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)

2020
INTERIM REPORT

CONTENTS

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Li Lin *(Chairman and Chief Executive Officer)*
Mr. Lee Chris Curl *(Chief Financial Officer)*
Mr. Lan Jianzhong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Duan Xiongfei
Mr. Yip Wai Ming
Mr. Ngai Matthew Cheuk Yin

AUDIT COMMITTEE

Mr. Yip Wai Ming *(Chairman)*
Mr. Duan Xiongfei
Mr. Ngai Matthew Cheuk Yin

REMUNERATION COMMITTEE

Mr. Ngai Matthew Cheuk Yin *(Chairman)*
Mr. Lan Jianzhong
Mr. Yip Wai Ming

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

Mr. Duan Xiongfei *(Chairman)*
Mr. Yip Wai Ming
Mr. Lee Chris Curl

REGISTERED OFFICE

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PRINCIPAL BANKER

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BVI PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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AUDITOR

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JOINT COMPANY SECRETARIES

Mr. Lee Chris Curl
Mr. Ng Gilbert Man Him

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 interim report of the Group for the six months ended 31 March 2020.

EXTERNAL ENVIRONMENT

With the advent of the black swan event, the only thing certain seems to be the rise of volatility. Due to the outbreak of the COVID-19 pandemic across the world, we have witnessed several "epic fluctuations that should not have occurred in a short period of time". Only over a month, the U.S. stock market recorded its largest single-day decline since 1987, Brent crude futures recorded the most significant single-week decline since January 1991, WTI crude futures dipped negative for the first time, and the VIX reached all-time high.

Drastic market fluctuations have exerted a significant impact on global production and trade activities in terms of supply and demand. The World Trade Organization predicted that global trade may shrink by 13% to 32% this year, such decline may be worse than the international financial crisis happened in 2008. Meanwhile, the International Monetary Fund estimated that the entire global economy will shrink by 3% this year. We may experience the worst recession since the Great Depression. The effectiveness of the monetary and fiscal policies as macroeconomic adjustment tools based on Keynesian theory is facing significant challenges.

BUSINESS OVERVIEW

The growing uncertainties in the external environment have put considerable pressure on the manufacturing business of the Group. In response to the epidemic prevention and control by the PRC government, the Company's original resumption arrangement after Chinese New Year was postponed, which is affecting the production capacity of the manufacturing business in the first quarter. At the same time, major customers decided to reduce orders, which is significantly slashing the sales of our manufacturing business in March.

Despite the external pressure, the management of the Group continued to actively explore potential business opportunities and maintain sustainable development to ensure stable production and orderly operation on the best endeavor basis. In making unremitting efforts, the Group succeeded in resuming a full production capacity of the factory in Guangming District, Shenzhen in March, and received special subsidies from the Shenzhen government for companies affected by China-US trade tension. In addition, upon completion of the acquisition of Win Techno Inc. in July 2019, the Group has actively developed cloud software and database services for global customers from innovative technology sector, including blockchain, fintech and big data. In March, two supplementary agreements were reviewed and approved in the extraordinary general meeting, and the related income is expected to get further increase in the future.

MACROCOSMIC VIEWPOINT

From negative interest rates to negative oil price, the world seems to constantly challenge human cognitive boundaries by presenting us an omen that we are in an unusual abnormality. Prior to the outbreak of the COVID-19 pandemic, it was difficult to imagine that the simplest living organism in nature would cause such a huge impact on the most complicated economic cooperation and division of labor formed in the history of the most advanced living organism over decades. However, any tremendous historical disaster would eventually culminate with a historical progress.

We found that the decrease in the liquidity of the physical world seems to promote the liquidity of the digital world, and being digitalized becomes a reality. Subject to stay-at-home quarantine, thousands of teachers and students continue to teach and learn on the internet. Countless employees were forced to work from home, but they continue to consummate transactions over the internet. The division and cooperation of labor among humans have never been migrated to the internet on such a large scale, and the exchange of information between humans has never occurred in digital form in such a large proportion. Perhaps, new changes are breading new business species.

We believe that the increased short-term volatility does not signify a long-term reversal. The second law of thermodynamics determines that an isolated economy finds it difficult to maintain long-term, orderly, efficient, and sustainable economic activities in the absence of external forces. Global production activities and technological innovations will remain as the major momentum for global economic development in the future.

According to a 2020 first quarter statistics available from a third-party institution, we notice that the short-term external volatility does not appear to impede the motivation and action of long-term capital influx into the cutting-edge financial technologies, such as the blockchain sector. On one hand, the People's Bank of China has been steadily pushing the DCEP and may have a future plan for a closed-looped test in certain regions so as to continue optimizing and improving its functions. On the other hand, the Libra Project White Paper v2.0 in the US has introduced a new implementation scheme focusing on the "anchoring single fiat currency and could being regulated". These events emphasize that the blockchain technology is well recognized by both governments and tech giants as a new technological infrastructure for the next generation of industrial upgrade across the world, thereby promoting blockchain industry development to a new height.

The Group always recognizes its long-term business development as our core focus. In addition to maintaining our stable development in the manufacturing business and safeguarding our operating cash flow, the Company will persist in pursuing much more efficient capital and resource allocation in any such technological innovation that ultimately drives the improvement in global productivity and production efficiency, ***in particular those innovations advancing the development in the new generation of digital finance infrastructure that is built on the blockchain technology and centred on the development of internet of value.***

FUTURE PROSPECTS

Looking ahead, the Group anticipates an ongoing suppression on major customer's demands due to the risk of the pandemic spreading across the world. Considering that mainland China scales up the implementation of work and production resumption and economic stimulus policies, and our efficiency improvement strategy introduced at the inception of last year, we remain optimistic and anticipate a higher probability of moderate growth in the manufacturing business in the midst of the pandemic deceleration. Due to limited impacts of the pandemic, as well as benefiting from the continuous development of the blockchain industry across the globe, the Group's emerging business operation will continue to maintain a good development momentum.

The Group believes that its persistence in long-term mentality and the business development strategy will generate reasonable shareholders' returns in the future.

On behalf of the Board,

Li Lin
Chairman

HKSAR
29 May 2020

MATERIAL EVENTS

Change of Company Name

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

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

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

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

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

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

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

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

Shareholding restructuring of the Company

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

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

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

PERFORMANCE REVIEW

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

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

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

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

BUSINESS REVIEW

Power-related & electrical/electronic products business

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

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

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

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

Technology solution business

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

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

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

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

NON-OPERATING EXPENSES OVERVIEW

Other income

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

Administrative expenses

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

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

Finance costs

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

(Loss)/Profit before income tax

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

Income tax expense

Income tax expense decreased from approximately HK$9.5 million for Period 2019 to approximately HK$0.2 million for Period 2020, representing a decrease of approximately HK$9.3 million. The decrease is attributed to the impact of a one-off expense of approximately HK$6.9 million for the one-time transfer of land use rights and certain buildings from one PRC wholly-owned subsidiary to another as part of an internal restructuring/reorganisation of the Group for the Period 2019.

Losses after income tax

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

Dividend

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

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

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

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

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

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

CASH FLOW FROM OPERATING ACTIVITIES

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

CASH FLOW FROM INVESTING ACTIVITIES

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

CASH FLOW FROM FINANCING ACTIVITIES

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

CAPITAL EXPENDITURE

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

TREASURY MANAGEMENT

During Period 2020, there has been no material change in the Group's funding and treasury policies. The Group had a sufficient level of cash and banking facilities for the conduct of its trade in the normal course of business.

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

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

CHARGE ON GROUP ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

CONTINGENT LIABILITIES

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

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

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

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

As at the date of this 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 aforementioned.

COMMITMENTS

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

FOREIGN CURRENCY RISK

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

EMPLOYEES

As at 31 March 2020, the Group had 656 employees (30 September 2019: 672) working in mainland China, HKSAR, Japan, Singapore and the USA. The Group has adopted certain bonus programmes, which are determined annually based on certain criteria including performance of the Company and individual employees. The total employment costs (including Directors' remuneration and mandatory provident fund contributions) for Period 2020 amounted to approximately HK$43.3 million (Period 2019: HK$40.1 million).

OUTLOOK

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

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

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TO THE BOARD OF DIRECTORS OF HUOBI TECHNOLOGY HOLDINGS LIMITED
(incorporated in the British Virgin Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 12 to 53, which comprise the condensed consolidated statement of financial position of Huobi Technology Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 31 March 2020 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "interim financial information"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim financial information based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

BDO Limited
Certified Public Accountants

Chiu Wing Cheung Ringo
Practising Certificate no. P04434
Hong Kong, 29 May 2020

Condensed Consolidated Statement of Profit or Loss

	Notes	Six months ended 31 March 2020 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)
Revenue	6	**117,458**	166,687
Cost of sales and services		**(95,716)**	(135,595)
Gross profit		**21,742**	31,092
Other income	7	**3,272**	4,435
Interest income	8	**2,359**	100
Selling and distribution expenses		**(1,824)**	(3,487)
Administrative expenses		**(46,593)**	(21,285)
Finance costs	9	**(9,015)**	(3,045)
(Loss)/profit before income tax	10	**(30,059)**	7,810
Income tax expense	11	**(150)**	(9,451)
Loss for the period		**(30,209)**	(1,641)
Loss for the period attributable to owners of the Company		**(30,209)**	(1,641)

	Notes	Six months ended 31 March 2020 HK cents (Unaudited)	2019 HK cents (Unaudited)
Losses per share	13		
– Basic		**(9.89)**	(0.54)
– Diluted		**N/A**	N/A

Condensed Consolidated Statement of Other Comprehensive Income

	Six months ended 31 March	
	2020	2019
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Loss for the period	**(30,209)**	(1,641)
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on the translation of financial statements of foreign operations	**(1,177)**	1,132
Other comprehensive income for the period, net of tax	**(1,177)**	1,132
Total comprehensive income for the period attributable to owners of the Company	**(31,386)**	(509)

Condensed Consolidated Statement of Financial Position

	Notes	31 March 2020 HK$'000 (Unaudited)	30 September 2019 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**44,996**	47,371
Prepaid land lease payments under operating leases		**–**	251
Right-of-use assets	19(a)	**59,678**	–
Goodwill		**174**	174
		104,848	47,796
Current assets			
Inventories		**23,278**	26,609
Trade and other receivables	15	**46,103**	54,682
Intangible asset	16	**–**	78,394
Pledged bank deposit		**7,770**	7,851
Cash and bank balances		**432,403**	474,683
		509,554	642,219
Current liabilities			
Trade and other payables	17	**42,324**	47,162
Contract liabilities		**4,973**	4,540
Bank and other borrowings	18	**9,060**	9,362
Lease liabilities	19(b)	**18,780**	–
Tax payable		**10,713**	12,493
		85,850	73,557
Net current assets		**423,704**	568,662
Total assets less current liabilities		**528,552**	616,458
Non-current liabilities			
Bank and other borrowings	18	**364,477**	461,321
Lease liabilities	19(b)	**41,913**	–
Deferred tax liabilities	20	**6,482**	8,392
		412,872	469,713
Net assets		**115,680**	146,745
EQUITY			
Share capital	21	**305**	305
Reserves		**115,375**	146,440
Total equity attributable to owners of the Company		**115,680**	146,745

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 March 2020

	Unaudited							
	Share capital HK$'000 (note 21)	Share premium HK$'000 (note 22)	Share option reserve HK$'000	Other reserve HK$'000	Statutory reserve HK$'000	Translation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 October 2019	305	96,237	2,602	27,287	7,956	(12,702)	25,060	146,745
Equity-settled share based compensation expenses (note 23)	–	–	4,340	–	–	–	–	4,340
Loss on loan modification from the immediate holding company, net of deferred tax (note 18)	–	–	–	(4,019)	–	–	–	(4,019)
Transactions with owners	–	–	4,340	(4,019)	–	–	–	321
Loss for the period	–	–	–	–	–	–	(30,209)	(30,209)
Other comprehensive income								
Exchange differences arising on the translation of financial statements of foreign operations	–	–	–	–	–	(1,177)	–	(1,177)
Total comprehensive income for the period	–	–	–	–	–	(1,177)	(30,209)	(31,386)
At 31 March 2020	305	96,237	6,942	23,268	7,956	(13,879)	(5,149)	115,680

For the six months ended 31 March 2019

	Unaudited							
	Share capital HK$'000 (note 21)	Share premium HK$'000 (note 22)	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 23)	–	–	(295)	–	–	–	295	–
Transactions with owners	–	–	(295)	–	–	–	295	–
Loss for the period	–	–	–	–	–	–	(1,641)	(1,641)
Other comprehensive income								
Exchange differences arising on the translation of financial statements of foreign operations	–	–	–	–	–	1,132	–	1,132
Total comprehensive income for the period	–	–	–	–	–	1,132	(1,641)	(509)
At 31 March 2019	305	96,237	–	9,113	6,375	(8,728)	31,076	134,378

Condensed Consolidated Statement of Cash Flows

	Notes	Six months ended 31 March 2020 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)
Cash flows from operating activities			
(Loss)/profit before income tax		**(30,059)**	7,810
Adjustments for:			
Amortisation of prepaid land lease payments under operating leases		**–**	19
Depreciation of property, plant and equipment		**4,032**	2,134
Depreciation of right-of-use assets		**9,767**	–
Equity-settled share-based payment expenses	23	**4,340**	–
Gain on conversion of intangible asset	16	**(51)**	–
Gain on disposal of property, plant and equipment		**–**	(18)
Imputed interest expense on other loan from the immediate holding company		**5,052**	–
Imputed interest expense on other loan from a non-controlling shareholder		**2,298**	2,185
Interest expenses on bank borrowings		**241**	860
Interest expenses on lease liabilities		**1,424**	–
Interest income		**(2,359)**	(100)
Reversal of impairment loss on inventories		**(105)**	(996)
Sundry income	29	**(288)**	–
Operating (loss)/profit before working capital changes		**(5,708)**	11,894
Decrease in inventories		**3,436**	4,983
Decrease/(increase) in trade and other receivables		**8,801**	(957)
Decrease in trade and other payables		**(4,838)**	(13,397)
Increase/(decrease) in contract liabilities		**433**	(1,259)
Cash generated from operations		**2,124**	1,264
Income tax paid		**(3,004)**	(3,771)
Net cash used in operating activities		**(880)**	(2,507)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,626)**	(1,117)
Proceeds from disposal of property, plant and equipment		**–**	18
Decrease in pledged bank deposit		**81**	–
Interest received on bank deposits and balances		**2,359**	100
Other cash flows arising from investing activities		**66**	–
Net cash generated from/(used in) investing activities		**880**	(999)

	Notes	Six months ended 31 March 2020 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)
Cash flows from financing activities			
Net cash outflow in trust receipts and export loans		**(302)**	(9,603)
Proceeds from invoice discounting facility		**–**	110,505
Repayments of invoice discounting facility		**–**	(143,505)
Repayment of principal portion of lease liabilities		**(8,479)**	–
Repayment of interest portion of lease liabilities		**(1,424)**	–
Repayment of other loans from the immediate holding company	18	**(109,000)**	–
Proceeds from conversion of intangible asset	16	**78,445**	–
Repayments of term loan		**–**	(13,187)
Interest paid on bank borrowings		**(241)**	(860)
Net cash used in financing activities		**(41,001)**	(56,650)
Net decrease in cash and cash equivalents	24	**(41,001)**	(60,156)
Effect of foreign exchange rate changes		**(1,279)**	1,258
Cash and cash equivalents at beginning of the period		**474,683**	205,995
Cash and cash equivalents at end of the period		**432,403**	147,097
Analysis of the balance of cash and cash equivalents			
Cash and bank balances		**432,403**	147,097

1. GENERAL INFORMATION

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

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

The Group is principally engaged in the contract manufacturing, on electronic manufacturing services basis, a wide range of power-related and electrical/electronic products and the provision of technology solution services. These business segments are the basis upon which the Group reports its primary segment information.

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

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

The purpose of the Transfer is to remove Huobi Global and Huobi Universal as intermediate holding companies such that the direct shareholders of Huobi Universal (or in certain cases, their ultimate beneficial owners), being the Purchasers, will directly hold shares in the Controlling Block in proportion to their then current respective attributable interest in the Company. After which, the ultimate controlling party of the Company continues to be Mr. Li.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

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

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

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

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

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

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

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

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES – *continued*

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

HKFRS 16 – Leases

(i) Impact of the adoption of HKFRS 16

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

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

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES – *continued*

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

HKFRS 16 – Leases – *continued*

(i) Impact of the adoption of HKFRS 16 – continued

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

	HK$'000
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitment as at 30 September 2019 (note 28)	57,979
Less: Short term leases for which lease terms end within 30 September 2020	(3,110)
Less: Future interest expenses	(9,447)
Total lease liabilities as at 1 October 2019	45,422
Representing:	
Current portion	8,115
Non-current portion	37,307
	45,422

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

(ii) The new definition of a lease

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

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES – *continued*

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

HKFRS 16 – Leases – *continued*

(iii) Accounting as a lessee

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

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

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

Right-of-use asset

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

Lease liability

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES – *continued*

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

HKFRS 16 – Leases – *continued*

(iv) Transition

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

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

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

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

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

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

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

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES – *continued*

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

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

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

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

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

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

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

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

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

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

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

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

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

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES – *continued*

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

Amendments to HKFRS 3 – Definition of a Business

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

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

Amendments to HKAS 1 and HKAS 8 – Definition of Material

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

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

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

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

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

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

3. ESTIMATES

The preparation of Interim Financial Statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those applied to the consolidated financial statements for the year ended 30 September 2019, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 16 as set out below.

Estimation of incremental borrowing rate for lease liabilities

The Group cannot readily determine the interest rate implicit in a lease, and accordingly, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

4. FINANCIAL RISK MANAGEMENT

Financial Risk Factors

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 Board meets regularly and co-operates closely with key management to identify and evaluate risks and to formulate strategies to manage financial risks.

The Interim Financial Statements do not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 30 September 2019.

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.

4. FINANCIAL RISK MANAGEMENT – *continued*

Credit Risk – *continued*

(i) Time deposit and 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.

(ii) Trade receivables

The Group applies the simplified approach to provide for expected credit losses ("ECLs") prescribed by HKFRS 9 "Financial instruments" ("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.

As at 31 March 2020, trade receivables of HK$24,450,000 (30 September 2019: HK$27,122,000) 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 0.04%, past due between 0 to 60 days is 0.02% and past due more than 60 days is 4.96%. 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 period.

(iii) Other receivables

The Group has adopted general approach to measure ECLs on financial assets included in prepayments 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.

4. FINANCIAL RISK MANAGEMENT – *continued*

Credit Risk – *continued*

(iii) Other receivables – *continued*

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.

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 balances 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 period.

4. FINANCIAL RISK MANAGEMENT – *continued*

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 below 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 contracted maturity date. The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities and the earliest date the Group can be required to pay.

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	More than 1 year but not exceeding 2 years HK$'000	More than 2 years but not exceeding 5 years HK$'000	More than 5 years HK$'000
As at 31 March 2020 (Unaudited)						
Non-derivative financial liabilities:						
Trade and other payables	**42,324**	**42,324**	**42,324**	**–**	**–**	**–**
Bank borrowings	**9,060**	**9,060**	**9,060**	**–**	**–**	**–**
Other borrowings	**364,477**	**382,970**	**–**	**382,970**	**–**	**–**
Lease liabilities	**60,693**	**69,513**	**21,739**	**17,315**	**24,212**	**6,247**
	476,554	**503,867**	**73,123**	**400,285**	**24,212**	**6,247**
As at 30 September 2019 (Audited)						
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	–

Fair Value Estimation

The carrying amounts of trade and other receivables, pledged bank deposit, cash and bank balances, trade and other payables, bank and other borrowings and lease liabilities as at 31 March 2020 and 30 September 2019 approximate their fair values.

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. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources and have determined the operating segments based on these reports. The Group's reportable and operating segments during the six months ended 31 March 2020 are as follows:

(i) Contract manufacturing; and

(ii) Provision of technology solution services.

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

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

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

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

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

For the six months ended 31 March 2020

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

5. SEGMENT INFORMATION – *continued*

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

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

As at 31 March 2020

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

During the six months ended 31 March 2019, the Group's operation was solely derived from the contract manufacturing and accordingly, the Group presented only one single operating segment and no further operating segment analysis thereof was presented.

5. SEGMENT INFORMATION – *continued*

Geographical information

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

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

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

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

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

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

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:

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

6. REVENUE

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

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

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

6. REVENUE – *continued*

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

7. OTHER INCOME

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

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

8. INTEREST INCOME

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

9. FINANCE COSTS

	Six months ended 31 March	
	2020	2019
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**241**	860
Imputed interest on other loan from the immediate holding company (note 18)	**5,052**	–
Imputed interest on loan from a non-controlling shareholder (note 18)	**2,298**	2,185
Interest expenses on lease liabilities (note 19)	**1,424**	–
	9,015	3,045

10. (LOSS)/PROFIT BEFORE INCOME TAX

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

Note:

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

11. INCOME TAX EXPENSE

Income tax expense for the period comprises:

	Six months ended 31 March	
	2020	2019
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current income tax:		
Provision for the period		
HKSAR	**450**	1,042
Japan	**10**	–
Mainland China	**736**	8,535
USA	**47**	23
	1,243	9,600
Deferred tax liabilities (note 20)	**(1,093)**	(149)
Income tax expense	**150**	9,451

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

A subsidiary of the Group received an enquiry for information from the Hong Kong Inland Revenue Department (the "IRD") in April 2015 due to a tax audit by the IRD on that subsidiary's profits tax affairs and received assessments for Hong Kong profits tax for prior years in March 2015, February 2016, December 2016, March 2018, February 2019 and March 2020. The Group has subsequently objected to the assessments made. In addition, in July 2016, May 2017, November 2017, December 2017 and August 2018, the same subsidiary received additional enquiries for information from the IRD. Based on the available information, the Group had made a provision in regards of the tax audit. The Directors believe the provision is adequate to reflect the potential tax liability at the current status. In April 2019 and January 2020, the subsidiary received the draft settlement and the revised draft settlement from the IRD for discussion respectively. The subsidiary will further discuss with the IRD in concluding the final amount. However, the Directors consider that it is not practical, at this stage, to estimate the ultimate financial impact that this may have on the Group, if any.

The PRC corporate income tax charge of HK$736,000 (2019: HK$8,535,000) was determined in accordance with the relevant laws and regulations in mainland China, and was assessed at a rate of 25% (2019: 25%). The prior period income tax charge included an Enterprise Income Tax expense of HK$6,922,000 arising from the one-time transfer of certain land use rights and buildings from one PRC wholly-owned subsidiary to another as part of an internal restructuring/reorganisation of the Group.

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

11. INCOME TAX EXPENSE – *continued*

During the year ended 30 September 2015, dividends attributable to post 1 January 2008 earnings were remitted to Pantene Industrial Co. Limited ("Pantene Industrial") from its wholly-owned PRC-based subsidiary, Shenzhen Pantai Electronic Co., Ltd. ("Shenzhen Pantai"). The Group has decided that, as it is probable that Shenzhen Pantai will continue to distribute earnings in the foreseeable future, a deferred tax provision of HK$3,424,000 (30 September 2019: HK$3,335,000) has been established at the end of the reporting period in relation to withholding tax based on 5% of post 1 January 2008 unremitted earnings (note 20).

12. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 31 March 2020 and 2019.

13. LOSSES PER SHARE

Basic losses per share

The calculation of basic losses per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares of 305,495,000 (31 March 2019: 305,495,000) deemed to be in issue during the period.

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

Diluted losses per share

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

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

14. PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment in the period amounted to HK$1,626,000 (31 March 2019: HK$1,117,000).

Depreciation of HK$4,032,000 (31 March 2019: HK$2,134,000) has been charged to the condensed consolidated statement of profit or loss.

15. TRADE AND OTHER RECEIVABLES

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

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

The Group operates an asset-backed lending facility based on certain of its trade receivables. The discounting transactions are with recourse and accordingly do not meet the requirements in HKFRS 9 for de-recognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the discounted trade receivables. At 31 March 2020, trade receivables of HK$9,537,000 (30 September 2019: HK$9,855,000) continue to be recognised in the consolidated statement of financial position even though they have been legally transferred to the financial institutions. The proceeds of the discounting transactions are included in borrowings as asset-backed financing until the trade receivables are collected or the Group settles any losses suffered by the financial institutions. At 31 March 2020, the asset-backed lending liabilities amounted to HK$9,060,000 (30 September 2019: HK$9,362,000) (note 18).

15. TRADE AND OTHER RECEIVABLES – *continued*

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

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

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

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

	31 March 2020 HK$'000 (Unaudited)	30 September 2019 HK$'000 (Audited)
Neither past due nor impaired	**31,703**	39,117
0–60 days past due	**3,627**	4,759
61–90 days past due	**–**	19
91–120 days past due	**1**	–
Over 120 days past due	**5**	3
	35,336	43,898

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

16. INTANGIBLE ASSET

During the six months ended 31 March 2020, cryptocurrencies as at 30 September 2019 amounting to US$10,000,000 or HK$78,394,000, in the form of United States Dollar Tether ("USDT") (note 18), were converted into fiat currency of HK$78,445,000 and a gain on conversion of HK$51,000 has been included in sundry income.

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 considered that the carrying amounts of cryptocurrencies approximated to their fair values.

17. TRADE AND OTHER PAYABLES

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

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

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

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

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

18. BANK AND OTHER BORROWINGS

	31 March 2020 HK$'000 (Unaudited)	30 September 2019 HK$'000 (Audited)
Bank borrowings (all secured) comprise:		
Asset-backed lending	**9,060**	9,362
Other borrowings (unsecured) comprise:		
Loan from the immediate holding company	**271,212**	370,354
Loan from a non-controlling shareholder	**93,265**	90,967
	373,537	470,683
Secured	**9,060**	9,362
Unsecured	**364,477**	461,321
	373,537	470,683
Bank and other borrowings are repayable as follows:		
Within one year or on demand	**9,060**	9,362
More than one year but not exceeding two years	**364,477**	90,967
More than two years but not exceeding five years	**–**	370,354
	373,537	470,683
Less: Amounts shown under current liabilities	**(9,060)**	(9,362)
Amounts shown under non-current liabilities	**364,477**	461,321

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 15).

The bank borrowings, which are denominated in HK$ and 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.

The effective interest rates on the Group's floating rate borrowings range from 4.4% to 5.6% per annum (30 September 2019: 4.0% 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 25 for details of pledged assets.

18. BANK AND OTHER BORROWINGS – *continued*

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) was credited to the other reserve for the year ended 30 September 2018. For the six months ended 31 March 2020, imputed interest of HK$2,298,000 (with related deferred tax credit of HK$379,000) (31 March 2019: HK$2,185,000 (with related deferred tax credit of HK$361,000)) has been charged to the condensed consolidated statement of profit or loss (notes 9 and 20).

On 26 September 2019, the Company entered into a facility agreement with 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 USDT, a blockchain-based cryptocurrency (being the fair value of the USDT units received at the date of drawdown) (note 16).

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 was credited to the other reserve for the year ended 30 September 2019. For the six months ended 31 March 2020, imputed interest of HK$5,052,000 (with related deferred tax credit of HK$834,000) (31 March 2019: HK$Nil) has been charged to the consolidated statement of profit or loss (notes 9 and 20).

During the six months ended 31 March 2020, the Group made partial repayments of HK$109,000,000. As the Shareholder's Facility did not contain any terms for early repayment and any violation to be imposed for early repayment, the partial repayments were a result of renegotiation of the terms and did not constitute the breach of the Shareholder's Facility. The Directors of the Company considered that such early repayments did not represent a substantial modification of the Shareholder's Facility and accordingly, the early repayments did not result in the extinguishment of the financial liabilities. Accordingly, the Group recognised a loss arising from modification of the Shareholder's Facility of HK$4,019,000 (net of deferred tax credit of HK$787,000) in other reserve for the period (note 20).

19. LEASES

The Group leases certain leasehold land, office properties, factories and office equipment. The leases run for an initial period of 3 months to 6 years without contingent rentals. As discussed in note 2(b), the Group has initially applied HKFRS 16 using the cumulative effect approach to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17.

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

(a) Right-of-use assets

	Leasehold land HK$'000	Office properties HK$'000	Factories HK$'000	Office equipment HK$'000	Total HK$'000
At 1 October 2019	251	5,936	38,730	756	45,673
Additions	–	22,928	–	1,221	24,149
Depreciation	(17)	(6,267)	(3,131)	(352)	(9,767)
Currency realignment	–	(99)	(278)	–	(377)
At 31 March 2020	234	22,498	35,321	1,625	59,678

With effect of HKFRS 16 on 1 October 2019, there was no significant impact on the Group's consolidated financial statements as at 1 October 2019. The Group recognised rental expenses from short-term leases of HK$281,000 (note 10) in profit or loss for the six months ended 31 March 2020.

(b) Lease liabilities

	HK$'000
At 1 October 2019	45,422
Additions	24,149
Interest expenses (note 9)	1,424
Lease payments	(9,903)
Currency realignment	(399)
At 31 March 2020	60,693
Analysed as:	
Current liabilities	18,780
Non-current liabilities	41,913
	60,693

19. LEASES – *continued*

(b) Lease liabilities – *continued*

Future lease payments are due as follows:

	31 March 2020		
	Total minimum lease payments HK$'000	**Interest of the minimum lease payments HK$'000**	**Present value of the minimum lease payments HK$'000**
Within one year	**21,739**	**2,959**	**18,780**
More than one year but not exceeding two years	**17,315**	**2,169**	**15,146**
More than two years but not exceeding five years	**24,212**	**3,519**	**20,693**
More than five years	**6,247**	**173**	**6,074**
Total	**69,513**	**8,820**	**60,693**

	1 October 2019		
	Total minimum lease payments HK$'000	Interest of the minimum lease payments HK$'000	Present value of the minimum lease payments HK$'000
Within one year	10,584	2,469	8,115
More than one year but not exceeding two years	9,156	2,277	6,879
More than two years but not exceeding five years	24,625	4,242	20,383
More than five years	10,504	459	10,045
Total	54,869	9,447	45,422

20. DEFERRED TAX LIABILITIES

The followings are the deferred tax liabilities recognised and the movements thereon in the current and prior periods.

	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**
Carrying amount at 1 October 2019	**3,335**	**1,490**	**3,567**	**8,392**
Charge/(credit) to the condensed consolidated statement of profit or loss (note 11)	**120**	**(379)**	**(834)**	**(1,093)**
Credit to other reserve in the condensed consolidated statement of changes in equity	**–**	**–**	**(787)**	**(787)**
Currency realignment	**(31)**	**–**	**1**	**(30)**
Carrying amount at 31 March 2020	**3,424**	**1,111**	**1,947**	**6,482**

	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
Carrying amount at 1 October 2018	1,945	2,221	–	4,166
Charge/(credit) to the condensed consolidated statement of profit or loss (note 11)	212	(361)	–	(149)
Currency realignment	54	–	–	54
Carrying amount at 31 March 2019	2,211	1,860	–	4,071

20. 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 six months ended 31 March 2020, a provision of HK$120,000 has been charged to the condensed consolidated statement of profit or loss representing 5% unremitted earnings incurred in the period (31 March 2019: HK$212,000).

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:

	31 March 2020 HK$'000 (Unaudited)	30 September 2019 HK$'000 (Audited)
Unused tax losses	**103,776**	103,550
Other temporary differences	**5,068**	3,710
	108,844	107,260

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 date. The tax losses arising from the subsidiaries established in mainland China of approximately HK$1,872,000 (30 September 2019: HK$1,646,000) 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.

21. SHARE CAPITAL

	Number of ordinary shares of HK$0.001 each	Amount HK$
Authorised:		
At 1 October 2018, 30 September 2019 and 31 March 2020	500,000,000	500,000
Issued and fully paid:		
At 1 October 2018, 30 September 2019 and 31 March 2020	305,495,000	305,495

22. SHARE PREMIUM

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

23. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

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

On 3 April 2017, the Company granted 7,000,000 share options to Directors, employees and other eligible participants with an exercise price of HK$1.50 per share. The share options vest over a period of three years starting from the date of the grant by one-third each anniversary and are fully vested on 3 April 2020. The share options granted are exercisable after one year but not exceeding ten years from the date of the grant.

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

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

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

23. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS – *continued*

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

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

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

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

Based on the fair values derived from the above pricing model, the fair value of the share options granted on 3 April 2019 was approximately HK$8,854,000 (HK$1.4299 each). For the six months ended 31 March 2020, the Company recognised a share-based compensation charge of HK$2,615,000 to profit or loss in respect of these options.

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

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

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

23. 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 16 October 2019. At the date the options were granted on 16 October 2019, this was determined to be 1.427%. The dividend yield of the Company of 0% has been adopted.

Based on the fair values derived from the above pricing model, the fair value of the share options granted on 16 October 2019 was approximately HK$6,190,000 (HK$1.6959 each), of which HK$1,725,000 have been charged as share-based compensation expenses to profit or loss for the six months ended 31 March 2020.

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

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

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

For the six months ended 31 March 2020

	Date of grant	Exercise price HK$	Outstanding at 1 October 2019	Granted during the period	Exercised during the period	Lapsed, cancelled or forfeited during the period	Outstanding at 31 March 2020
Executive Directors							
Mr. Lee Chris Curl	3.4.2019	3.13	2,700,000	–	–	–	2,700,000
Mr. Lan Jianzhong	3.4.2019	3.13	600,000	–	–	–	600,000
Other eligible participants	3.4.2019	3.13	2,892,000	–	–	–	2,892,000
Other eligible participants	16.10.2019	4.36	–	3,650,000	–	–	3,650,000
			6,192,000	3,650,000	–	–	9,842,000
Weighted average exercise price			HK$3.13	HK$4.36	–	–	HK$3.59

23. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS – *continued*

For the six months ended 31 March 2019

	Date of grant	Exercise price HK$	Outstanding at 1 October 2018	Granted during the period	Exercised during the period	Lapsed, cancelled or forfeited during the period	Outstanding at 31 March 2019
Independent Non-executive Directors							
Mr. Pochin Christopher Lu*	3.4.2017	1.50	300,000	–	–	(300,000)	–
Mr. Danny J Lay*	3.4.2017	1.50	300,000	–	–	(300,000)	–
			600,000	–	–	(600,000)	–
Weighted average exercise price			HK$1.50	–	–	HK$1.50	–

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

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

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

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

24. RECONCILIATION OF THE NET DECREASE IN CASH AND CASH EQUIVALENTS TO THE MOVEMENT IN NET CASH

		Six months ended 31 March	
	Note	**2020**	2019
		HK$'000	HK$'000
		(Unaudited)	(Unaudited)
Net decrease in cash and cash equivalents		**(41,001)**	(60,156)
Effect of foreign exchange rate changes		**(1,279)**	1,258
Net movement in cash and cash equivalents		**(42,280)**	(58,898)
Bank borrowings repaid		**302**	55,790
Other loan from the immediate holding company repaid		**109,000**	–
Loss on early repayment of loan from the immediate holding company		**(4,806)**	–
Imputed interest on other loan from the immediate holding company		**(5,052)**	–
Imputed interest on other loan from a non-controlling shareholder		**(2,298)**	(2,185)
Net cash at 1 October		**4,000**	63,652
Net cash at 31 March 2020/2019		**58,866**	58,359
Represented by:			
Cash and cash equivalents		**432,403**	147,097
Interest-bearing bank borrowings			
– amounts due within one year	18	**(9,060)**	(13)
Other borrowings			
– amounts due more than one year	18	**(364,477)**	(88,725)
		58,866	58,359

25. PLEDGE OF ASSETS

At 31 March 2020, the banking facilities of the Company's wholly owned subsidiaries based in mainland China and HKSAR, amounted to approximately HK$23,261,000 (30 September 2019: HK$31,365,000) 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 31 March 2020, the amount drawn down under the asset-backed lending facility was HK$9,060,000 (30 September 2019: HK$9,362,000) (note 18).

26. CAPITAL COMMITMENTS

	31 March 2020 HK$'000 (Unaudited)	30 September 2019 HK$'000 (Audited)
Contracted but not provided for:		
Property, plant and equipment	–	817

27. CONTINGENT LIABILITIES

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

28. OPERATING LEASE COMMITMENTS

The Group as lessee

At 30 September 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 September 2019		
	Premises* HK$'000 (Audited)	Office equipment* HK$'000 (Audited)	Total HK$'000 (Audited)
Operating leases which expire:			
Within one year	11,086	10	11,096
In the second to fifth years inclusive	35,290	11	35,301
Over five years	11,582	–	11,582
	57,958	21	57,979

* The amount only represented the operating lease commitment under HKAS 17 as at 30 September 2019.

Operating lease payments represented rentals payable by the Group for certain of its office properties, factories and office equipment. The leases ran for an initial period of 3 months to 6 years. None of the leases contained contingent rentals.

29. 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 period.

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.

On 16 February 2020, the Group and a key management personnel of the holding companies entered into a sale and purchase agreement for the acquisition of 100% equity interests in FEU International Pte Ltd, at a consideration of SGD1 which has been settled by cash. The assets acquired did not constitute a business combination as defined in HKFRS 3 "Business Combinations" and accordingly, the acquisition was accounted for as assets acquisition. As a result, the Group recognised a gain arising from the acquisition of assets of HK$288,000 as sundry income for the six months ended 31 March 2020.

The consideration of the above-mentioned transactions are determined and agreed by both parties.

During the six months ended 31 March 2020, the Group received services fee in relation to the provision of data centre services from a fellow subsidiary of the Company amounting to HK$7,325,000 (31 March 2019: HK$Nil).

Compensation of the key management personnel of the Group, including Directors' remuneration, is as follows:

	Six months ended 31 March	
	2020 **HK$'000** **(Unaudited)**	2019 HK$'000 (Unaudited)
Directors' fees	**360**	366
Salaries, allowances and other benefits	**2,917**	1,348
Retirement benefits scheme contributions	**18**	17
Equity-settled share-based payment expenses	**1,234**	–
	4,529	1,731

30. EVENT AFTER THE REPORTING PERIOD

Apart from the change of the Company's holding companies as set out in note 1, there are no other significant events requiring disclosure subsequent to 31 March 2020.

31. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The unaudited Interim Financial Statements of the Group were approved and authorised for issue in accordance with a resolution of the Board of Directors on 29 May 2020.

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

As at the date of this interim 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:

(a) Long positions in the shares

Name of Directors	Capacity	Number of shares interested(L) (Note 1)	Approximate percentage of shareholding
Mr. Li Lin	Interest in controlled corporation (Note 2)	174,812,196(L)	57.22%
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. Mr. Li holds 100% interest in the total issued shares of Huobi Capital, 100% interest in the total issued shares of HBCapital and 89.09% interest in the total issued shares of Techwealth. Therefore, Mr. Li is deemed to be interested in the shares held by Huobi Capital, HBCapital and Techwealth 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 interim 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 interim 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 the date of this interim report, 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	Approximate percentage of shareholding(*)
HB Capital Limited	Beneficial owner	29,296,701	9.59%
Huobi Capital Inc.	Beneficial owner	69,165,149	22.64%
Techwealth Limited	Beneficial owner	76,350,346	24.99%
Mr. Li Lin	Interest of controlled corporation (Note 1)	174,812,196	57.22%
Sequoia Capital CV IV Holdco, Ltd.	Beneficial owner	30,467,072	9.97%
Sequoia Capital CV IV Senior Holdco, Ltd.	Interest of controlled corporation (Note 2)	30,467,072	9.97%
Sequoia Capital China Venture Fund IV, L.P.	Interest of controlled corporation (Note 2)	30,467,072	9.97%
SC China Venture IV Management, L.P.	Interest of controlled corporation (Note 2)	30,467,072	9.97%
SC China Holding Limited	Interest of controlled corporation (Note 2)	40,216,484	13.16%
SNP China Enterprises Limited	Interest of controlled corporation (Note 2)	40,216,484	13.16%
Mr. Shen Nan Peng ("Mr. Shen")	Interest of controlled corporation (Note 2)	40,216,484	13.16%

(*) The percentage has been calculated based on 305,495,000 shares in issue as at the date of interim report.

Notes:

(1) Mr. Li holds 100% interest in the total issued shares of Huobi Capital, 100% interest in the total issued shares of HBCapital Limited and 89.09% interest in the total issued shares of Techwealth. Therefore, Mr. Li is deemed to be interested in the shares held by Huobi Capital, HBCapital and Techwealth for the purpose of Part XV of the SFO.

(2) Sequoia Capital CV IV Holdco, Ltd. holds 30,467,072 Shares, representing approximately 9.97% of the total issued share capital of the Company. Sequoia Capital CV IV Holdco, Ltd. is a wholly-owned subsidiary of Sequoia Capital CV IV Senior Holdco, Ltd., whose sole shareholder is Sequoia Capital China Venture Fund IV, L.P.. The general partner of Sequoia Capital China Venture Fund IV, L.P. is SC China Venture IV Management, L.P., whose general partner is SC China Holding Limited ("SC China"). SC China is a wholly-owned subsidiary of SNP China Enterprises Limited ("SNP China"), a company wholly owned by Mr. Shen.

In addition, Zhen Partners Fund I, L.P. ("Zhen Partners") holds 9,749,412 Shares, representing approximately 3.19% of the total issued share capital of the Company. SC China, through several intermediate entities is interested in more than 33.3% limited partnership interest in Zhen Partners, and therefore SC China is deemed to be interested in the 9,749,412 Shares. Since SC China is wholly owned by SNP China, which is in turn wholly owned by Mr. Shen, both SNP China and Mr. Shen are deemed to be interested in such 9,749,412 Shares as well.

In light of the above, pursuant to Part XV of the SFO, Mr. Shen, SNP China and SC China are deemed to be interested in a total number of 40,216,484 Shares, representing approximately 13.16% of the total issued share capital of the Company.

Save as disclosed above, as at the date of this interim 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.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during Period 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Specific enquiries have been made of all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out the Model Code during Period 2020 and up to the date of this interim report.

CORPORATE GOVERNANCE CODE

During Period 2020, the Company has applied the principles of and complied with all the applicable code provisions set out from time to time in the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules, save as and except for the deviations from (1) code provision A.2.1 of the CG Code relating to the separate roles of chairman and chief executive officer and that the roles should not be performed by the same individual, and (2) code provision C.2.5 of the CG Code in respect of an internal audit function of the Group.

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

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

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

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