

# 领先的一站式虚拟资产服务平台

Leading One-Stop Virtual Asset Service Platform

## Newsletter

May 2022



### Company News

#### Huobi Tech 2022 Interim Results: Steady and Orderly Development with the Principle of Diversification and Compliance

On May 27, 2022, **Huobi Technology Holdings Limited** ( “**Huobi Tech**” or the “company” , stock code: 1611.HK) announced its interim results for the six months ended 31 March, 2022 ( “the reporting period” ). During the reporting period, the company recorded a total revenue of approximately HK\$351.8 million, representing an increase of approximately 34.4% compared with the same period of last year. Meanwhile, with the steady growth of the company’ s business and the smooth rollout of new compliant business, the total assets reached to HK\$1.34 billion, a year-on-year increase of 87.4%. Besides, the company maintained an abundant capital with the cash and cash equivalents of HK\$374.6 million during the reporting period. The gross profit was HK\$101.2 million during the reporting period, representing a decrease of approximately 24.5%. A loss of HK\$48.8 million was recorded. This is due to the increase in costs associated with the launch and layout of new businesses and the application for compliance licenses in key global markets during the reporting period compared with the same period last year.

It is worth mentioning that Huobi Tech fully leveraged its compliance advantages and allocated more resources and cost input to adapt itself into the wave of global digital economy. By strengthening the sustainable ecosystem consisting of emerging compliant business, the company achieved a stable start in its virtual asset ecosystem business with revenue reaching the expected level of HK\$96.8 million. Since the official launch of virtual asset ecosystem business in April 2021, the proportion of the revenue from this part has achieved 27.5% as of the reporting date, reflecting the effectiveness of the company’ s development strategy.

## Huobi Asset Management Wins “Hong Kong Outstanding Asset Management Company Award 2022”

Huobi Asset Management (Hong Kong) Limited ( “Huobi AM” ), a wholly-owned subsidiary of Huobi Tech, won the “Hong Kong Most Outstanding Business Award” ( “HKMOB Award” ) for Asset Management category in the award ceremony held on 26 May, 2022, confirming Huobi AM’ s industry-leading position in Hong Kong and the market recognition of its business performance and product innovation.

### Industry Updates

In May 2022, the stock market continued to fall as the Federal Reserve announced an interest rate hike; At the same time, the depegging of the algorithm-based stablecoin UST from the US dollar contributed to a sharp decline in the overall virtual asset market in May. Virtual asset regulators and market participants show further consideration in this environment.

- **Much efforts are recorded from traditional financial institution in their virtual asset service providing**
- **From the recent market dynamics, it is not difficult to see that traditional institutions are making efforts to provide virtual assets trading services, trying to extend their boundary of services.** According to the *Forbes*, **Fidelity Investments** announced that it would give participants in employer-sponsored 401(k) plans options to invest in Bitcoin (BTC), allowing retirement investors to allocate up to a maximum of 20% of their nest eggs to BTC, which would be implemented in mid-2022. As reported by *Cointelegraph*, **Samsung Asset Management (Hong Kong)** is planning a blockchain-related Exchange-Traded Fund (ETF) to be listed in the Hong Kong Stock Exchange on 23 June. It is also worth mentioning, **Banco Galicia**, the largest Argentinian private bank by market value, has provided cryptocurrencies trading service on its platform, for its users to acquire BTC, Ethereum (ETH), USDC and XPR etc, and has started the crypto-custody function, as reported by *CoinDesk*. Also reported by this media, Brazil’ s stock exchange **B3** plans to launch BTC futures in the next three to six months, and they’ re building the infrastructure now.

- Traditional institutions are maintaining a positive long-term view of virtual assets. From the report *"2022 Global Crypto Hedge Fund Report"* released by **PwC**, over one third of the traditional hedge funds around the world are investing in virtual assets, and it is twice for the number compared to a year earlier, and the number is still accelerating. Among this, most traditional hedge funds traded BTC at 86%, and ETH at 81%. In addition, according to the *Business Insider*, **J.P. Morgan** stated that BTC' s fair value was 28% higher than its current level, implying there would be a significant upside after the dramatic sell-off in cryptocurrencies.
- **Central Bank Digital Currency (CBDC) projects are on the positive progress in several countries**
  - Supported by the report released by the **Bank for International Settlements (BIS)**, nine out of ten central banks around the world are exploring the CBDCs, and it also revealed that more central banks are developing or testing a retail CBDC, which is a digital currency designed to be used by consumers versus a wholesale CBDC, which is meant to be used by banks. According to *CoinDesk*, **U.S. Federal Reserve Vice Chair Lael Brainard** also said that CBDC could coexist alongside stablecoin and provide a measure of safety. In addition, as reported by *Cointelegraph*, it was said the Digital Euro could be issued by European Union (EU) within four years, with peer-to-peer payments potentially among the first uses.
- **Countries are gradually advancing the thinking and action on stablecoin' s regulation**
  - According to *Alternative's crypto Fear & Greed Index*, the Index for May was 9, a rating of "extremely fear" . For the major issue of UST depegging from US dollar, the regulatory authorities gradually put their focus on the consideration and call for the regulation of stablecoins.
  - In the west, the **US Treasury secretary Janet Yellen**, said it would be highly appropriate for stablecoin regulation to occur by the end of 2022 because there are "many risks associated with cryptocurrencies" , according to *TechCrunch*. In addition, in the late May, in light of the recent turmoil in the crypto market, **G7 countries** urged the **Financial Stability Board (FSB)** to advance the swift development and implementation of the crypto asset regulations, as reported by *Reuters*. **UK prime minister, Boris Johnson**, would introduce a new economic crime bill, looking to strengthen laws that have empowered its

Russian sanction regime as well as empower authorities to seize crypto assets related to the corruption and dirty money, according to the Reuters. Meanwhile, the **Council of Europe's Moneyval Committee** urged the European states to clamp down on crypto-enabled money laundering, warning of the challenges posed by decentralized finance (DeFi), privacy coins and market manipulation of major crypto assets, as reported by the *CoinDesk*.

- Similarly, in the APAC, as reported by *The Business Times*, the **National Tax Service of South Korea** has reported the cofounder of Terraform Labs, Don Kwon and other executives to pay a 100 billion won (US\$78 million) fine for tax evasion; and at the meantime, the local **Financial Services Commission (FSC)** also requested the exchanges in South Korea to strengthen the supervision on stablecoins, to prevent the recurrence of LUNA issue. Moreover, according to the *CoinDesk*, the **Monetary Authority of Singapore (MAS)** is starting a pilot program "Project Guardian" alongside DBS Bank, J.P. Morgan and Marketnode to explore use cases of digital assets in tokenization and decentralized finance (DeFi).

*\* Note: The terms "virtual assets", "digital assets" and "crypto assets" mentioned above may vary from region to region, but they actually have the same concept.*

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## About Huobi Tech

**Huobi Technology Holdings Limited** (“Huobi Tech”, Stock Code: 1611.HK) was listed on the Main Board of the Stock Exchange of Hong Kong Limited in November 2016. Actively developing the blockchain ecosystem and virtual asset ecosystem, Huobi Tech is committed to becoming the leading one-stop compliant digital asset service platform. Huobi Tech currently offers data centre services, cloud-based services, SaaS, virtual asset management, custody, trust, lending and other related services.

At the same time, Huobi Tech is applying for virtual asset and finance-related licenses in major markets around the world. Up to now, Huobi Tech's subsidiaries have successfully obtained the approval to conduct Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities from The Securities and Futures Commission of Hong Kong, registered as a Trust Company in Hong Kong with the Trust or Company Service Provider License (Hong Kong).

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