensive income for the year attributable to owners of the Company	(8,918)	4,208

Consolidated Statement of Financial Position

As at 30 September

	Notes	As at 30 September 2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**47,371**	39,621
Prepaid land lease payments under operating leases	17	**251**	287
Goodwill	18	**174**	–
		47,796	39,908
Current assets			
Inventories	19	**26,609**	39,280
Trade and other receivables	20	**54,682**	65,949
Intangible asset	21	**78,394**	–
Pledged bank deposit	22	**7,851**	–
Cash and bank balances	22	**474,683**	205,995
		642,219	311,224
Current liabilities			
Trade and other payables	23	**47,162**	60,101
Contract liabilities	24	**4,540**	–
Bank and other borrowings	25	**9,362**	55,803
Tax payable		**12,493**	9,635
		73,557	125,539
Net current assets		**568,662**	185,685
Total assets less current liabilities		**616,458**	225,593
Non-current liabilities			
Bank and other borrowings	25	**461,321**	86,540
Deferred tax liabilities	28	**8,392**	4,166
		469,713	90,706
Net assets		**146,745**	134,887
EQUITY			
Share capital	29	**305**	305
Reserves	32	**146,440**	134,582
Total equity attributable to owners of the Company		**146,745**	134,887

The consolidated financial statements on pages 67 to 151 were approved and authorised for issue by the Board of Directors on 16 December 2019 and are signed on its behalf by:

Li Lin
Director

Lee Chris Curl
Director

Consolidated Statement of Changes in Equity

For the year ended 30 September

	Share capital HK$'000	Share premium* HK$'000	Share option reserve* HK$'000	Other reserve* HK$'000	Statutory reserve* HK$'000	Translation reserve* HK$'000	Retained profits* HK$'000	Total HK$'000
At 1 October 2018	305	96,237	295	9,113	6,375	(9,860)	32,422	134,887
Cancellation of share options (note 31)	–	–	(295)	–	–	–	295	–
Equity-settled share-based compensation expenses (note 31)	–	–	2,602	–	–	–	–	2,602
Fair value gain on loan from the immediate holding company measured at fair value on inception, net of deferred tax# (note 25)	–	–	–	18,174	–	–	–	18,174
Transactions with owners	–	–	2,307	18,174	–	–	295	20,776
Loss for the year	–	–	–	–	–	–	(6,076)	(6,076)
Other comprehensive income								
Exchange differences arising on the translation of financial statements of foreign operations	–	–	–	–	–	(2,842)	–	(2,842)
Total comprehensive income for the year	–	–	–	–	–	(2,842)	(6,076)	(8,918)
Appropriation of statutory reserve	–	–	–	–	1,581	–	(1,581)	–
At 30 September 2019	305	96,237	2,602	27,287	7,956	(12,702)	25,060	146,745

* The total of reserves as at 30 September 2019 is HK$146,440,000 (2018: HK$134,582,000).

	Share capital HK$'000	Share premium* HK$'000	Share option reserve* HK$'000	Other reserve* HK$'000	Statutory reserve* HK$'000	Translation reserve* HK$'000	Retained profits* HK$'000	Total HK$'000
At 1 October 2017	300	85,502	956	(2,495)	6,002	(7,477)	25,808	108,596
Issue of shares upon exercise of share options (notes 29(i) and 30(i))	5	10,735	(2,498)	–	–	–	–	8,242
Cancellation of share options (note 31)	–	–	(396)	–	–	–	396	–
Equity-settled share-based compensation expenses (note 31)	–	–	2,233	–	–	–	–	2,233
Fair value gain on loan from a non-controlling shareholder measured at fair value on inception, net of deferred tax# (note 25)	–	–	–	11,608	–	–	–	11,608
Transactions with owners	5	10,735	(661)	11,608	–	–	396	22,083
Profit for the year	–	–	–	–	–	–	6,591	6,591
Other comprehensive income								
Exchange differences arising on the translation of financial statements of foreign operations	–	–	–	–	–	(2,383)	–	(2,383)
Total comprehensive income for the year	–	–	–	–	–	(2,383)	6,591	4,208
Appropriation of statutory reserve	–	–	–	–	373	–	(373)	–
At 30 September 2018	305	96,237	295	9,113	6,375	(9,860)	32,422	134,887

Note:

comprising a HK$21,765,000 (2018: HK$13,902,000) fair value gain on the HK$391,970,000 (2018: HK$100,000,000) interest-free loan less related deferred tax of HK$3,591,000 (2018: HK$2,294,000)(note 25).

Consolidated Statement of Cash Flows

For the year ended 30 September

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Profit before income tax		**8,692**	10,860
Adjustments for:			
Amortisation of prepaid land lease payments under operating leases	10	**36**	34
Depreciation of property, plant and equipment	10	**4,691**	4,128
Reversal of impairment loss on inventories	10	**(1,510)**	(731)
Interest expenses on bank borrowings	9	**958**	2,052
Imputed interest expense on other loan from the immediate holding company	9	**150**	–
Imputed interest expense on other loan from a non-controlling shareholder	9	**4,428**	442
Interest income	8	**(576)**	(199)
Equity-settled share-based compensation expenses	11	**2,602**	2,233
Gain on disposal of property, plant and equipment	7	**(20)**	(1,090)
Impairment loss on trade receivables		**–**	205
Operating profit before working capital changes		**19,451**	17,934
Decrease in inventories		**14,181**	5,337
Decrease/(increase) in trade and other receivables		**12,936**	(615)
Decrease in amounts due from fellow subsidiaries		**–**	908
(Decrease)/increase in trade and other payables		**(21,038)**	3,364
Increase in contract liabilities		**4,540**	–
Restructuring costs		**–**	(1,208)
Cash generated from operations		**30,070**	25,720
Income tax paid		**(12,493)**	(4,862)
Net cash generated from operating activities		**17,577**	20,858
Cash flows from investing activities			
Purchase of property, plant and equipment, net of prior year prepayments for the purchase of property, plant and equipment	16	**(2,628)**	(5,221)
Proceeds from disposal of property, plant and equipment		**307**	1,090
Interest received on bank deposits and balances		**576**	199
Decrease in amount due from immediate holding company		**–**	13
Increase in pledged bank deposit		**(7,851)**	–
Acquisition of a subsidiary	43	**(5,851)**	–
Net cash used in investing activities		**(15,447)**	(3,919)

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from financing activities			
Net cash outflow in trust receipts and export loans		**(241)**	(2,105)
Proceeds from invoice discounting facility		**112,618**	323,335
Repayments of invoice discounting facility		**(145,325)**	(327,085)
Interest paid on bank borrowings		**(958)**	(2,052)
Proceeds from term loan		**–**	3,654
Repayments of term loan		**(13,187)**	(3,558)
Proceeds from other loan from the immediate holding company	25	**313,576**	–
Proceeds from other loan from a non-controlling shareholder	25	**–**	100,000
Issue of shares on exercise of share options		**–**	8,242
Net cash generated from financing activities		**266,483**	100,431
Net increase in cash and cash equivalents	33	**268,613**	117,370
Effect of foreign exchange rate changes		**75**	(1,606)
Cash and cash equivalents at beginning of the year		**205,995**	90,231
Cash and cash equivalents at end of the year		**474,683**	205,995
Analysis of the balance of cash and cash equivalents			
Cash and bank balances	22	**474,683**	205,995

MAJOR NON-CASH TRANSACTION

During the year ended 30 September 2019, as part of the shareholder's facility, the Group had drawn down US$10,000,000 or HK$78,394,000 worth of United States Dollar Tether, a blockchain-based cryptocurrency (note 25).

Notes to the Financial Statements

For the year ended 30 September 2019

1. GENERAL INFORMATION

Huobi Technology Holdings Limited (the "Company") was incorporated in the British Virgin Islands (the "BVI") as a limited liability company on 27 December 1990 and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange of Hong Kong") on 21 November 2016. The address of the Company's registered office is Newhaven Corporate Services (BVI) Limited, 3rd Floor, J&C Building, P.O. Box 362, Road Town, Tortola, the BVI and its principal place of business is Room 1404–5, 14/F, Nan Fung Tower, 88 Connaught Road Central, Hong Kong.

Subsequent to the end of the reporting period, 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 Company is an investment holding company and its subsidiaries (collectively, referred to as the "Group") are principally engaged in the contract manufacturing, on electronic manufacturing services basis, 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.

The immediate holding company of the Company is Huobi Global Limited, a company incorporated in the Cayman Islands with limited liability. The Directors of the Company consider the ultimate holding company to be Huobi Universal Inc., a company incorporated in the Cayman Islands with limited liability. The ultimate controlling party is Mr. Li Lin (李林).

The consolidated financial statements on pages 67 to 151 have been prepared in accordance with Hong Kong Financial Reporting standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong (the "Listing Rules").

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

2. ADOPTION OF NEW OR AMENDED HKFRSs

(a) Adoption of new or amended HKFRSs – effective from 1 October 2018

The Group has applied the following new or amended HKFRSs issued by the HKICPA, which are relevant to the Group's financial statements, and applied by the Group for the first time during the year ended 30 September 2019.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 28	Investments in Associates and Joint Ventures

The impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" are summarised below. The other new or amended HKFRSs that are effective from 1 October 2018 did not have any material impact on the Group's accounting policies.

HKFRS 9 – Financial Instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for the Group's financial statements for annual financial periods beginning on 1 October 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment; and (3) hedge accounting. The adoption of HKFRS 9 from 1 October 2018 has resulted in changes in accounting policies of the Group.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("FVTPL"), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

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

(a) Adoption of new or amended HKFRSs – effective from 1 October 2018 – *continued*

HKFRS 9 – Financial Instruments – continued

(i) Classification and measurement of financial instruments – *continued*

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised cost"); (ii) financial assets at fair value through other comprehensive income ("FVTOCI"); or (iii) FVTPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed; and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion). Under HKFRS 9, an embedded derivative is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification. The following accounting policies would be applied to the Group's financial assets including cash and bank balances, trade receivables, deposits and other receivables:

Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 October 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 October 2018 under HKAS 39** HK$'000	**Carrying amount as at 1 October 2018 under HKFRS 9** HK$'000
Trade and other receivables*	Loans and receivables	Amortised cost	64,618	64,618
Cash and bank balances	Loans and receivables	Amortised cost	205,995	205,995

* Excluded from trade and other receivables as disclosed in the consolidated statement of financial position of HK$65,949,000 as at 1 October 2018, is an amount of HK$1,331,000 representing prepayments.

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

(a) Adoption of new or amended HKFRSs – effective from 1 October 2018 – *continued*

HKFRS 9 – Financial Instruments – continued

(ii) Impairment on financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognise ECLs for trade receivables and other financial assets at amortised cost earlier than HKAS 39. Cash and cash equivalents are subject to ECLs model but the impairment is immaterial for the current period. Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

<u>Measurement of ECLs</u>

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECL rate of collectively assessed trade receivables that were neither past due nor impaired is 0.09%, past due between 0 to 60 days is 0.49% and past due more than 60 days is 13.04%. The Group has considered that the adoption of HKFRS 9 simplified approach has not resulted in any significant increase in impairment loss on trade receivables as at 1 October 2018.

No impairment for other financial assets at amortised cost as at 1 October 2018 is recognised as the Group has considered that there has not been a significant increase in credit risk of such financial assets since initial recognition as at 1 October 2018 and the ECL rates on other receivables are assessed to be minimal and accordingly, the amount of impairment measured under the ECLs model is immaterial.

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

The Group considers a financial asset to be in default when: (1) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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

(a) Adoption of new or amended HKFRSs – effective from 1 October 2018 – *continued*

HKFRS 9 – Financial Instruments – continued

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 30 September 2018, but are recognised in the statement of financial position on 1 October 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9, if any, are recognised in retained profits and reserves as at 1 October 2018. Accordingly, the information presented for prior year does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA").

If a debt investment had low credit risk at the DIA, the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

HKFRS 15 – Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained profits at the date of initial application (that is, 1 October 2018). As a result, the financial information presented for the year ended 30 September 2018 has not been restated.

Presentation of contract liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented.

Reclassification was made as at 1 October 2018 to be consistent with the terminology used under HKFRS 15: Contract liabilities recognised in relation to contract with customers were previously included in "trade and other receivables" and "trade and other payables" in the consolidated statement of financial position.

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

(a) Adoption of new or amended HKFRSs – effective from 1 October 2018 – *continued*

HKFRS 15 – Revenue from Contracts with Customers – continued

Presentation of contract liabilities – *continued*

The following adjustment was made to the amounts recognised in the consolidated statement of financial position at 1 October 2018. Line items that were not affected by the changes have not been included:

	Carrying amounts previously reported as at 30 September 2018	Reclassification	Carrying amounts under HKFRS 15 as at 1 October 2018
	HK$'000	HK$'000	HK$'000
Current assets			
Trade and other receivables	65,949	4,061	70,010
Current liabilities			
Trade and other payables	(60,101)	1,912	(58,189)
Contract liabilities	–	(5,973)	(5,973)

The Group considers that the application of HKFRS 15 does not have a material impact on the timing and amount of revenue recognised on sales of power-related and electrical/electronic products in the respective reporting periods upon its initial adoption and the details are set out below:

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

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

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

Accordingly, there is no material impact of transition to HKFRS 15 on retained profits and the related tax as at 1 October 2018. There is no material impact on the Group's consolidated financial statements for the year ended 30 September 2019 except for the presentation of contract liabilities above.

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

(a) Adoption of new or amended HKFRSs – effective from 1 October 2018 – *continued*

Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first year.

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

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

HKFRS 16	Leases[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3 "Business Combinations"[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 11 "Joint Arrangements"[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12 "Income Taxes"[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23 "Borrowing Costs"[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[3] 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.

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

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

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classify cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. The accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group expects the adoption of the standards using the modified retrospective approach where the cumulative effects of initially applying HKFRS 16 is recognised as an adjustment to the opening balance of retained profits and comparative figures are not restated. Lease expenses in profit or loss are replaced by depreciation and interest expenses. Adoption of the new standard will be incurred higher expenses in the early years of lease terms, diminishing over the lease terms and will result lower expenses in the later part of the lease terms when comparing to HKAS 17.

As at 30 September 2019, the Group had non-cancellable operating lease commitments of approximately HK$57,979,000. Of these commitments, commitments of approximately HK$711,000 relating to low value leases will be recognised on a straight-line basis as expense in profit or loss. For the remaining lease commitments of approximately HK$57,268,000, the Group expects to recognise right-of-use assets of approximately HK$37,862,000, lease liabilities of HK$44,416,000 and a corresponding deferred tax liabilities of approximately HK$1,632,000 on 1 October 2019. The difference of HK$8,186,000 will be adjusted to the opening balance of retained profits. Net current assets will be HK$4,310,000 lower due to the presentation of a portion of the lease liabilities as a current liability. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

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

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

HKFRS 16 – Leases – continued

The Group expects that net profit after tax will decrease by approximately HK$767,000 for the year ending 30 September 2020 as a result of adopting the new standard.

Operating cash flows will increase and financing cash flows will decrease by approximately HK$8,927,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group will apply the standard from the mandatory adoption date for its financial year commencing on 1 October 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group will continue to assess the full impact of the adoption of HKFRS 16.

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, then 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.

The initial adoption of this interpretation has no significant impact on the Group's financial statements.

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

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

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

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.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition of material to make it easier for entities to make materiality judgements.

The definition of material, an important accounting concept in HKFRSs, helps entities decide whether information should be included in their financial statements.

The initial adoption of the amendments to HKAS 1 and HKAS 8 would not have any significant impact on the Group's financial performance and financial position.

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures

The amendments clarify that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulate that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

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

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

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

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

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

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

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

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

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

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

The consolidated financial statements have been prepared under the historical cost basis. The measurement bases are fully described in the accounting policies below.

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

Business combination and basis of consolidation

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Business combination and basis of consolidation – *continued*

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

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

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

Subsidiaries

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

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

Revenue recognition (accounting policies applied from 1 October 2018)

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue recognition (accounting policies applied from 1 October 2018) – *continued*

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue recognition (accounting policies applied from 1 October 2018) – *continued*

(ii) Provision of data centre services and cloud services

Revenue is recognised over time as those services are provided. Invoices for provision of services are issued on a monthly basis and are usually payable within 20–30 days.

Principal versus agent

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

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

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

(a) whether the entity is primarily responsible for fulfilling the promise to provide the specified good or service;

(b) whether the entity has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer (for example, if the customer has a right of return); and

(c) whether the entity has discretion in establishing the price for the specified good or service, indicating that the entity has the ability to direct the use of that good or service and obtain substantially all of the remaining benefits.

(iii) Other income

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue recognition (accounting policies applied until 30 September 2018)

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably, on the following bases:

(a) Sales of goods are recognised when goods are delivered and title has been passed. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

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

(c) Dividend income is recognised when the right to receive payment is established.

Goodwill

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Intangible assets

Cryptocurrencies

Cryptocurrencies are open-source software-based online payment system where payments are recorded in a public ledger using its own unit of account. The Group considers cryptocurrencies as a type of intangible asset and measures cryptocurrencies held by the Group at cost less impairment. Further details relating to the measurement of cryptocurrencies are set out in note 4. An impairment assessment is carried out at the end of the reporting period to determine whether the recoverable amounts of the cryptocurrencies are higher than their carrying amounts. An impairment loss is recognised as an expense immediately when the recoverable amount is below the carrying amount.

The recoverable amounts of the cryptocurrencies are determined as the higher of their fair values less costs of disposal and value in use. Fair values are estimated using the assumptions that market participants would use when pricing the cryptocurrencies, assuming that market participants act in their economic best interest.

Property, plant and equipment

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments (accounting policies applied from 1 October 2018)

(i) Financial assets

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

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

Debt instruments

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

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

(ii) Impairment loss on financial assets

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments (accounting policies applied from 1 October 2018) – *continued*

(ii) Impairment loss on financial assets – continued

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

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

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

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

Write-off

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

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

(iii) Financial liabilities

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

Financial liabilities at amortised cost

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments (accounting policies applied from 1 October 2018) – *continued*

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Derecognition

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

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

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

Financial instruments (accounting policies applied until 30 September 2018)

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Financial assets and financial liabilities are recognised on the statement of financial position when a Group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments (accounting policies applied until 30 September 2018) – *continued*

Financial assets

The Group classified its financial assets at initial recognition, depending on the purpose for which the asset was acquired. The Group assesses, at the end of the reporting period, whether there is any objective evidence that the financial asset is impaired. A financial asset is classed as impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include, but not be limited to: significant financial difficulty of the debtor; a breach of contract, such as a default or delinquency in interest or principal payments; the granting of a concession to a debtor due to financial difficulties; and it becoming probable that the debtor will enter bankruptcy or any other financial reorganisation.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each reporting date subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from subsidiaries, fellow subsidiaries and the immediate holding company and related companies and cash and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss for receivables is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account. When any part of the financial asset is determined as un-collectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments (accounting policies applied until 30 September 2018) – ***continued***

Financial liabilities and equity

Financial liabilities and equity instruments issued by a Group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Borrowings

Borrowings and overdrafts are initially recognised at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowings costs.

Other financial liabilities

Other financial liabilities including trade and other payables and amount due to a subsidiary are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount, i.e. the amount initially recognised less accumulated amortisation, where appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments (accounting policies applied until 30 September 2018) – *continued*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Borrowing costs

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

Inventories

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

Cash and cash equivalents

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Provisions and contingent liabilities

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

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

Restructuring

A restructuring provision is recognised when the Group has developed a detailed formal plan for restructuring and has raised a valid expectation that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Group.

Impairment of assets

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Taxation

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

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

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

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

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

Foreign currencies

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Foreign currencies – *continued*

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

Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Prepaid land lease payments under operating leases

Leasehold interests in land are up-front payments to acquire the land use rights. The payments are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis to write off the up-front payments over the lease terms.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Equity-settled share-based payment transactions

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Equity-settled share-based payment transactions – *continued*

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

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

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

Retirement benefits costs

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

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

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

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

Government grants

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Government grants – *continued*

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

Related parties

For the purposes of these financial statements:

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Impairment of trade receivables

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

Cryptocurrencies

During the year ended 30 September 2019, the Group entered into a facility agreement with its immediate holding company for an unsecured revolving facility up to the maximum aggregate amount of HK$471,000,000 from 26 September 2019 to 25 September 2021 and accordingly, the Group borrowed a loan of US$50,000,000 or HK$391,970,000, including US$10,000,000 equivalent worth of cryptocurrencies. The Group held cryptocurrencies of HK$78,394,000 as at 30 September 2019. In the process of developing and applying an accounting policy for cryptocurrencies, management of the Group noted that there is no Hong Kong Financial Reporting Standard that specifically applies to the accounting treatment for cryptocurrencies held by the Group. Management has considered the guidance in HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" ("HKAS 8") concerning how the Group should develop its accounting policy under such circumstances. In accordance with HKAS 8, reference was made to the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practice to the extent that these do not conflict with the requirements of the HKFRSs. Based on an agenda decision of The International Financial Reporting Standards Interpretations Committee and with reference to Hong Kong Accounting Standard 38 "Intangible Assets" ("HKAS 38"), which defines an intangible asset as an identifiable non-monetary asset without physical substance, management considered that the cryptocurrencies satisfy the elements of the definition of an intangible asset and determined that cryptocurrencies should be accounted for in the same manner as intangible assets under HKAS 38. Accordingly, subsequent to initial recognition, cryptocurrencies are carried at cost less impairment.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – *continued*

Impairment of property, plant and equipment

Property, plant and equipment are assessed at the end of the reporting period to identify indications that they may be impaired. If any such indication exists, the recoverable amount of the property, plant and equipment is estimated. The recoverable amount of the property, plant and equipment is based on value-in-use calculations. These calculations are determined based on cash flow projections with reasonable assumptions that represent management's best estimate of the range of economic conditions over the remaining useful life of the assets. Changes in facts and circumstances may result in revisions to whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future years.

Impairment of inventories

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

Estimates of current tax and deferred tax

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

Valuation of equity-settled share-based payment transactions

The fair value of share options has been calculated using the Binomial Option Pricing Model which requires the input of highly subjective assumptions, including the expected volatility of the share price. Because changes in subjective assumptions can materially affect the fair value estimate, in the opinion of the Directors, the existing model may not always necessarily produce a reliable single measure of the fair value of the share options. Details of the assumptions used are set out in note 31 to the consolidated financial statements.

5. 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. Since management regards the Group's business as a single operating segment, no further operating segment analysis thereof is presented. 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. Management considers the activities of the Group constitute a single segment based on a measure of revenue and operating result before income tax.

A measure of total assets for this single segment is the total assets on the consolidated statement of financial position. A measure of total liabilities for this single segment is the total liabilities on the consolidated statement of financial position.

5. SEGMENT INFORMATION – *continued*

Geographical information

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

	2019 HK$'000	2018 HK$'000
The People's Republic of China (the "PRC")		
– Mainland China	**33,142**	28,170
– HKSAR (place of domicile)	**5,018**	3,381
USA	**148,419**	177,396
UK	**35,742**	50,172
Rest of Europe	**14,630**	22,469
Japan	**42,017**	40,352
Others	**33,373**	23,471
	312,341	345,411

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 of the Group for the year is set out below:

	2019 HK$'000	2018 HK$'000
Customer A	**148,583**	158,773
Customer B	**41,808**	40,036
Customer C	**23,118**	34,439

Revenue from Customer C during the year ended 30 September 2019 contributed less than 10% of the total revenue of the Group.

5. SEGMENT INFORMATION – *continued*

Geographical information – *continued*

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

	2019 HK$'000	2018 HK$'000
HKSAR	**1,997**	395
Mainland China	**34,423**	39,510
Japan	**11,375**	–
Others	**1**	3
	47,796	39,908

6. REVENUE

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

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

	2019 HK$'000	2018 HK$'000
Sales of:		
Solenoid coils	**162,143**	172,360
Power tool chargers	**39,442**	49,058
Printed circuit board assembly	**49,153**	46,871
Parts assembly	**27,349**	38,987
Others	**31,788**	38,135
Revenue recognised at a point in time	**309,875**	345,411
Provision of data centre services	**2,461**	–
Provision of cloud services	**5**	–
Revenue recognised over time	**2,466**	–
Total revenue	**312,341**	345,411

The Group has applied the practical expedient to its sales contracts for provision of data centre services and cloud services 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.

7. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Gain on disposal of property, plant and equipment	20	1,090
Government grant	4,834	1,122
Sales of raw materials from cancelled orders	1,489	1,866
Sundry income	1,850	2,840
	8,193	6,918

The government grant represents subsidies received from the PRC Government to compensate manufacturing intelligence costs incurred by the Company's wholly-owned PRC-based subsidiary. There are no unfulfilled conditions relating to the grant.

8. INTEREST INCOME

	2019 HK$'000	2018 HK$'000
Interest earned on bank deposits and balances	576	199

9. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on bank borrowings	958	2,052
Imputed interest on other loan from the immediate holding company (note 25)	150	–
Imputed interest on other loan from a non-controlling shareholder (note 25)	4,428	442
	5,536	2,494

10. PROFIT BEFORE INCOME TAX

	2019 HK$'000	2018 HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Amortisation of prepaid land lease payments under operating leases (note 17)	36	34
Auditors' remuneration		
– audit service	830	748
– review service	275	269
– other services	18	109
Cost of inventories recognised as expenses	252,885	288,770
Depreciation of property, plant and equipment (note 16)	4,691	4,128
Exchange gains, net	(241)	(629)
Reversal of impairment loss on inventories (note 19)	(1,510)	(731)
Minimum lease payments in respect of rented premises	8,887	14,390
Impairment loss on trade receivables (note 20)	–	205
Employee benefit expenses (note 11)	81,715	82,444

11. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2019 HK$'000	2018 HK$'000
Staff salaries, allowances and welfare	41,955	33,772
Provident fund contributions (note 27)	4,325	4,931
Mandatory provident fund obligations (note 27)	703	481
Direct labour costs	32,130	41,027
Share-based compensation expenses (note 31)	2,602	2,233
	81,715	82,444

12. INCOME TAX EXPENSE

The income tax expense for the year comprises:

	2019 HK$'000	2018 HK$'000
Current income tax – HKSAR:		
Provision for the year	**3,292**	1,619
Current income tax – Overseas:		
Provision for the year:		
Mainland China	**10,636**	2,257
USA	**27**	28
	10,663	2,285
Under provision in respect of prior years – Overseas	**70**	136
	10,733	2,421
Deferred tax (note 28)	**743**	229
Income tax expense	**14,768**	4,269

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

A subsidiary of the Group received an enquiry for information from the Hong Kong Inland Revenue Department (the "IRD") in April 2015 due to a tax audit by the IRD on that subsidiary's profits tax affairs and received assessments for Hong Kong profits tax for prior years in March 2015, February 2016, December 2016, March 2018 and February 2019. 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 that the provision is adequate to reflect the potential tax liability at the current status. In April 2019, the subsidiary received the draft settlement from the IRD for discussion. The subsidiary is still under discussion 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.

12. INCOME TAX EXPENSE – *continued*

The PRC corporate income tax is computed in accordance with the relevant laws and regulations in Mainland China. The income tax rate is 25% (2018: 25%) for the year. The current income tax charge includes 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 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$3,335,000 (2018: HK$1,945,000) has been established at the end of the reporting period in relation to withholding tax based on 5% of post 1 January 2008 unremitted earnings.

The reconciliation between income tax expense and accounting profit at applicable tax rates is as follows:

	2019 HK$'000	2018 HK$'000
Profit before income tax	8,692	10,860
Tax thereon at domestic rates applicable to profits or losses in the jurisdictions concerned	3,954	2,396
Tax effect of non-deductible expenses	1,136	1,276
Tax effect of non-taxable income	(523)	(388)
Tax effect of temporary differences arising from withholding tax on undistributed profits	1,499	302
Tax effect of one-time transfer of certain land use rights and buildings	6,922	–
Tax effect of temporary differences not recognised	(1,666)	(58)
Tax effect of tax losses not recognised	2,795	663
Under provision in respect of prior years	70	136
Others	581	(58)
Income tax expense	14,768	4,269

13. DIRECTORS' EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments of the Directors for the year are set out below:

	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Discretionary bonuses HK$'000	Retirement benefits scheme contribution HK$'000	Share-based compensation expenses HK$'000	Total HK$'000
Year ended 30 September 2019						
Executive Directors						
Mr. Li Lin (appointed on 10 September 2019)	–	181	100	–	–	281
Mr. Lee Chris Curl	–	1,460	100	18	1,004	2,582
Mr. Lan Jianzhong (appointed on 22 February 2019)	–	725	100	12	223	1,060
Mr Huo Li (resigned on 22 February 2019)	–	459	–	7	–	466
Mr. Henry Woon-hoe Lim (resigned on 11 October 2018)	–	117	–	–	–	117
Mr. Ho Hon Ching (resigned on 11 October 2018)	–	–	–	–	–	–
Non-executive Directors						
Mr. Duan Xiongfei* (appointed on 11 October 2018)	234	–	20	–	–	254
Mr. Yip Wai Ming* (appointed on 11 October 2018)	234	–	20	–	–	254
Mr. Ngai Matthew Cheuk Yin* (appointed on 22 February 2019)	145	–	20	–	–	165
Mr. Zhou Guohua* (appointed on 11 October 2018 and resigned on 22 February 2019)	89	–	–	–	–	89
Mr. Simon Nai-cheng Hsu (resigned on 11 October 2018)	8	–	–	–	–	8
Mr. Pochin Christopher Lu* (resigned on 11 October 2018)	6	–	–	–	–	6
Mr. Danny J Lay* (resigned on 11 October 2018)	6	–	–	–	–	6
Ms. Hui Leung Ching Patricia* (resigned on 11 October 2018)	6	–	–	–	–	6
Total	728	2,942	360	37	1,227	5,294

13. DIRECTORS' EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS – *continued*

(a) Directors' emoluments – *continued*

	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Discretionary bonuses HK$'000	Retirement benefits scheme contribution HK$'000	Share-based compensation expenses HK$'000	Total HK$'000
Year ended 30 September 2018						
Executive Directors						
Mr. Lee Chris Curl (appointed on 20 September 2018)	–	–	–	–	–	–
Mr. Huo Li (appointed on 20 September 2018)	–	–	–	–	–	–
Mr. Henry Woon-hoe Lim	–	3,146	300	–	514	3,960
Mr. Ho Hon Ching	–	1,393	375	18	343	2,129
Non-executive Directors						
Mr. Simon Nai-cheng Hsu	300	–	–	–	171	471
Mr. Pochin Christopher Lu*	200	–	–	–	103	303
Mr. Danny J Lay*	200	–	–	–	103	303
Ms. Hui Leung Ching Patricia*	200	–	–	–	103	303
Total	900	4,539	675	18	1,337	7,469

* Independent non-executive Directors

During the year, none of the Directors waived or agreed to waive any emoluments and there were no emoluments paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office (2018: HK$Nil).

13. DIRECTORS' EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS – *continued*

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, one (2018: two) is Director of the Company whose emoluments are included in note 13(a) above. The emoluments of the remaining four (2018: three) individuals are as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries, allowances and other benefits	**8,207**	3,988
Retirement benefits scheme contribution	**54**	54
Share-based compensation expenses	**–**	405
	8,261	4,447

Their emoluments were within the following bands:

	2019 **Number of individuals**	2018 Number of individuals
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**2**	1
Over HK$3,000,000	**1**	–

During the year, none of the five highest paid individuals waived or agreed to waive any emoluments and there were no emoluments paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office (2018: HK$Nil).

(c) Senior management's emoluments

Emoluments paid or payable to members of senior management who are not directors were within the following bands:

	2019 **Number of individuals**	2018 Number of individuals
Nil to HK$1,000,000	**2**	–
HK$1,000,001 to HK$1,500,000	**–**	2
HK$1,500,001 to HK$2,000,000	**–**	1
Over HK$3,000,000	**1**	–

14. DIVIDENDS

There was no interim dividend for the years ended 30 September 2019 and 30 September 2018.

The Directors do not recommend the payment of a final dividend for the years ended 30 September 2019 and 30 September 2018.

15. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares deemed to be in issue during the relevant years.

	2019 HK$'000	2018 HK$'000
(Loss)/profit attributable to owners of the Company	(6,076)	6,591
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	305,495,000	300,314,517
	HK cents	HK cents
Basic (loss)/earnings per share	(1.9889)	2.1947

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 305,495,000 in issue during the year ended 30 September 2019.

The weighted average of 300,314,517 ordinary shares used in the calculation of basic earnings per share for the year ended 30 September 2018 comprised the 300,000,000 ordinary shares in issue at 30 September 2017, in addition to the weighted average of 5,495,000 share options exercised during the year ended 30 September 2018.

15. (LOSS)/EARNINGS PER SHARE – *continued*

Diluted (loss)/earnings per share

Diluted (loss)/earnings 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.

No diluted loss per share for the year ended 30 September 2019 is presented as the exercise of share options would result in a reduction in loss per share for the year ended 30 September 2019.

The diluted earnings per share for the year ended 30 September 2018 is calculated as follows:

	2018
	HK$'000
Profit attributable to owners of the Company	6,591
Weighted average number of ordinary shares for the purpose of basic earnings per share	300,314,517
Adjustment for share options	111,585
Weighted average number of ordinary shares for the purpose of diluted earnings per share	300,426,102
	HK cents
Diluted earnings per share	2.1939

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
Cost						
At 1 October 2017	19,583	8,435	51,060	3,398	91,610	174,086
Additions (note (i))	–	1,895	1,199	–	5,829	8,923
Disposals	–	–	(16,876)	–	(45,606)	(62,482)
Currency realignment	(587)	(122)	238	(46)	(358)	(875)
At 30 September 2018 and 1 October 2018	18,996	10,208	35,621	3,352	51,475	119,652
Additions	–	1,536	265	–	827	2,628
Disposals	–	(334)	(80)	–	–	(414)
Arising from business combination (note 43)	–	4,578	7,529	–	–	12,107
Currency realignment	(1,287)	(305)	(165)	(45)	(2,273)	(4,075)
At 30 September 2019	**17,709**	**15,683**	**43,170**	**3,307**	**50,029**	**129,898**
Accumulated depreciation						
At 1 October 2017	9,360	92	50,005	3,132	75,408	137,997
Provided for the year	365	957	444	117	2,245	4,128
Disposals	–	–	(16,876)	–	(45,606)	(62,482)
Currency realignment	(272)	172	295	(44)	237	388
At 30 September 2018 and 1 October 2018	9,453	1,221	33,868	3,205	32,284	80,031
Provided for the year	357	1,453	769	72	2,040	4,691
Disposals	–	(47)	(80)	–	–	(127)
Currency realignment	(1,568)	(24)	(133)	(41)	(302)	(2,068)
At 30 September 2019	**8,242**	**2,603**	**34,424**	**3,236**	**34,022**	**82,527**
Carrying values						
At 30 September 2019	**9,467**	**13,080**	**8,746**	**71**	**16,007**	**47,371**
At 30 September 2018	9,543	8,987	1,753	147	19,191	39,621

Note:

(i) Additions in the year ended 30 September 2018 of HK$8,923,000 included HK$3,702,000 in relation to prepayments as at 30 September 2017 for the purchase of property, plant and equipment, which represented deposits paid for leasehold improvements, furniture, fixtures and equipment and plant and equipment in relation to the relocation of the Group's production facilities in Songgang, Shenzhen, the PRC, to a self-contained leasehold manufacturing facility in Guangming New District, Shenzhen, the PRC. Upon final payment and installation/commissioning, as appropriate, the assets were transferred to property, plant and equipment during the year ended 30 September 2018.

17. PREPAID LAND LEASE PAYMENTS UNDER OPERATING LEASES

The Group's interest in leasehold land and land use rights represents prepaid operating lease payments. The movements in their net carrying values are as follows:

	2019 HK$'000	2018 HK$'000
At 1 October	287	321
Amortisation (note 10)	(36)	(34)
At 30 September	251	287

18. GOODWILL

The net carrying amount of goodwill is analysed as follows:

	2019 HK$'000	2018 HK$'000
Cost		
At 1 October	–	–
Acquisition through business combination (note 43)	174	–
At 30 September	174	–
Accumulated impairment		
At 1 October and 30 September	–	–
Net carrying amount		
At 30 September	174	–

At 30 September 2019, the Company's Directors consider that there was no impairment on the goodwill arising from the acquisition of a subsidiary, Win Techno Inc..

19. INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	8,193	12,669
Work-in-progress	2,886	3,927
Finished goods	15,530	22,684
	26,609	39,280

At 30 September 2019, the carrying amount of inventories carried at the lower of cost and net realisable value amounted to HK$26,609,000 (2018: HK$39,280,000), after provision for impairment of HK$4,329,000 (2018: HK$5,860,000). During the year, reversal of previously provided for impairment losses of HK$1,510,000 (2018: HK$731,000) have been recognised in the consolidated statement of profit or loss due to the subsequent sale of inventories.

20. TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	43,898	60,786
Less: Impairment provisions	–	–
Trade receivables – net	43,898	60,786
Prepayments and other receivables	10,784	5,163
	54,682	65,949

Amount due from a fellow subsidiary of HK$1,234,000 (2018: HK$Nil), 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 30 September 2019, trade receivables of HK$9,855,000 (2018: HK$61,013,000) continue to be recognised in the consolidated statement of financial position even though they have been legally transferred to the financial institutions. The proceeds of the discounting transactions are included in borrowings as asset-backed financing until the trade receivables are collected or the Group settles any losses suffered by the financial institutions. At 30 September 2019, the asset-backed lending liabilities amounted to HK$9,362,000 (2018: HK$33,013,000) (note 25).

20. TRADE AND OTHER RECEIVABLES – *continued*

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

	2019	2018
	HK$'000	HK$'000
0–60 days	**36,850**	51,561
61–90 days	**4,848**	5,992
91–120 days	**2,197**	3,210
More than 120 days	**3**	23
	43,898	60,786

Trade receivables that were neither past due nor impaired related to a large number of customers for whom there has been no recent history of default.

The Group allows credit periods ranging from 20 to 100 days (2018: 30 to 100 days) to its trade customers depending on their credit status and geographical location during the year. The Directors of the Company consider that the carrying amounts of trade and other receivables approximate to their fair values.

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

	2019	2018
	HK$'000	HK$'000
Neither past due nor impaired	**39,117**	52,133
0–60 days past due	**4,759**	8,630
61–90 days past due	**19**	–
91–120 days past due	**–**	–
Over 120 days past due	**3**	23
	43,898	60,786

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

20. TRADE AND OTHER RECEIVABLES – *continued*

Movements in the provision for impairment of trade receivables are as follows:

	2019 HK$'000	2018 HK$'000
At 1 October	–	–
Impairment loss (note 9)	–	205
Uncollectible amounts written off	–	(205)
At 30 September	–	–

The Group has provided in full against those receivables where evidence suggests that the amounts outstanding are not recoverable.

21. INTANGIBLE ASSET

	2019 HK$'000	2018 HK$'000
At 1 October	–	–
Addition	78,394	–
At 30 September	78,394	–
Representing:		
United States Dollar Tether ("USDT")	78,394	–

As at 30 September 2019, the Group estimated the recoverable amounts of the intangible asset held by the Group, in form of cryptocurrencies, which were determined based on their estimated fair values arrived at using available information for the reference prices in the relevant cryptocurrencies markets. The recoverable amounts were categorised under Level 1 fair value hierarchy as the fair values were based on a quoted (unadjusted) market price in active markets for identical assets. The Directors of the Company consider that the carrying amounts of cryptocurrencies approximate to their fair values.

Subsequent to the end of the reporting period, cryptocurrencies amounting to HK$78,394,000 were converted into fiat currency of HK$78,343,000.

22. PLEDGED BANK DEPOSIT AND CASH AND BANK BALANCES

	2019 HK$'000	2018 HK$'000
Pledged bank deposit	7,851	–
Time deposits	22,700	–
Cash at banks and in hand	451,983	205,995
Cash and cash equivalents	474,683	205,995

The Group's deposit of HK$7,851,000 (2018: HK$Nil) has been pledged with a bank to secure banking facilities granted to a subsidiary of the Group (note 34), which will be released upon the settlement of the relevant borrowings.

Time deposits are made for periods depending on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates. The Directors consider that the fair values of the short-term deposits are not materially different from their carrying amounts because of the short maturity period. As at 30 September 2019, the Group had time deposit of HK$22,700,000 (2018: HK$Nil) placed with banks with original maturity period of three months or less (2018: N/A) and earned interest at the respective time deposit rates. The time deposits bore interest rates ranging from 1.59% to 2.45% per annum (2018: Nil) which are close to the market interest rates.

Included in cash and bank balances of the Group at the reporting date are bank balances denominated in Renminbi ("RMB") of HK$12,730,000 (2018: HK$6,591,000) placed with banks in Mainland China. RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

23. TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	17,714	31,942
Other payables and accruals	29,448	28,159
	47,162	60,101

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

	2019 HK$'000	2018 HK$'000
0–60 days	13,183	23,841
61–90 days	3,434	6,597
More than 90 days	1,097	1,504
	17,714	31,942

Amounts due to fellow subsidiaries of HK$3,554,000 (2018: HK$Nil), 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 approximate to their fair values.

24. CONTRACT LIABILITIES

	30 September 2019 HK$'000	1 October 2018 HK$'000	30 September 2018 HK$'000
Contract liabilities arising from:			
Contract manufacturing, on electronic manufacturing services basis, of a wide range of power-related and electrical/ electronic products	4,540	5,973	–

Typical payment terms which impact on the amount of contract liabilities are as follows:

Contract manufacturing, on electronic manufacturing services basis, of a wide range of power-related and electrical/electronic products

As noted above, the deposit the Group receives on its principal activities remains as a contract liability until such time as the work completed to date outweighs it.

Movements in contract liabilities are as follows:

	HK$'000
Balance as at 1 October 2018	5,973
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(5,973)
Increase in contract liabilities as a result of receipts in advance on sale of goods	4,540
Balance at 30 September 2019	**4,540**

The contract liabilities as at 30 September 2019 were expected to be recognised as revenue in the next 12 months. As permitted under HKFRS 15, the transaction price allocated to the unsatisfied contract which has an original expected duration of one year or less is not disclosed.

25. BANK AND OTHER BORROWINGS

	2019 HK$'000	2018 HK$'000
Bank borrowings (all secured) comprise:		
Export invoices/loan financing	–	9,603
Asset-backed lending	9,362	33,013
Term loan, subject to repayment on demand clause	–	13,187
Total bank borrowings	9,362	55,803
Other borrowings (unsecured) comprise:		
Loan from the immediate holding company	370,354	–
Loan from a non-controlling shareholder	90,967	86,540
	470,683	142,343
Secured	9,362	55,803
Unsecured	461,321	86,540
	470,683	142,343
Bank and other borrowings are repayable as follows:		
Within one year or on demand	9,362	55,803
More than one year but not exceeding two years	90,967	–
More than two years but not exceeding five years	370,354	86,540
	470,683	142,343
Less: Amounts shown under current liabilities	(9,362)	(55,803)
Amounts shown under non-current liabilities	461,321	86,540

Bank borrowings

The asset-backed lending represents the amount of financing obtained in factoring transactions which do not meet the de-recognition requirements in HKFRS 9. The corresponding financial assets are included in trade receivables (note 20).

The bank borrowings which are denominated in HK$ and US Dollars ("US$"), carry variable interest rates linked to the relevant prime rates and fixed interest rates applicable to the country in which the facility has been taken out.

25. BANK AND OTHER BORROWINGS – *continued*

Bank borrowings – *continued*

At 30 September 2018, the term loan which was denominated in RMB and carried variable interest rate of 110% of the applicable People's Bank of China benchmark lending rate was secured to provide financing for the purchase of certain plant and equipment. The term loan was scheduled for repayment within two years after the end of the reporting period in five equal six-monthly instalments commencing 12 months from the first utilisation date of the loan. The facility agreement contained a clause that provided the bank with an unconditional right to demand repayment of any time at its own discretion. Accordingly, the term loan was classified as current liabilities in the consolidated statement of financial position as at 30 September 2018. The term loan was fully repaid during the year ended 30 September 2019.

The effective interest rates on the Group's floating rate borrowings range from 4.0% to 5.5% per annum (2018: 3.0% to 5.5% per annum).

The fair values of the Group's bank borrowings, determined as the present value of the estimated future cash flows, discounted using the prevailing market rate at the reporting date, approximate to their carrying values.

Refer to note 34 for details of pledged assets.

Other borrowings

On 21 August 2018, as part of the sale and purchase agreement in relation to the sale and purchase of an aggregate of 215,576,000 sale shares, representing approximately 71.67% of the entire issued share capital of the Company originally owned by New Wave Capital Limited ("NWC"), a company owned by Mr. Simon Nai-cheng Hsu. NWC agreed to provide Pantene Industrial, a wholly-owned subsidiary of the Group, a three-year interest-free and unsecured loan of HK$100,000,000 with maturity date of 24 August 2021. The borrower is entitled to early repay a portion or all of this loan without giving prior notice.

The HK$100,000,000 loan received was initially recognised at a fair value of HK$86,098,000 which was estimated by discounting the nominal value of the loan at an effective interest rate of 5.0% per annum and as a result, a fair value gain of HK$11,608,000 (net of deferred tax of HK$2,294,000 (note 28)) was credited to the other reserve for the year ended 30 September 2018. For the year ended 30 September 2019, imputed interest of HK$4,428,000 (with related deferred tax credit of HK$731,000 (2018: HK$73,000)) has been charged to the consolidated statement of profit or loss (2018: HK$442,000) (notes 9 and 28 respectively).

On 26 September 2019, the Company entered into a facility agreement with Huobi Global Limited ("Huobi Global") pursuant to which Huobi Global agreed to make available to the Company an unsecured revolving facility up to the maximum aggregate amount of HK$471,000,000 (the "Shareholder's Facility") for two years from 26 September 2019 to 25 September 2021. The Shareholder's Facility does not bear any interest and will be utilised by the Company for the purpose of general working capital and business development. As at 30 September 2019, the Company had drawn down approximately US$50,000,000 or HK$391,970,000, comprising US$40,000,000 or HK$313,576,000 being transferred from Huobi Global as cash and US$10,000,000 or HK$78,394,000 in the form of United States Dollar Tether ("USDT"), a blockchain-based cryptocurrency (being the fair value of the USDT units received at the date of draw down) (note 21).

25. BANK AND OTHER BORROWINGS – *continued*

Other borrowings – *continued*

The HK$391,970,000 loan received was initially recognised at a fair value of HK$370,205,000 which was estimated by discounting the nominal value of the loan at an effective interest rate of 2.86% per annum and as a result, a fair value gain of HK$18,174,000 (net of deferred tax of HK$3,591,000 (note 28)) was credited to the other reserve for the year ended 30 September 2019. For the year ended 30 September 2019, imputed interest of HK$150,000 (with related deferred tax credit of HK$25,000) (2018: HK$Nil) has been charged to the consolidated statement of profit or loss (2018: HK$Nil) (notes 9 and 28).

26. PROVISION

	Onerous contract	
	2019	2018
	HK$'000	HK$'000
At 1 October	**–**	1,208
Utilisation of provision	**–**	(1,208)
Carrying amount at 30 September included in current liabilities	**–**	–

The onerous contract at 1 October 2017 represented the estimated present value of the future lease payments on the Group's former factory premises in the PRC, that the Group was obliged to make under a non-cancellable operating lease contract. In January 2018, the Group moved its production base from its former factory premises in Songgang, Shenzhen, the PRC, to its current production facility in Guangming New District, Shenzhen, the PRC. The lease contract for the old factory premises expired on 31 March 2018.

27. DEFINED CONTRIBUTION PENSION PLANS

HKSAR

The Group joined a Mandatory Provident Fund Scheme (the "MPF Scheme") for all employees in HKSAR. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. During the year, the retirement benefit scheme contributions charged to the consolidated statement of profit or loss amounted to HK$703,000 (2018: HK$481,000) (note 11), representing contributions payable to the fund by the Group at rates specified in the rules of the MPF Scheme.

27. DEFINED CONTRIBUTION PENSION PLANS – *continued*

Mainland China

The employees of the Group's subsidiaries in Mainland China are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiaries are required to contribute 8% or 15% of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. The total contribution made for the year was HK$4,313,000 (2018: HK$4,931,000) (note 11). No forfeited contributions may be used by the employer to reduce the existing level of contributions.

Japan

The employees of Group's subsidiary in Japan are required to participate in the employee's welfare pension insurance programme operated by the local government institution. Under the programme, the employer and employees are each required to make contributions at rates specified in the rules. The Group has no further payment obligations once the contributions have been paid. The total contribution made for the year was HK$12,000 (2018: HK$Nil) (note 11).

28. DEFERRED TAX LIABILITIES

The following is the deferred tax liability recognised and the movements thereon in the current and prior years.

	In respect of withholding tax on undistributed profits of a subsidiary HK$'000	Loan from a non-controlling shareholder measured at fair value HK$'000	Loan from the immediate holding company measured at fair value HK$'000	Total HK$'000
At 1 October 2017	1,711	–	–	1,711
Deferred tax impact of loan from a non-controlling shareholder measured at fair value (note 25)	–	2,294	–	2,294
Charge/(credit) to the consolidated statement of profit or loss (notes 12 and 25)	302	(73)	–	229
Currency realignment	(68)	–	–	(68)
Carrying amount at 30 September 2018 and 1 October 2018	1,945	2,221	–	4,166
Deferred tax impact of loan from the immediate holding company measured at fair value (note 25)	–	–	3,591	3,591
Charge/(credit) to the consolidated statement of profit or loss (notes 12 and 25)	1,499	(731)	(25)	743
Currency realignment	(109)	–	1	(108)
Carrying amount at 30 September 2019	**3,335**	**1,490**	**3,567**	**8,392**

28. DEFERRED TAX LIABILITIES – *continued*

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate (5%) may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by its subsidiary established in Mainland China in respect of earnings generated from 1 January 2008. During the year ended 30 September 2019, a provision of HK$1,499,000 has been charged to the consolidated statement of profit or loss representing 5% unremitted earnings incurred in the year ended 30 September 2019 (2018: HK$302,000).

At the reporting date, based on the estimation of future profit streams, the Group has unrecognised gross deferred tax assets (before applying tax rates prevailing in the respective jurisdictions) in respect of unused tax losses and other temporary differences available for offset against future profits, analysed as follows:

	2019 HK$'000	2018 HK$'000
Unused tax losses	**103,550**	101,904
Other temporary differences	**3,710**	3,299
	107,260	105,203

The Group records deferred tax assets in respect of tax losses and other tax credits only where there is a reasonable expectation that these tax losses and credits will be utilised in the foreseeable future. Based on forecast income streams and having considered potential future earnings volatility, the Group does not anticipate the utilisation of any significant proportion of these unrecognised tax losses and other tax credits or the material reversal of the other deferred tax temporary differences in the foreseeable future. The tax losses and other tax credits arising from subsidiaries incorporated in HKSAR will not expire under current tax legislation and can be carried forward indefinitely.

The tax losses arising from the subsidiary incorporated in Japan have no expiry dates. The tax losses arising from the subsidiaries established in Mainland China of approximately HK$1,646,000 (2018: HK$Nil) will be expired if they are not utilised to set off against the taxable profits within five years from the year in which they arose under the current tax legislation in Mainland China.

29. SHARE CAPITAL

	Number of ordinary shares of HK$0.001 each	Amount HK$
Authorised:		
At 1 October 2017, 30 September 2018 and 30 September 2019	500,000,000	500,000
Issued and fully paid:		
At 1 October 2017	300,000,000	300,000
Issue of shares upon exercise of share options (note (i))	5,495,000	5,495
At 30 September 2018 and 30 September 2019	**305,495,000**	**305,495**

Notes:

(i) In June 2018 and September 2018, the subscription rights attaching to 794,332 share options and 4,700,668 share options respectively, in aggregate 5,495,000 share options, were exercised at a subscription price of HK$1.50 per share, resulting in the issue of 5,495,000 new shares at par value of HK$0.001 each for a total cash consideration of HK$8,242,000. HK$8,237,000 representing the difference between the subscription price and the par value was added to share premium. In addition, HK$2,498,000 representing that portion of the share option reserve in relation to the exercise of the share options during the year ended 30 September 2018, 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.

30. SHARE PREMIUM

	HK$'000
At 1 October 2017	85,502
Arising from issue of shares on exercise of share options (note (i))	10,735
At 30 September 2018 and 30 September 2019	**96,237**

Note:

(i) As detailed in note 29(i) above, in June 2018 and September 2018, subscription rights attaching to 794,332 share options and 4,700,668 share options respectively, in aggregate 5,495,000 share options, were exercised at a subscription price of HK$1.50 per share, resulting in the issue of 5,495,000 new shares at par value of HK$0.001 each for a total cash consideration of HK$8,242,000. HK$8,237,000 representing the difference between the subscription price and the par value was added to share premium. In addition, HK$2,498,000 representing that portion of the share option reserve in relation to the exercise of the share options during the year ended 30 September 2018, was transferred from the share option reserve to share premium account.

31. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

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

As at 30 September 2019, the total number of shares available for issue under the scheme was 30,000,000 (2018: 30,000,000) representing around 10% of the issued share capital of the Company immediately following the commencement of dealings in the shares of the Company on the Stock Exchange of Hong Kong. The aggregate number of shares which may be issued upon exercise of all outstanding options granted and to be exercised under the Scheme and any other share option scheme of the Company, must not in aggregate exceed 10% of the Company's shares in issue as at the listing date. The 10% limit may be refreshed at any time by obtaining approval of the Company's shareholders in general meeting provided that the total number of the Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme of the Company, must not exceed 10% of the Company's shares in issue as at the date of the approval of the refreshed limit.

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

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

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

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

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

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

31. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS – *continued*

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. For the year ended 30 September 2018, the Company recognised a share-based compensation charge to profit or loss in respect of these options granted of HK$2,233,000 (including a HK$815,000 accelerated vesting charge due to early vesting of share options as explained below).

794,332 share options were exercised under the rules of the Scheme between 1 October 2017 and 21 August 2018. 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 entire issued share capital of the Company. On the same day, six option shares vendors entered into six options shares agreements in relation to the sale and purchase of 4,166,668 option shares. A further 534,000 option shares were exercised following the sale and purchase agreement bringing the total of share option shares exercised in the year ended 30 September 2018 to 5,495,000.

Additionally, as part of the mandatory unconditional cash offer following the sale and purchase agreement, a cash offer was made by the Offeror and the Offeror received valid acceptances in respect of a total of 905,000 share options prior to 30 September 2018 under the cash offer. At the same time, the Company cancelled such share options and HK$396,000, representing the relevant portion of the share option reserve, was transferred to retained profits. On 5 October 2018, the Offeror received valid acceptances in respect of the remaining 600,000 share options and these share options were cancelled and accordingly, HK$295,000, representing the relevant portion of the share option reserve, was transferred to retained profits.

On 3 April 2019, the Company granted 6,192,000 share options to Directors, employees and other eligible participants with an exercise price of HK$3.13 per share. The share options vest over a period of three years starting from the date of the grant by one-third each anniversary and are fully vested on 3 April 2022. The share options granted are exercisable after one year but not exceeding ten years from the date of the grant. For the year ended 30 September 2019, the Company recognised a share-based compensation charge of HK$2,602,000 to profit or loss in respect of these options.

The fair value of the options granted on 3 April 2019 ("Valuation Date") has been 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%

31. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS – *continued*

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 the Valuation Date. 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% has been adopted.

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.

Based on the fair values derived from the above pricing model, the fair value of the share options granted during the year ended 30 September 2019 was approximately HK$8,854,000 (HK$1.4299 each), of which HK$2,602,000 was charged as share-based compensation expense to profit or loss for the year then ended.

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 Scheme during the year ended 30 September 2019 are as follows:

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

Note:

The weighted average share price at the date of exercise of options exercised during the year was HK$Nil (2018: HK$4.04).

31. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS – *continued*

The movement in the number of share options under the Scheme during the year ended 30 September 2018 are as follows:

	Date of grant	Exercise price HK$	Outstanding at 1 October 2017	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 30 September 2018
Executive Directors							
Mr. Henry Woon-hoe Lim	3.4.2017	1.50	1,500,000	–	(1,500,000)	–	–
Mr. Ho Hon Ching	3.4.2017	1.50	1,000,000	–	(1,000,000)	–	–
Non-executive Director							
Mr. Simon Nai-cheng Hsu	3.4.2017	1.50	500,000	–	(500,000)	–	–
Independent non-executive Directors							
Mr. Pochin Christopher Lu	3.4.2017	1.50	300,000	–	–	–	300,000
Mr. Danny J Lay	3.4.2017	1.50	300,000	–	–	–	300,000
Ms. Hui Leung Ching Patricia	3.4.2017	1.50	300,000	–	–	(300,000)	–
Other eligible participants	3.4.2017	1.50	3,100,000	–	(2,495,000)	(605,000)	–
			7,000,000	–	(5,495,000)	(905,000)	600,000
Weighted average exercise price			HK$1.50	–	HK$1.50	HK$1.50	HK$1.50

As at 30 September 2019, the total number of share options outstanding were 6,192,000 (2018: 600,000).

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

Share-based compensation expenses of HK$2,602,000 (2018: HK$2,233,000, including a HK$815,000 accelerated vesting charge due to the early vesting of share options issued by the Company in prior year in relation to the mandatory unconditional cash offer), were charged to the consolidated statement of profit or loss for the year (note 11).

32. RESERVES

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity on pages 70 to 71 of the financial statements.

Share premium

The share premium comprises the excess of the proceeds received over the par value of the shares of the Company issued at a premium, less the amount of expenses incurred in connection with the issue of the shares and on exercise of share options, the amount previously recognised in the share option reserve is transferred to share premium.

Share option reserve

The fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in the share option reserve. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest and the impact of the revision of these estimates, if any, is recognised in the statement of profit or loss over the remaining vesting period, with a corresponding adjustment to the share option reserve.

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

Other reserve

The other reserve includes the waiver of: (i) amount due from the former ultimate holding company amounting to HK$5,640,000 during the year ended 30 September 2013; (ii) amounts payable to a fellow subsidiary amounting to HK$4,911,000 during the year ended 30 September 2015; and (iii) amounts receivable from a fellow subsidiary amounting to HK$1,766,000 during the year ended 30 September 2015.

During the year ended 30 September 2018, the HK$100,000,000 loan from a non-controlling shareholder was measured at fair value on inception resulting in a fair value gain of HK$11,608,000, net of deferred tax, which was credited to the other reserve (note 25).

During the year ended 30 September 2019, the US$50,000,000 or HK$391,970,000 loan from the immediate holding company was measured at fair value on inception resulting in a fair value gain of HK$18,174,000, net of deferred tax, which has been credited to the other reserve (note 25).

Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the PRC subsidiaries are required to appropriate 10% of its profit after tax, prepared in accordance with the accounting regulation in the PRC, to the statutory reserve fund until the statutory reserve balance reaches 50% of the registered capital. Such reserve may be used to reduce any losses incurred or to increase capital.

Translation reserve

The translation reserve comprises the exchange differences arising on the translation of the financial statements of foreign operations.

33. RECONCILIATION OF THE INCREASE IN CASH AND CASH EQUIVALENTS TO THE MOVEMENT IN NET CASH

	Notes	2019 HK$'000	2018 HK$'000
Net increase in cash and cash equivalents		268,613	117,370
Effect of foreign exchange rates		75	(1,606)
Net movement in cash and cash equivalents		268,688	115,764
Bank borrowings repaid		46,135	5,759
Other loan from the immediate holding company measured at fair value on inception	25	(370,205)	–
Other loan from a non-controlling shareholder measured at fair value on inception	25	–	(86,098)
Imputed interest on other loan from the immediate holding company	9	(150)	–
Imputed interest on other loan from a non-controlling shareholder	9	(4,428)	(442)
Effect of foreign exchange rates on bank borrowings		308	309
Net cash at 1 October		63,652	28,360
Net cash at 30 September		4,000	63,652
Represented by:			
Cash and cash equivalents	22	474,683	205,995
Interest-bearing bank borrowings – amounts due within one year	25	(9,362)	(55,803)
Other borrowings – amounts due more than one year	25	(461,321)	(86,540)
		4,000	63,652

34. PLEDGE OF ASSETS

At 30 September 2019, the banking facilities of the Company's wholly-owned subsidiaries based in Mainland China and HKSAR, amounted to approximately HK$31,365,000, (2018: HK$116,500,000) 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. At 30 September 2019, the amount drawn down under the asset-backed lending facility was HK$9,362,000 (2018: HK$33,013,000), the import loan facility was HK$Nil (2018: HK$9,603,000) and the term loan was HK$Nil (2018: HK$13,187,000) (note 25).

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings HK$'000	Other loans HK$'000	Total HK$'000
At 1 October 2018	55,803	86,540	142,343
Changes from financing cash flows:			
Net outflow in trust receipts and export loans	(241)	–	(241)
Proceeds from invoice discounting facility	112,618	–	112,618
Repayments of invoice discounting facility	(145,325)	–	(145,325)
Repayments of term loan	(13,187)	–	(13,187)
Interest paid	(958)	–	(958)
Proceeds from other loan from the immediate holding company (note 25)	–	313,576	313,576
Total changes from financing cash flows	(47,093)	313,576	266,483
Other changes:			
Interest expenses	958	4,578	5,536
Effect of foreign exchange rates	(306)	(2)	(308)
Non-cash proceeds from other loan from the immediate holding company (note 25)	–	78,394	78,394
Fair value gain on loan from the immediate holding company measured at fair value on inception (note 25)	–	(21,765)	(21,765)
Total other changes	652	61,205	61,857
At 30 September 2019	9,362	461,321	470,683

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES – *continued*

	Bank borrowings HK$'000	Other loan HK$'000	Total HK$'000
At 1 October 2017	61,871	–	61,871
Changes from financing cash flows:			
Net outflow in trust receipts and export loans	(2,105)	–	(2,105)
Proceeds from invoice discounting facility	323,335	–	323,335
Repayments of invoice discounting facility	(327,085)	–	(327,085)
Proceeds from term loan	3,654	–	3,654
Repayments of term loan	(3,558)	–	(3,558)
Interest paid	(2,052)	–	(2,052)
Proceeds from other loan from a non-controlling shareholder (note 25)	–	100,000	100,000
Total changes from financing cash flows	(7,811)	100,000	92,189
Other changes:			
Interest expenses	2,052	442	2,494
Effect of foreign exchange rates	(309)	–	(309)
Fair value gain on loan from a non-controlling shareholder measured at fair value on inception (note 25)	–	(13,902)	(13,902)
Total other changes	1,743	(13,460)	(11,717)
At 30 September 2018	55,803	86,540	142,343

36. CAPITAL COMMITMENTS

	2019 HK$'000	2018 HK$'000
Contracted but not provided for:		
Property, plant and equipment	**817**	–

37. CONTINGENT LIABILITIES

As at 30 September 2019, the Group did not have any material contingent liabilities (2018: HK$Nil).

38. OPERATING LEASE COMMITMENTS

The Group as lessee

At the reporting date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019			2018
	Premises HK$'000	Office equipment HK$'000	Total HK$'000	Premises HK$'000
Operating leases which expire:				
Within one year	**11,086**	**10**	**11,096**	7,953
In the second to fifth years inclusive	**35,290**	**11**	**35,301**	31,471
Over five years	**11,582**	**–**	**11,582**	20,739
	57,958	**21**	**57,979**	60,163

Operating lease payments represent rentals payable by the Group for certain of its office properties and factories and office equipment. The leases run for an initial period of 3 months to 6 years (2018: 3 months to 7 years) with an option to renew the leases and renegotiate the terms at the expiry date or dates as mutually agreed between the Group and the respective landlords. None of the leases contain contingent rentals.

39. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed in the financial statements, the Group entered into the following significant transactions with related parties during the year.

During the year ended 30 September 2019, the Group supplied goods with a value of approximately HK$Nil (2018: HK$2,021,000) to related companies. During the year ended 30 September 2019, the Group purchased property, plant and equipment from related companies of HK$Nil (2018: HK$633,000). The related companies were fellow subsidiaries of the Company up until 21 August 2018 and Mr. Simon Nai-cheng Hsu, a Director of the Company who resigned on 11 October 2018, had a beneficial interest in these companies. Details of the other loans from the immediate holding company and non-controlling shareholder are set out in note 25 to the financial statements.

During the year ended 30 September 2019, the Group received services fee in relation to the provision of data centre services from a fellow subsidiary of the Company amounting to HK$2,461,000 (2018: HK$Nil).

The key management personnel are the Directors and the five highest paid individuals of the Company. The details of the emoluments paid to them are set out in note 13.

Except as disclosed above, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

40. FINANCIAL RISK MANAGEMENT AND POLICIES

The Group is exposed to a variety of financial risks: market risk (including foreign currency risk), interest rate risk, fair value risk, credit risk and liquidity risk. The Group's overall risk management focuses on unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the Board of Directors (the "Board"). The Group does not have written risk management policies. However, the Company's Directors meet regularly and co-operate closely with key management to identify and evaluate risks and to formulate strategies to manage financial risks.

Foreign currency risk

Foreign currency risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

The Group's foreign currency risk is mainly concentrated on the fluctuation of the US$ against the RMB.

	2019 HK$'000	2018 HK$'000
Trade receivables	**38,328**	61,016
Cash and cash equivalents	**43,675**	75,494
Trade payables	**(3,466)**	(5,793)
Borrowings	**(9,362)**	(34,186)
Gross exposure arising from recognised financial assets and liabilities	**69,175**	96,531

Assuming sensitivity to a 5% increase where the RMB strengthens against the US$ there would be an increase in profit of approximately HK$3.5 million for the year (2018: HK$4.8 million). For a 5% weakening of the currency there would be an equal and opposite impact on profit or loss. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the reporting date for a 5% change in foreign currency rates.

40. FINANCIAL RISK MANAGEMENT AND POLICIES – *continued*

Interest rate risk

The Group's exposure to interest rate risk relates principally to its interest-bearing bank borrowings. The interest-bearing bank borrowings have floating and fixed interest rates and are mainly denominated in HK$, RMB and US$. The interest rates and terms of repayment of interest-bearing bank borrowings of the Group are disclosed in note 25. At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations. However, the Group will constantly review the economic situation and its interest rate profile and will consider appropriate hedging measures in the future which may be necessary.

The net interest expense experienced by the Group is HK$4,960,000 (2018: HK$2,295,000) for the year. If there were a 1% increase/(decrease), the net interest would increase/(decrease) by approximately HK$2,321,000 (2018: HK$887,000) for the year.

Fair value risk

The fair values of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial assets and liabilities.

The fair value of non-current financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's credit risk primarily relates to the Group's time deposits and bank balances, trade receivables and other receivables. The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at end of the financial period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position. In order to minimise the risk, the Board closely monitors overdue debts. The recoverable amount of each individual debt is reviewed at each reporting period and adequate allowance for doubtful debts has been made for irrecoverable amounts. In this regard, the Board considers that credit risk associated with the Group's trade receivables and other receivables is significantly reduced.

(i) Bank balances

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and reputable banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

40. FINANCIAL RISK MANAGEMENT AND POLICIES – *continued*

Credit risk – *continued*

(ii) Trade receivables

As at 30 September 2019, trade receivables of HK$27,122,000 (2018: HK$43,624,000) were contributed by the top five customers. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9, which permits the use of the lifetime ECL provision for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECLs also incorporate forward-looking information. The ECL rate of collectively assessed trade receivables that were neither past due nor impaired is 0.05%, past due between 0 to 60 days is 0.25% and past due more than 60 days is 5.26%. The Directors consider that there are no significant credit risk on trade receivables due to the past payment history and taking into account of the sound financial performance and position of the debtors to meet contractual cash flow obligations in the near term. Accordingly, the ECL rate on trade receivables was assessed to be minimal and no provision was made for the year.

(iii) Other receivables

The Group has adopted general approach to measure ECLs on financial assets included in prepayments, deposits and other receivables, and other financial assets at amortised cost. Under the general approach, the Group applies the "3-stage" impairment model for ECLs measurement based on change in credit risk since initial recognition as follows:

Stage 1: If the credit risk of the financial instrument has not increased significantly since initial recognition, the financial instrument is included in Stage 1.

Stage 2: If the credit risk of the financial instrument has increased significantly since its initial recognition but is not deemed to be credit-impaired, the financial instrument is included in Stage 2.

Stage 3: If the financial instrument is credit-impaired, the financial instrument is included in Stage 3.

The ECLs for financial instruments in Stage 1 are measured at an amount equivalent to 12-month ECLs whereas the ECLs for financial instruments in Stage 2 or Stage 3 are measured at an amount equivalent to lifetime ECLs.

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

Having regard to industry practice and relevant regulation, as well as the background and behaviour of the debtors/counterparties, the Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due unless the Group has reasonable and supportable information that demonstrates otherwise. In addition, the Group considers that a financial asset to be in default when: (i) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is more than 90 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate.

40. FINANCIAL RISK MANAGEMENT AND POLICIES – *continued*

Credit risk – *continued*

At the end of the reporting period, the Group assesses whether a financial asset is credit-impaired. A financial asset is considered as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the debtor;

(b) a breach of contract, such as a default or past due event;

(c) granting a concession to the debtors that the debtor would not otherwise consider for economic or contractual reasons relating to the debtor's financial difficulty; or

(d) it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

The Group makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience as well as ECL assessment. The Directors believe that there is no material credit risk inherent in the Group's outstanding balance of deposits and other receivables. Accordingly, the ECL rate on deposits and other receivables was assessed to be minimal and no provision was recognised for the year.

Liquidity risk

The Group's objective is to ensure that adequate funds are available to meet commitments associated with its financial liabilities.

The Group manages its liquidity needs by carefully monitoring short-term and long-term cash outflows on a regular basis. The Group mainly utilises cash to meet its liquidity requirements for periods up to 30 days. Funding for long-term liquidity needs will be considered when liquidity requirements in the long term are identified.

The table that follows analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The contractual maturity analysis that follows is based on the undiscounted cash flows of the financial liabilities and the earliest date the Group can be required to pay.

With regard to the term loan, which contains a repayment on demand clause which can be exercised as the bank's sole discretion, the analysis reflects the cashflow based on the earliest period in which the entity would be required to pay if the lender was to invoke its unconditional right to call the loan with immediate effect. The maturity analysis for borrowings is prepared based on the schedule of repayment dates.

40. FINANCIAL RISK MANAGEMENT AND POLICIES – *continued*

Liquidity risk – *continued*

As at 30 September 2019

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within one year or on demand HK$'000	More than one year but not exceeding two years HK$'000	More than two years but not exceeding five years HK$'000
Non-derivative financial liabilities:					
Trade and other payables	47,162	47,162	47,162	–	–
Bank borrowings	9,362	9,362	9,362	–	–
Other borrowings	461,321	491,970	–	100,000	391,970
	517,845	548,494	56,524	100,000	391,970

As at 30 September 2018

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within one year or on demand HK$'000	More than one year but not exceeding two years HK$'000	More than two years but not exceeding five years HK$'000
Non-derivative financial liabilities:					
Trade and other payables	56,479	56,479	56,479	–	–
Bank borrowings	55,803	55,803	55,803	–	–
Other borrowings	86,540	100,000	–	–	100,000
	198,822	212,282	112,282	–	100,000

The table that follows summarises the maturity analysis of the term loan with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreement. The amounts include interest payments computed using contracted rates. As a result, these amounts are greater than the amounts disclose in the "on demand" time band in the maturity analysis above. Taking into account the Group's financial position, the Directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The Directors are of the opinion that the term loan will be repaid in accordance with the scheduled repayment dates as set out in the loan agreement.

40. FINANCIAL RISK MANAGEMENT AND POLICIES – *continued*

Liquidity risk – *continued*

The maturity analysis of the term loan subject to a repayment on demand clause based on scheduled repayments is as follows:

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within one year HK$'000	After one year but less than two years HK$'000	After two years but less than five years HK$'000
As at 30 September 2019	**–**	**–**	**–**	**–**	**–**
As at 30 September 2018	13,187	13,732	6,711	3,473	3,548

Summary of financial assets and liabilities by category

The carrying amounts of financial assets and liabilities presented in the consolidated statement of financial position relate to the following categories:

Financial assets:

	2019 HK$'000	2018 HK$'000
Financial assets at amortised cost:		
Trade and other receivables*	**53,679**	–
Pledged bank deposit	**7,851**	–
Cash and bank balances	**474,683**	–
Loans and receivables:		
Trade and other receivables*	**–**	64,618
Cash and bank balances	**–**	205,995
	536,213	270,613

* Excluded from trade and other receivables as disclosed in the consolidated statement of financial position of HK$54,682,000 as at 30 September 2019 (2018: HK$65,949,000), is an amount of HK$1,003,000 representing prepayments (2018: HK$1,331,000).

40. FINANCIAL RISK MANAGEMENT AND POLICIES – *continued*

Summary of financial assets and liabilities by category – *continued*

Financial liabilities:

	2019 HK$'000	2018 HK$'000
Financial liabilities measured at amortised cost:		
Trade and other payables	47,162	56,479
Bank borrowings	9,362	55,803
Other borrowings	461,321	86,540
	517,845	198,822

41. CAPITAL MANAGEMENT POLICIES AND RISK

The Group's objectives are: to provide returns for its shareholders; to safeguard the Group's ability to continue as a going concern so that it continues to provide returns and benefits for its stakeholders; to support the Group's stability and growth; and to provide capital for the purpose of strengthening the Group's risk management capability.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to its shareholders and issue new shares to reduce its debt level.

Consistent with other industries, the Group monitors capital on the basis of the debt to equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total interest-bearing bank borrowings and other borrowings less cash and bank balances. Total capital represents total equity, as shown in the consolidated statement of financial position.

	2019 HK$'000	2018 HK$'000
Total net cash (note 33)	4,000	63,652
Total capital	146,745	134,887
Debt to equity ratio	N/A	N/A

42. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 30 September 2019 are as follows:

Name of company	Place of incorporation or establishment and type of legal entity	Issued and fully paid shares	Effective interest held by the Company		Principal activities
			2019	2018	
Interest held directly					
Pantene Industrial Co. Limited	HKSAR/Limited liability company	100 shares of HK$10,000	100%	100%	Sale and distribution of power-related and electrical/electronic products
Pantronics International Holdings Limited	HKSAR/Limited liability company	10 shares of HK$10	100%	100%	Investment holding
Panjet Service Company Limited	HKSAR/Limited liability company	2 shares of HK$2	100%	100%	Investment holding
Grace Harvest Corporation Limited	HKSAR/Limited liability company	1 share of HK$1	100%	100%	Inactive
Panjet (Int'l) Limited	British Virgin Islands ("BVI")/ Limited liability company	1 share of US$1	100%	100%	Inactive
Pantronics (Int'l) Limited	BVI/Limited liability company	1 share of US$1	100%	100%	Inactive
Huobi Hong Kong Limited	HKSAR/Limited liability company	10,000 shares of HK$10,000	100%	N/A	Provision of management services
Huobi APAC Limited	HKSAR/Limited liability company	10,000 shares of HK$10,000	100%	N/A	Investment holding
Huobi Investment Limited	HKSAR/Limited liability company	10,000 shares of HK$10,000	100%	N/A	Investment holding
Huobi International Limited	HKSAR/Limited liability company	10,000 shares of HK$10,000	100%	N/A	Investment holding
Huobi Digital Limited	HKSAR/Limited liability company	10,000 shares of HK$10,000	100%	N/A	Investment holding

42. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES – *continued*

Name of company	Place of incorporation or establishment and type of legal entity	Issued and fully paid shares	Effective interest held by the Company 2019	Effective interest held by the Company 2018	Principal activities
Interest held indirectly					
Pin Xin International Limited	HKSAR/Limited liability company	10,000 shares of HK$10,000	100%	100%	Inactive
Pan Electrium Industrial Company Limited	HKSAR/Limited liability company	5,000,000 shares of HK$5,000,000	100%	100%	Inactive
Shenzhen Pantai Electronic Co., Ltd.*	The People's Republic of China (the "PRC")/Wholly foreign-owned enterprise	Registered capital US$1,700,000	100%	100%	Manufacture and sale of power-related and electrical/electronic products
Pan Guang Limited	BVI/Limited liability company	10,000 shares of US$10,000	100%	100%	Investment holding
Pan Ming Limited	BVI/Limited liability company	10,000 shares of US$10,000	100%	100%	Inactive
Pantene Electronics North America, Inc.	United States of America/ Limited liability company	25,000 shares of US$25,000	100%	100%	After-sales support
Win Techno Inc.	Japan/Limited liability company	JPY100,000,000	100%	N/A	Provision of data centre services and cloud services
深圳市品光企業管理諮詢有限公司*	PRC/Wholly foreign-owned enterprise	Registered capital RMB26,285,630	100%	N/A	Consulting/Property holding
海南火動科技有限公司*	PRC/Wholly foreign-owned enterprise	Registered capital US$1,000,000	100%	N/A	Network technical support, technical consultant, information technical service etc
海南火鏈網絡科技有限公司*	PRC/Wholly foreign-owned enterprise	Registered capital US$1,000,000	100%	N/A	Network technical support, technical consultant, information technical service etc

* Established in the Mainland China as a wholly foreign-owned enterprise.

42. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES – *continued*

Unless otherwise specified under "Principal activities", the above subsidiaries operate principally in their respective places of incorporation or registration.

The above list includes the subsidiaries of the Company which, in the opinion of the Company's Directors, principally affected the results for the year or formed a substantial portion of the assets and liabilities of the Group. To give details of all the other subsidiaries would, in the opinion of the Company's Directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the reporting period or at any time during both years.

43. BUSINESS COMBINATION

On 19 July 2019, the Group entered into a sale and purchase agreement for the acquisition of 100% of the equity interest in Win Techno Inc., which is principally engaged in the provision of data centre services and cloud services, at a consideration of HK$6,000,000 which has been settled by cash. The acquisition was made with the aim to explore new business opportunities and achieve long-term return to the shareholders.

Acquisition-related costs have been excluded from the consideration transferred. The costs were HK$111,000 and have been expensed and are included in "administrative expenses" in the consolidated statement of profit or loss.

The fair values of identifiable assets and liabilities of the subsidiary as at 30 July 2019 (date of completion) and the goodwill arising therefrom were as follows:

	Fair value recognised at 30 July 2019 HK$'000	**Carrying value recognised at 30 July 2019** HK$'000
Property, plant and equipment	12,107	12,107
Trade and other receivables	1,669	1,669
Cash and bank balances	149	149
Accruals and other payables	(8,099)	(8,099)
Total identifiable net assets and liabilities acquired	5,826	5,826
Goodwill (note 18)	174	
Consideration satisfied by cash	6,000	

The fair value of assets acquired and liabilities assumed approximated the gross contractual amounts. The goodwill arose in the above acquisition because the consideration included business potential in Japan where the Group continues to look for business opportunities. None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

43. BUSINESS COMBINATION – *continued*

An analysis of the cash flows in respect of the acquisition is as follows:

	HK$'000
Cash consideration paid	(6,000)
Cash and bank balances	149
Net cash outflow	(5,851)

Since the acquisition, the acquired business contributed revenue of approximately HK$2,466,000 and loss of approximately HK$329,000 to the Group's consolidated loss for the year ended 30 September 2019.

The Group's revenue and loss would have been increased by approximately HK$6,177,000 and HK$2,853,000 for the year if the acquisition had been completed on 1 October 2018, This pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 October 2018 nor is it intended for projection of future results.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	230	316
Interests in subsidiaries	110,823	110,774
Deferred tax assets	31	–
	111,084	111,090
Current assets		
Prepayments and other receivables	318	791
Amounts due from subsidiaries	408,072	1,650
Loan to a subsidiary	7,814	–
Cash and bank balances	60,638	15,682
	476,842	18,123
Current liabilities		
Other payables	1,519	5,057
Amount due to a subsidiary	25,725	27,422
Tax payable	990	990
	28,234	33,469
Net current assets/(liabilities)	448,608	(15,346)
Total assets less current liabilities	559,662	95,744
Non-current liabilities		
Other borrowings	443,102	–
Deferred tax liabilities	4,763	–
	447,865	–
Net assets	111,827	95,744
EQUITY		
Share capital	305	305
Reserves (note (i))	111,522	95,439
Total equity	111,827	95,744

The statement of financial position of the Company was approved by the Board of Directors on 16 December 2019 and is signed on its behalf by:

Li Lin *Director*	**Lee Chris Curl** *Director*

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY – *continued*

Note:

(i) Movements in reserves

	Share premium HK$'000	Share option reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 October 2017	85,502	956	99,023	(90,309)	95,172
Issue of shares upon exercise of options (notes 29(i) and 30(i))	10,735	(2,498)	–	–	8,237
Cancellation of share options (note 31)	–	(396)	–	396	–
Equity-settled share-based compensation expenses (note 31)	–	2,233	–	–	2,233
Loss for the year	–	–	–	(10,203)	(10,203)
At 30 September 2018	**96,237**	**295**	**99,023**	**(100,116)**	**95,439**
Cancellation of share options (note 31)	**–**	**(295)**	**–**	**295**	**–**
Equity-settled share-based compensation expenses (note 31)	**–**	**2,602**	**–**	**–**	**2,602**
Fair value gain on loan from the immediate holding company measured at fair value on inception, net of deferred tax (note 25)	**–**	**–**	**18,174**	**–**	**18,174**
Fair value gain on loans from a subsidiary measured at fair value on inception, net of deferred tax	**–**	**–**	**6,667**	**–**	**6,667**
Loss for the year	**–**	**–**	**–**	**(11,360)**	**(11,360)**
At 30 September 2019	**96,237**	**2,602**	**123,864**	**(111,181)**	**111,522**

Other reserve

The other reserve represents a transaction arising from a Group reorganisation of HK$93,383,000 and the waiver of an amount due from the former ultimate holding company amounting to HK$5,640,000 during the year ended 30 September 2013.

During the year ended 30 September 2019, the US$50,000,000 (approximately HK$391,970,000) loan from the immediate holding company was measured at fair value on inception resulting in a fair value gain of HK$18,174,000, net of deferred tax, which has been credited to the other reserve.

During the year ended 30 September 2019, the HK$80,000,000 loans from a subsidiary was measured at fair value on inception resulting in a fair value gain of HK$6,667,000, net of deferred tax, which has been credited to the other reserve.

Details of the share premium and the share option reserve are set out in notes 30 and 32 respectively.

45. COMPARATIVE FIGURES

The comparative figure of impairment loss on trade receivables has been reclassified from administrative expenses and disclosed as a separate line item in the consolidated statement of profit or loss. The Company's Directors consider that such reclassification better reflects the nature of the transaction under the adoption of HKFRS 9.

46. EVENTS AFTER THE REPORTING PERIOD

Apart from the change of the Company's name and the conversion of cryptocurrencies amounting to HK$78,394,000 into fiat currency of HK$78,343,000 as set out in notes 1 and 21 respectively, the following significant events took place subsequent to 30 September 2019:

On 16 October 2019, 3,650,000 share options with an exercise price of HK$4.36 per share to subscribe for 3,650,000 ordinary shares at par value of HK$0.001 each in the Company were granted to the employees and other eligible participants. The Company adopted a share option scheme (the "Scheme") with effect from 27 October 2016. The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The main purpose of the Scheme is to recognise and acknowledge the contributions eligible participants have made to the Group.

Details of the share options granted had been disclosed in the Company's announcement dated 16 October 2019.

On 28 October 2019, the Company was granted to use the trademark as the Group's logo from Huobi Global Limited, a company incorporated with limited liability under the law of Seychelles and is indirectly controlled by Mr. Li Lin, a Director of the Company, with a nominal consideration of HK$1. The licensed period shall be three years and renewable. On the same date, the Company was assigned to use the Domain name "www.huobitech.com" from Mr. Lan Jianzhong, a Director of the Company, with a nominal consideration of HK$1.

Five Years Financial Summary

For the year ended 30 September

	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Results					
Revenue	**312,341**	345,411	306,422	289,002	327,634
Profit before income tax	**8,692**	10,860	10,034	23,423	43,187
Income tax expense	**(14,768)**	(4,269)	(4,840)	(8,759)	(9,979)
(Loss)/profit for the year	**(6,076)**	6,591	5,194	14,664	33,208
Attributable to:					
Owners of the Company	**(6,076)**	6,591	5,194	14,664	33,208

	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Assets and liabilities					
Total assets	**690,015**	351,132	240,689	175,917	178,933
Total liabilities	**(543,270)**	(216,245)	(132,093)	(144,944)	(101,258)
Net assets	**146,745**	134,887	108,596	30,973	77,675
Equity attributable to owners of the Company	**146,745**	134,887	108,596	30,973	77,675

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