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中國信息科技發展有限公司

China Information Technology Development Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 08178)

2022 ANNUAL RESULTS ANNOUNCEMENT

The board (the “**Board**”) of directors (the “**Directors**”) of China Information Technology Development Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries for the year ended 31 December 2022. This announcement, containing the full text of the 2022 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to information to accompany preliminary announcement of annual results.

By order of the Board

China Information Technology Development Limited

Wong King Shiu, Daniel

Chairman and Chief Executive Officer

Hong Kong, 27 March 2023

As of the date of this announcement, the Board comprises Mr. Wong King Shiu, Daniel (Chairman and Chief Executive Officer) and Mr. Chang Ki Sum Clark as executive Directors; Hon. Li Sai Wing, MH as non-executive Director and Mr. Hung Hing Man, Mr. Wong Hoi Kuen and Dr. Chen Shengrong as independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will be available on the Company’s website <http://www.citd.com.hk> and will remain on the “Latest Listed Company Information” page on the website of the Stock Exchange at <http://www.hkexnews.hk> for at least 7 days from the date of its posting.

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Corporate Information

EXECUTIVE DIRECTORS

Mr. Wong King Shiu, Daniel
(Chairman and Chief Executive Officer)
Mr. Chang Ki Sum Clark

NON-EXECUTIVE DIRECTOR

Hon. Li Sai Wing, *MH*
(appointed on 26 October 2022)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hung Hing Man
Mr. Wong Hoi Kuen
Dr. Chen Shengrong

COMPANY SECRETARY

Ms. Lam Mei Wai Michelle

COMPLIANCE OFFICER

Mr. Chang Ki Sum Clark

AUTHORISED REPRESENTATIVES

Mr. Chang Ki Sum Clark
Ms. Lam Mei Wai Michelle

NOMINATION COMMITTEE

Mr. Hung Hing Man *(Chairman)*
Mr. Wong Hoi Kuen
Dr. Chen Shengrong

REMUNERATION COMMITTEE

Mr. Wong Hoi Kuen *(Chairman)*
Mr. Hung Hing Man
Dr. Chen Shengrong

AUDIT COMMITTEE

Mr. Hung Hing Man *(Chairman)*
Mr. Wong Hoi Kuen
Dr. Chen Shengrong

AUDITOR

ZHONGHUI ANDA CPA Limited

LEGAL ADVISOR

Conyers Dill & Pearman

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Public Bank (Hong Kong) Limited
DBS Bank (Hong Kong) Limited

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Millennium City 6
392 Kwun Tong Road
Kwun Tong, Hong Kong

REGISTERED OFFICE

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Grand Cayman KY1-1111
Cayman Islands
Corporate Information

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586
Gardenia Court
Camana Bay, Grand Cayman
KY1-1100, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Hong Kong

GEM STOCK CODE

8178

COMPANY WEBSITE

www.citd.com.hk

Chairman's Statement

Dear Shareholders,

I am pleased to present the annual results of China Information Technology Development Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2022 (the "Year").

Overview

Preluded with the sporadic COVID-19 outbreaks, Hong Kong's economy had experienced economy contraction with a drop of real GDP of 4.5% in third quarter of 2022 when compared to corresponding period in 2021. Meanwhile, the rebounded cases in Mainland China hard hit the Chinese economy. The GDP in China has only grown by 2.9% in fourth quarter 2022 which was the second-lowest since 1976. Coupled with the Russia-Ukraine crisis further resulted an economic recession with elevated inflation in the world.

On the other side, the COVID-19 containment measures like cross-border restrictions and lockdowns etc had catalyzed the development of advanced technologies like cloud technologies, Artificial Intelligence ("AI") etc. The penetration of digital technologies has given momentum to the growth of AI market globally. AI adoption has been doubled since 2017. As per Zion Market Research study, The global artificial intelligence (AI) market was valued at nearly USD59.67 billion in 2021 and is estimated to expand at a compound annual growth rate (CAGR) of 39.4 percent to reach USD422.37 billion by 2028. There are growing needs and adoptions in deep learning and neural networks in all industries. AI is also more extensively used in healthcare and in Smart Homes and Smart Cities. Nevertheless, there are currently lack of technical personnel with the appropriate experience and knowledge to implement AI solutions. These give ample opportunities and potential market for the Group, which not only possesses seasoned team of AI experts, but also equipped with professional and advanced knowledge and hands-on experience in application of AI industry.

During the Year, with the strict COVID-19 curbs in Hong Kong and China, the Group's operation had inevitably affected, which was in line with the general market condition. Facing such difficulties, the Group had demonstrated its determination to keep step with industry development while maintaining a healthy financial structure for the long-term and healthy growth the Group's businesses. With the aim of providing advanced technologies and services to our clients of all spectrum, from niche professional users to commercial small to medium sized enterprises, we had persistently injected more resources in research and development ("R&D"), including enhancing our in-house research and development teams and developing various solutions services tailored to different industries. Apart from R&D investments, we had been persistently looking for various potential opportunities or co-operations with different counterparts. During the Year, we had entered into share swap agreement with a company incorporated in the USA which issued shares are traded in the OTC. We hope to create strategic alliance with companies of different expertise so that we can share our experiences and extend our business networks. We believed that collaborations with different companies of the industry allows us to leverage our competitive advantage while creating synergies without affecting cash outflow and operation of the Group.

Looking forward to 2023, the pessimism brought by COVID-19 shall gradually fade, yet inflationary pressures on the capital and consumer markets remain relatively high, the macro-economy remains volatile in short run. The demand and reliance on technologies like AI is expected to boost continuously, we envision that the AI market is a vault with enormous opportunities. In the year to come, we shall with a prudent approach continue to stay attentive to the market and search for prospective projects or collaborations that enables us to equip ourselves to unlock this valuable vault of AI.

Chairman's Statement

APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to our valued customers, business partners, suppliers and shareholders for your continuous support. A sincere note of appreciation is also extended to the management team and all employees of the Group for the hard work and dedication.

Wong King Shiu, Daniel

Chairman and Chief Executive Officer

China Information Technology Development Limited

Management Discussion and Analysis

BUSINESS REVIEW

Corporate Actions

During the year ended 31 December 2022, the Group has continued to develop steadily, preparing ourselves to face the challenges ahead while grabbing the golden opportunities for the sustainable growth of the Group. The Group had continued to dedicate its effort and resources in developing innovative and advanced technology especially in fields like AI and cloud technologies while cautiously controlled and efficiently allocated our other resources and took appropriate corporate actions according to the market conditions.

Guangzhou Xinfeng Investment Consultancy Limited* (廣州信豐投資諮詢有限公司) (“Guangzhou Xinfeng”) on 3 January 2022, entered into a construction contract (“Construction Contract”) with Guangdong Wing Kei Hung Yip Construction Work Main Co. Ltd.* (廣東榮基鴻業建築工程總公司) as contractor for the asset enhancement work of the investment property (“Property”). The contractor is an independent third party. The total contracted amount under the construction contract was RMB50,000,000 (equivalent to approximately HK\$61.35 million). The above enhancement work were undertaken to ensure that the Property meets level 8 anti-earthquake standard and a higher level of fire safety standards required for the operation of a senior care home by Guangzhou City Jiayi Seniors Care Co. Ltd.* (廣州市嘉怡頤養院有限公司) as the tenant under the lease agreement of the Property dated 26 March 2021 (the “Lease”) in accordance with the relevant PRC laws and regulations. As such, Guangzhou Xinfeng mandated the contractor to undertake structural reinforcement and facilities enhancement works to meet those standards. The construction has been completed and relevant regulatory requirements were fulfilled in July 2022.

Meanwhile, on 15 February 2022, Guangzhou Xinfeng entered into a facility agreement (the “Facility Agreement”) with China Construction Bank Corporation, Guangzhou Liwan Sub-branch (the “Lender”). Pursuant to the Facility Agreement, the Subsidiary agreed to borrow and the Lender agreed to provide a loan of RMB50,000,000 (the “Loan Facility”).

In consideration of the provision of the Loan Facility under the Facility Agreement by the Lender, the Company agreed to provide a corporate guarantee (the “Corporate Guarantee”) in favour of the Lender, so as to guarantee the performance of the Subsidiary’s payment obligations of up to the principal amount of RMB50,000,000. The Corporate Guarantee was signed on 15 February 2022 and a supplemental agreement to the Corporate Guarantee was signed on 7 March 2022 in Guangzhou, the PRC. The parties to the Corporate Guarantee agreed to submit to the jurisdiction of the courts in Guangzhou, the PRC if a legal action in connection with the Corporate Guarantee arises.

Details of the above Provision of Guarantee is set out in the announcement dated 7 March 2022.

Details of the Construction Contract and the Lease of Property are set out in the announcement regarding major transactions (1) Construction Contract on Investment Properties held by a Subsidiary; (2) Supplemental Agreements to extend Loans; and (3) Lease of Property Held by a Subsidiary dated 21 October 2022 and circular dated 15 February 2023.

The abovementioned major transactions was approved by the Shareholders in EGM on 1 March 2023.

Advance to Entity

On 31 December 2021, the Company and Guangzhou Deyong Technology Investment Co., Ltd.* (廣州市德永科技投資有限公司) (“Deyong”) entered into supplemental agreements with Guangzhou Dehuang Investment Company Limited* (廣州市德煌投資有限公司) (“Dehuang”) to extend the maturity dates of the remaining principal amount of loans in the amounts of approximately HK\$7,876,000 and HK\$50,136,000 by one year to 15 October 2023 and 2 September 2023, respectively. The extensions constituted advance to entity under the GEM Listing Rules. Further details are set out in the Company’s announcement dated 21 October 2022.

Management Discussion and Analysis

Rights Issue on the basis of one (1) Rights Share for every two (2) Existing Shares held on the record date on a non-underwritten basis (“Rights Issue”); and proposed placing of Placing Shares under Specific Mandate (“Placing Under Specific Mandate”)

On 5 January 2022, the Board of Directors proposed to conduct the Rights Issue on the basis of one (1) rights share (“Rights Share(s)”) for every two (2) existing Shares held on the record date of 8 March 2022 at the subscription price of HK\$0.15 per Rights Share, to raise up to approximately HK\$25.74 million before expenses by way of issuing up to 171,570,664 ordinary shares at an aggregated nominal value of HK\$1,715,706.64. The net price per Rights Shares is approximately HK\$0.144 per Rights Share and the closing price on 5 January 2022, being the date on which the terms of the Rights Issue was fixed, was HK\$0.230 per Share.

The Company and Grand China Securities Limited (“Placing Agent”) entered into the placing agreement (“Placing Agreement”), pursuant to which the Company conditionally appointed the Placing Agent and the Placing Agent conditionally agreed to act as the Placing Agent for the Company to procure, on a best effort basis, placees to subscribe for the placing shares (i.e., the unsubscribed Rights Share(s) not taken up by the qualifying shareholder(s) or renouncee(s) or transferee(s) of the Nil-Paid Rights under PAL(s) and the Rights Share(s) which would otherwise has/have been provisionally allotted to the excluded shareholder(s) in nil-paid form that has/have not been sold by the Company) on the terms and subject to the conditions set out in the Placing Agreement on 5 January 2022. Under the terms of the Placing Agreement, if all the Rights Shares have already been fully taken up in the Rights Issue whether through the PAL(s) and/or EAF(s), the Placing under Specific Mandate will not proceed.

The said Placing under Specific Mandate was approved by the Shareholders in the extraordinary general meeting (“EGM”) on 24 February 2022.

There were a total of 16 valid acceptances and applications received for a total of 203,244,024 Rights Shares, comprising (a) 9 valid acceptances of provisional allotments under the PALs in respect of 115,027,076 Rights Shares; and (b) 7 valid applications for excess Rights Shares under the EAFs in respect of 88,216,948 Rights Shares, representing approximately 118.46% of the total number of 171,570,664 Rights Shares available for subscription under the Rights Issue.

Based on the above results, the Rights Issue was over-subscribed by 31,673,360 Rights Shares, representing approximately 18.46% of the total number of 171,570,664 Rights Shares offered under the Rights Issue.

Under the terms of the Placing Agreement, based on the Rights Issue result on 23 March 2022, as all the Rights Shares were taken up in the Rights Issue through the PAL(s) and EAF(s), the Placing will not proceed and the obligations of the Placing Agents under the Placing Agreement have been fully discharged.

Subsequently, on completion of the Rights Issue which took place on 11 April 2022, 115,027,076 Rights Shares were allotted and issued under valid acceptances of PALs and 56,543,588 Rights Shares were allotted and issued under valid application of EAFs, representing the total number of 171,570,664 Rights Shares available for subscription under the Rights Issue.

Details of the Rights Issue and the proposed Placing under Specific Mandate are set forth in the announcements dated 5 January 2022, 30 March 2022 and 12 April 2022, the circular dated 25 January 2022 and the prospectus dated 9 March 2022.

Management Discussion and Analysis

The estimated net proceeds from the Rights Issue and the Placing after deducting the estimated expenses in relation to the Rights Issue are up to approximately HK\$24,710,000, of which (i) approximately HK\$23,000,000 is intended for research and development expenses for fine tuning the smart logistics and the CRM system; and (ii) the remaining amount is intended for general working capital, including but not limited to rental and salaries expenses and other administrative expenses for daily operation of the Group.

As at 31 December 2022, the Group used (i) approximately HK\$14,913,000 for research and development (“R&D”) and related staff expenses on smart logistics and the CRM system and (ii) approximately HK\$1,710,000 for general working capital as intended. The remaining net proceeds of approximately HK\$8,087,000 were kept in the bank of the Group, which is intended to be used on research and development of smart logistics and the CRM system as disclosed in the prospectus for the Rights Issue dated 9 March 2022 (the “Prospectus”). During the Year, the restrictive measures to combat COVID-19 had caused delay to the R&D plans. Currently, the Group is in optimization stage of the AI products and is conducting proof of concepts for the products. The Group expects that the remaining net proceeds to be fully utilized on or before the third quarter of 2023, rather than by the first quarter of 2023 as disclosed in the Prospectus.

Litigation against the Company’s Subsidiary (the “Litigation”)

Reference is made to the announcement dated 2 August 2019 (the “Announcement”) and the circular and notice of extraordinary general meeting dated 27 September 2019 (the “Circular”) in relation to the disposal of entire issued share capital of Joyunited Investments Limited (the “Target Company”) pursuant to the sale and purchase agreement dated 2 August 2019 entered into between Giant Prestige Investments Limited (權盛投資有限公司) (“Giant Prestige”) as vendor, Winner Sino Corporate Development Limited (中勝企業發展有限公司) (“Winner Sino”) as purchaser and 廣州麓湖錦城置業管理有限公司 (Guangzhou Luhu Jincheng Properties Management Limited*) (the “Purchaser’s Guarantor”) as purchaser’s guarantor relating to the sale and purchase of the entire issued share capital of the Target Company and the Sale Loan (the “Agreement”) and the announcement of the Company dated 20 December 2019 in relation to the termination of major transaction in relation to the disposal of entire issued share capital of Target Company.

The Board announced that, on 10 August 2021, 廣州信豐投資諮詢有限公司 (Guangzhou Xinfeng Investment Consultancy Company Limited*) (“Xinfeng”), received litigation documents, including the “Civil Complaint (2021) Yue 0191 Min Chu No. 14903” * ((2021)粵0191民初14903號《民事起訴狀》), “List of Evidence” * (《證據清單》), “Notice of Response” * (《應訴通知書》), “Notice to Produce Evidence” * (《舉證通知書》), and “Writ of Summons” * (《傳票》), pursuant to which, the Purchaser’s Guarantor alleged that the Giant Prestige, the Target Company, Xinfeng, Deyong and Winner Sino (Giant Prestige, the Target Company, Xinfeng, Deyong and Winner Sino, collectively, the “Defendants”) failed to perform their obligations under the Agreement and the Purchaser’s Guarantor requested 廣東自由貿易區南沙片區人民法院 (the People’s Court of Nanshapian District, Guangdong Free-Trade zone*) (the “Nanshapian District Court”) to order the Defendants to pay (i) the deposit of RMB13,000,000 paid by the Purchaser’s Guarantor under the Agreement (the “Deposit”); (ii) the interest on the Deposit; and (iii) the legal costs of the Litigation. The Giant Prestige, the Target Company, Xinfeng and Deyong are wholly owned subsidiaries of the Company.

Management Discussion and Analysis

As at 31 December 2020, the Company had recognised the Deposit forfeited as other income of the Group. The Board is seeking legal advice in respect of the Litigation and is assessing its potential impact on the Company at the moment. In any event, the Litigation does not affect the normal operation of the Group. The Company will take appropriate actions to vigorously defend the claims under the Litigation. There were no further update regarding the Litigation at the date of this report. The hearing for the Litigation has been taken place at the Nanshajian District Court on 20 June 2022. The Defendants have put forward the supplemental statement to court and requested the Nanshajian District Court to dismiss all the plaintiff's claims in accordance with the law. The Company received a civil ruling dated 15 November 2022 handed down by Nanshajian District Court. Pursuant to the civil ruling, Nanshajian District Court had (i) dismissed the claim by the Purchaser's Guarantor against the Vendor, Target Company, Xinfeng and Deyong for payment of RMB13,000,000 paid by the Purchaser's Guarantor as deposit under the Agreement and the interest thereon; and (ii) ordered cost of the legal proceedings against the Purchaser's Guarantor.

The Company will make further announcement(s) to keep its shareholders and investors informed of any significant development of the Litigation as and when appropriate.

Share Swap Agreement Involving the Issue of Shares Under the General Mandate

On 12 October 2022, the Company entered into a non-legally binding memorandum of understanding ("MOU") with Marvion Holdings Limited (the "Swap Shareholder"), pursuant to which the Company would swap shares up to 4.9% of the enlarged share capital of Company in exchange for shares of the Swap Shareholder and/or shares of its parent company.

On 25 October 2022, the Company entered into the share swap agreement (the "Share Swap Agreement") with Bonanza Goldfields Corp., a company incorporated in the State of Nevada, the USA of which the issued shares are traded in the OTC ("Bonanza"). Pursuant the Share Swap Agreement, the Company will swap its 26,520,387 Shares (each share at HK\$0.135) (the "CITD Shares") for a total of 218,574,618 Shares of Bonanza (each share at US\$0.0021) to be allotted and issued by Bonanza. The total consideration for the transaction is approximately HK\$3,580,252 (equivalent to approximately US\$459,007). The CITD Shares will be allotted and issued under the general mandate granted to the Board in the annual general meeting on 30 June 2022 (the "Share Swap").

The entering into of the Share Swap Agreement will allow the Company and Bonanza to become strategic alliance with a shareholding stake in each other, which will allow the Company and Bonanza to share their experience and expertise in artificial intelligence, blockchain and DOT with each other.

As application of the metaverse and virtual reality, both premised on artificial intelligence technologies, have become increasingly known and popular with many companies and institutions seeking to adopt and leverage these technologies, the Company considers that there would be an ever increasing demand for Bonanza's services and the Company sees there being much growth potential in the value of BONZ Shares. The Share Swap Agreement represents an investment opportunity of the Company to invest in Bonanza without cash outflow and will enhance the cooperation between the Company and Bonanza.

The Share Swap shall be completed upon the condition precedents are fulfilled, the Company shall publish further announcement(s) to keep its shareholders and investors informed of the status as and when appropriate.

Details of the MOU and Share Swap Agreement are set out in the announcements dated 20 October 2022, 25 October 2022 and 26 October 2022 respectively.

Management Discussion and Analysis

Share Consolidation and Proposed Change in Board Lot Size

On 24 October 2022, the Board proposes to implement the share consolidation on the basis that every ten (10) issued and unissued existing shares of par value of HK\$0.01 each in the share capital of the Company will be consolidated into one (1) Consolidated Share of par value of HK\$0.1 each (the “Share Consolidation”).

It is also proposed that, subject to and conditional upon the Share Consolidation becoming effective, the board lot size for trading in the consolidated shares will be changed from 10,000 existing shares to 2,000 consolidated shares. (the “Change of Board Lot Size”).

The existing shares have been traded below HK\$1.0 for the past few years. It is expected that the Share Consolidation will bring about a corresponding upward adjustment in the trading price per consolidated share. The Share Consolidation and the Change in Board Lot Size would enable the Company to comply with the trading requirements under the GEM Listing Rules and the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 1 October 2020.

The Share Consolidation and Change of Board Lot Size was approved by Shareholders in the EGM on 1 December 2022.

Details of the Proposed Share Consolidation and Change of Board Lot Size are set out in the announcements dated 24 October 2022, 26 October 2022 and 1 December 2022 and circular dated 16 November 2022.

Macro Systems

During the Year, Macro Systems Limited (“Macro Systems”) allied with various top-class industry elites to continuously promote enterprise market’s digital transformation in Hong Kong. Macro Systems has continued to be the “Nutanix Certified Sales Expert” and gained “Master Partner”, the highest tier of partnership in the Nutanix Partner Program. Besides, Macro Systems has been the “Gold Partner” in Sangfor Technology Channel Partner, IBM PartnerWorld Program “Silver Partner” as well as “VMware Partner Connect Program – Advanced Partner”. These awards and partnerships issued by various world-class partners are solid affirmation of our high quality services.

On 29 April 2022, Macro Systems was invited by GS1 to hold an online seminar themed “Go Digital Seminar” 360° Business Solutions”, which introduced a series of smart retail solutions.

We shared how to use the AI digital coupon system with our audience, which helps to create personalised marketing campaigns that meet ever-changing customer expectations and improve marketing efficiency.

Meanwhile, we continued to utilise our scenario driven business agility zone at our experience centre in Tsimshatsui to allow our customers to experience the business transformation we bring with secured intelligence and technology. It allows clients to have a first-hand experience of smart office with high speed connection at any location. Not only does it help business to be performed in a seamless and agile way from office to anywhere by virtual workspace, it helps business to save energy and improve environment. We believe the experience zone can successfully strengthen our clients’ confidence in deploying virtual workspace solution and facilitate the related business project progress.

Management Discussion and Analysis

DataCube

During the Year, DataCube Research Centre Limited (“DataCube”), has continued to promote data modelling and big data analysis, as well as developing related technologies to expedite the adoption and drive the evolution of AI and business intelligence across different industries and regions with its unique advanced core technologies of the AI Book, AI Manager and BI Canvas. As such, DataCube provides the technological platforms and all related resources to drive the development of smart cities in Asia. Currently, the AI Book and BI Canvas developed by DataCube serve clients in the PRC. AI Book is a learning platform that analyzes and generates meaningful and accurate data through deep learning and machine learning technologies. The BI Canvas then clearly presents the analysis generated by the AI Book through various charts and tables. Such platforms help clients and their IT teams to explore potential opportunities and provide insights for developing their businesses and improving their operational efficiency. The AI Book and BI Canvas cover various industries such as the education and retailing industries. By providing services to its customers via the AI Book and BI Canvas, the Group gains a better understanding about the unique needs of each industry. In order to customise its data empowerment platforms to specific industries, the Group, together with the research team of DataCube, have dedicated tremendous efforts and resources to develop the AI Booster solution services.

The smart logistics and customer relationships management system (the “CRM system”), one of the branches of the AI Booster solution services, is a simplified AI solution targeting small to medium-sized enterprises without AI specialists. It is an end-to-end ecosystem that provides leading-edge solutions for model development, deployment, monitoring and evolution. According to the data collected by DataCube, the smart logistics and CRM system of the AI Booster solution services help customers of the Group to select the optimal transportation by providing real-time information sharing so that on-time delivery can be achieved. It can also monitor exceptional changes of the business while providing more personalised recommendation to the customers. The algorithms and data management technologies used in the AI Book and BI Canvas can create synergy for the development of AI Booster and the smart logistics and CRM system, allowing the Group to seamlessly streamline its entire data process and leverage cutting-edge AI technologies. Therefore, the Company has been injecting resources in research and development on its AI technology in the smart logistics and CRM system to transform enormously complex data with automated machine learning platforms and augmented analytics into useful insights which enables the Group to provide timely services to its customers. The system shall also provide automated sales and customer service interactions and other logistics management services. During the Period, bearing the objective to provide the most advanced but user-friendly technology that can help clients to manage their business at ease, the Company has persistently put effort and injected resources in refining the CRM system. The system is considered to be part of the IT Solutions Business of the Group. The Group had started to launch “Retail Booster”, the CRM System tailored for retail industry during the reporting period. “Retail Booster” provides comprehensive and secured AI system that is easy to install and use even without professional IT knowledge. Through the machine learning algorithm of thousands of people, the historical member behavioral data is exhibited, and relevant models of “Retail Boosters” are launched including the “estimated member repurchase rate”, “new member retention estimation” and “product recommendation” for customers’ data analysis which further helps reducing marketing expenses and increasing sales. The “Retail Booster” is currently under promotion and trial campaign. The Group is negotiating with various interested parties and it is on the shelf of Alibaba Cloud and AIBooster has participated in the Smart Government Innovation Lab of HKSAR to help government departments and industry to provide effective predictive analytics solutions, from data management to data analytics, and progressively use data to solve business problems. It is anticipated the “Retail Booster” and our AI products will contribute to the Group’s revenue in due course.

Management Discussion and Analysis

During the Period, Macro Systems and DataCube had contributed a revenue of approximately HK\$23,204,000 and approximately HK\$12,878,000 respectively to the Group while DataCube continues to negotiate with different business partners for potential projects and focused on the R&D of the AI Booster branches. The Directors and the Company shall continue to develop the businesses of Macro Systems and DataCube. Macro Systems and DataCube shall continue to ally with each other and look for collaborations to create synergy to the Group's business performance.

Money Lending Business

The Group carries out its money lending business through its wholly-owned subsidiary, Value Creation Finance Limited ("Value Creation Finance"). It is a money lender licensed in Hong Kong under the Money Lenders Ordinance (Cap. 163 of the Laws of Hong Kong) and primarily targets individual and corporate borrowers in Hong Kong who require financing to meet their personal financial needs or their capital needs.

During the Year, Value Creation Finance had not entered into any new loan agreements as the Company has intended to wind down its money lending business when the current loan receivable are collected in order to focus on other businesses of the Group. Assets proof from the borrowers, such as securities and bank statements and checks on their employment status are regularly obtained and conducted to monitor their abilities to repay the loans. Proof of repayment is also obtained from the borrowers to ensure due loan repayment. In the event there is material deterioration in the borrowers' financial circumstances, the Group may require repayment from the borrowers. As last resort, the Group may appoint an external debt collection service provider or take appropriate legal actions for debts which have become overdue. Loans services were provided to individual and corporate in Hong Kong, all of which are independent of and not connected to the Company and its connected persons.

The Company has in place the internal control procedures in relation to its money lending business, including but not limited to conducting prudent credit assessment procedures. During the customer due diligence process, the Company would gather personal information and financial background information to facilitate the review and assessment. The Directors of the Company shall cautiously determine the approval of the loan application taking into account the customer due diligence results, credit risk assessment, and loan terms etc. Other factors including the borrower's credit history with Value Creation Finance, credit and other business risks of the loan, general market conditions and Value Creation Finance's market and financial positions will also be considered. The finance department of the Group is facilitating the Company to keep track of the repayment and outstanding balance computation.

During the Year, the segment's revenue was approximately HK\$3,633,000 (2021: HK\$4,666,000). The Group has implemented effective credit control procedures and there were no delinquent loans as at the date of this report.

Future prospect

Aftermath of COVID-19 still lingers though, the negative sentiment is gradually alleviated with the relaxation of anti-COVID measures in Hong Kong and China and revival of global business activities. Expected to be bumpy though, the Group anticipates that the global market is poised to slowly recover.

Management Discussion and Analysis

While the outlook is shadowed by uncertainty, the Group's prudent development strategy, together with the efforts made in 2022 shall give us good position to identify new revenue and business streams amid a challenging environment. The Group shall maintain the business layout as established in 2022 while making appropriate adjustment according to the business and market conditions. We shall continue to focus on the development of our main businesses in information technology related businesses, including provision of integrated marketing AI solutions, big data analytics, system integration services and data storage to clients across different industries in the PRC and Hong Kong. We are delighted that DataCube has kick started the cooperation with a public transportation company in 2023. To keep pace with the technological advancement and the market trends, the Company shall dedicate more resources on R&D of the IoT, AI, cloud and other technologies so as to provide updated and quality services and products to the clients that can improve their business efficiency. R&D of such advanced technologies like our "Retail Booster" and other AI Booster branches requires capital as well as seasoned experts. The Company shall continue to inject necessary resources to strengthen our research and development team and the promotion of our AI products and services.

Apart of that, in this competitive technology industry, the Company shall stay attentive to the market trends and potential IT trends like the blockchain and virtual reality, of which all of them based on artificial intelligence technologies and have become increasingly known and popular with many companies and institutions seeking to adopt and leverage these technologies. Nevertheless, the AI development is vast and elusive, it will be difficult and costly, if not impossible for a company to put in efforts in all AI aspects. The Group believes that collaborations with companies of different expertise would help bring synergies to our business and enables us to broaden our client base without significantly affecting the cashflow. Looking forward, we shall look for different potential cooperations and projects especially on AI or other related IT services to create long term benefits to the Company. Endowed with the ability and knowledge to meet the rising demand for IT services in all businesses and different aspects in life, the Group is ready to overcome any hurdles ahead and cautiously emerge even stronger. We are optimistic that the Group will deliver even greater sustainable value to our clients and shareholders in the year to come.

FINANCIAL REVIEW

Revenue

The Group's revenue for 2022 amounted to approximately HK\$62,957,000, decreased by 4.7% from approximately HK\$66,092,000 in 2021. The decrease in revenue is mainly due to the decrease in sale of computer hardware and software from approximately HK\$29,036,000 to approximately HK\$14,728,000 in 2022 due to the shipping issue all over the world and the economic downturn in the first half of 2022. During the year, the Group focused on the provision of IT services and hence the revenue from provision of technical support and maintenance services increased from approximately HK\$25,123,000 to approximately HK\$33,338,000 for the year.

Cost of sales and services

The Group had a total cost of sales and services of approximately HK\$41,923,000 in 2022, which decreased by 1.09%, compared with approximately HK\$42,386,000 in 2021. The decrease is mainly due to less trading of computer hardware and software during the year. The cost of provision of technical support increased during the year as there were lack of manpower among some suppliers and increase of the service costs.

Management Discussion and Analysis

Gross profit

The gross profit of the Group in 2022 amounted to approximately HK\$21,034,000 which decreased by approximately HK\$2,672,000, compared with approximately HK\$23,706,000 in 2021. The decrease is mainly due to the economy downturn in the first half quarter in 2022 and even some suppliers increased the cost of hardware and software and cost of technical support, the Group did not increase the price so as to maintain a competitive price to maintain the customers.

Other income and gains

During the financial year ended 31 December 2022, the Group generated other income and gains of approximately HK\$1,555,000 (2021: approximately HK\$614,000). The increase in other income is mainly due to the government grants under the Employment Support Scheme of approximately HK\$759,000 during 2022.

Selling and distribution expenses

The Group's selling and distribution expenses in 2022 amounted to approximately HK\$18,206,000, which increased by HK\$2,350,000, compared with approximately HK\$15,856,000 in 2021. The increase was due to the research and development expenses for smart retail cloud platform and network security of IoT cloud platform of approximately HK\$17,224,000 during the year.

Administrative expenses

Administrative expenses of the Group in 2022 were approximately HK\$31,493,000, increased by 1.38%, compared to approximately HK\$31,064,000 in 2021. Since the economy is uncertain during 2022, the Group keeps controlling the expenditure during the year.

Fair value loss on investments at fair value through profit or loss

As at 31 December 2022, the Group held an investment portfolio comprising of marketable securities that are listed in Hong Kong and outside Hong Kong. The fair value loss from the portfolio amounted to approximately HK\$3,019,000 (2021: loss of approximately HK\$2,462,000).

Change in fair value of investment properties

As at 31 December 2022, the fair value of investment properties decreased by approximately HK\$49,393,000 (2021: HK\$53,206,000).

Finance costs

Finance costs of the Group for 2022 were approximately HK\$11,548,000, an increase of approximately HK\$18,000, comparing to approximately HK\$11,530,000 in 2021. The finance costs are mainly consist of (i) interest on bank loan of approximately HK\$2,241,000 (2021: approximately HK\$903,000) and (ii) imputed interest on promissory notes of approximately HK\$8,803,000 (2021: approximately HK\$9,804,000).

Management Discussion and Analysis

Loss attributable to owners

The Group's loss attributable to owners of the Company was approximately HK\$82,295,000 for 2022 as compared to approximately HK\$90,326,000 in 2021. The loss was mainly due to (i) the fair value loss on the investment properties of approximately HK\$49,393,000 for the year; (ii) the research and development expenses for smart retail cloud platform and network security of IoT cloud platform of approximately HK\$17,224,000 for the year; and (iii) the equity settled share-based payment expenses of approximately HK\$1,172,000 for the year.

FINANCIAL POSITION

Liquidity and financial resources

As at 31 December 2022, cash and bank balances held by the Group increased from approximately HK\$6,714,000 as of 31 December 2021 to approximately HK\$13,877,000.

As at 31 December 2022, the Group's total borrowings amounted approximately HK\$136,960,000 (2021: approximately HK\$87,439,000). The gearing ratio (calculated as total borrowings over total equity) of the Group was 0.50 (2021: 0.25).

For the year ended 31 December 2022, the Group had capital expenditure of approximately HK\$54,000 (2021: approximately HK\$103,000) for addition of property, plant and equipment, and approximately HK\$52,494,000 for further construction works of investment properties (2021: HK\$209,000 for addition of investment properties by acquisition of a subsidiary and further construction works).

Significant Investments, material Acquisitions and Disposals of Subsidiaries

On 3 March 2023, and independent third party (the "Purchaser") and Gorgeous Ocean Global Limited, a direct wholly-owned subsidiary of the Company, (the "Vendor"), entered into an agreement (the "Disposal Agreement"), pursuant to which, the Vendor has conditionally agreed to sell the entire issued share capital of Rosy Ridge Investments Limited (the "Target Company") and its subsidiaries (collectively referred to as the "Target Group") and to assign the loans receivables from the Target Group of approximately HK\$35,200,000 and Dehuang of approximately HK\$7,415,000 (the "Sale Loan") to the Purchaser, and the Purchaser has conditionally agreed to acquire the entire issued share capital of the Target Company and take up the assignment of the Sale Loan at the consideration of HK\$28,000,000. Details of the disposal is set out on page 127 of the annual report and Note 44(a) in the consolidated financial statements.

There is no plans for material investments or capital assets as at the date of this report.

Capital structure

As at 31 December 2022 and as at the date of this report, there are a total of 51,471,199 issued shares of the Company of par value of HK\$0.1 each.

The details of the changes in capital structure of the Company during the year are set out in Note 37 of the consolidated financial statements.

Management Discussion and Analysis

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. To their best of knowledge and belief, the Directors consider that the followings are the key risks and uncertainties identified by the Group as at the date of this report.

Foreign Exchange Rates Risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Liquidity Risk

Liquidity risk is the potential risk that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, the Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

Price Risk

The Group's financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. The Directors manage this exposure by maintaining a portfolio of investments with different risk profiles.

EMPLOYEES AND REMUNERATION POLICIES

There were a total of 59 employees in the Group as of 31 December 2022 (2021: 59 employees). Total expenses on employee benefits amounted to approximately HK\$21,411,000 of which HK\$1,100,000 is related to equity-settled share-based payment for the year ended 31 December 2022 (2021: approximately HK\$24,218,000 of which HK\$2,462,000 is related to equity-settled share-based payment). The management believes the remuneration packages offered by the Group to its employees are competitive.

Management Discussion and Analysis

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

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SUBSEQUENT EVENTS

Major Transaction in Relation to Proposed Disposal of the Entire Equity Interest in the Target Company and Assignment of the Sale Loan

On 3 March 2023, Soar High Investment Holding Limited, an independent third party (as defined by GEM Listing Rules) as Purchaser (the "Purchaser") and Gorgeous Ocean Global Limited, a direct wholly-owned subsidiary of the Company as Vendor (the "Vendor"), entered into a disposal agreement (the "Disposal Agreement"), pursuant to which, the Vendor has conditionally agreed to sell the entire issued share capital of Rosy Ridge Investments Limited (the "Target Company") and to assign the sale loan owing or incurred by the Target Group and Dehuang to the Group ("Sale Loan") to the Purchaser, and the Purchaser has conditionally agreed to acquire the entire issued share capital of the Target Company and take up the assignment of the Sale Loan at the consideration of HK\$28,000,000. Upon Completion, the Group will cease to hold any interest in the Target Company (the "Proposed Disposal").

As one or more of the relevant applicable percentage ratios in respect of the Disposal Agreement and the transactions contemplated thereunder is more than 25% but less than 75%, the Disposal Agreement and the transactions contemplated thereunder constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and is accordingly subject to the notification, announcement and Shareholders' approval requirements set out under Chapter 19 of the GEM Listing Rules.

Details of the Proposed Disposal and the Disposal Agreement are set out in the announcement dated 3 March 2023.

A circular containing, among other things, (i) further details of the Proposed Disposal and assignment of the Sale Loan and (ii) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 21 April 2023.

Management Discussion and Analysis

Memorandum of Understanding with Autostereoscopic 3d Limited

On 10 March 2023, the Company entered into a non-legally binding Memorandum of Understanding (the “MOU”) with Autostereoscopic 3D Limited (the “3DT”). The MOU will be an expression of agreement between the Company and 3DT on the collaboration. In this connection, it is recognized that the combination of the use of proprietary Artificial Intelligence (“AI”) technologies and big data database held by the Company will proliferate the 3D autostereoscopic technologies currently owned by 3DT.

The MOU is at-will and may be modified by mutual consent of authorized officials from the Company and 3DT. The MOU shall become effective upon signature by the authorized officials from the Company and 3DT and will remain in effect until modified or terminated by any one of the parties by mutual consent. In the absence of mutual agreement by the authorized officials from the Company and 3DT, the MOU shall end within one (1) year from the date of signing of the MOU, unless formal agreement is to be entered into between the parties which shall then supersede the MOU.

Details of the MOU and the collaboration are set out in the announcement dated 10 March 2023.

Placing of New Shares Under General Mandate

On 14 March 2023, the Company and Grand China Securities Limited (the “Placing Agent”), entered into the placing agreement (“Placing Agreement”), pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, of up to 7,642,000 placing shares (“Placing Shares”), to not less than six placees who and whose ultimate beneficial owners shall be Independent Third Parties at the Placing Price of HK\$1.93 per Placing Share (“Placing”).

Assuming that all of the Placing Shares are successfully placed under the Placing Agreement, the gross proceeds from the Placing will be approximately HK\$14.75 million and the net proceeds from the Placing will be approximately HK\$14.34 million (after deduction of commission and other expenses of the Placing), representing a net issue price of approximately HK\$1.88 per Placing Share. The Company intends to apply (i) approximately HK\$7.6 million of the net proceeds to support the development of the IT infrastructure solutions business; (ii) approximately HK\$3.4 million to repay the loan from a shareholder; and (iii) the remaining net proceeds shall be used for general working purpose of the Group.

The Directors consider that the Placing Agreement is entered into upon normal commercial terms following arm’s length negotiations between the Company and the Placing Agent and the terms of the Placing Agreement (including the Placing Price and the placing commission) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Details of the Placing and Placing Agreement are set out in the announcement dated 14 March 2023.

Save as disclosed above, there are no other no significant events after the Year.

Biographical Information of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. WONG King Shiu, Daniel, aged 63, has been appointed as the chairman of the Board and chief executive officer of the Company with effect from 25 November 2019. He was the authorised representative and the process agent of the Company from 12 November 2020 to 31 March 2021. He has over 13 years of experience in natural resources industry and served as an executive director in a various natural resources company which is listed in Hong Kong. He also has extensive experience in the management and development of natural resources projects in China. He was an independent non-executive director of Huisheng International Holdings Limited (Stock Code: 1340) from 7 June 2016 to 30 June 2022. He was also an executive director of China Baoli Technologies Holdings Limited (Stock Code: 164) from 13 January 2012 to 3 October 2019. He was also a former executive director of China Oil And Gas Group Limited (“China Oil And Gas Group”) (Stock Code: 603) from January 2002 to 30 August 2006. Mr. Daniel Wong joined the Group on 16 August 2017.

Mr. CHANG Ki Sum Clark, aged 37, has been appointed as executive director of the Company with effect from 31 March 2021. He is currently compliance officer, one of the authorized representatives and the process agents of the Company. He is responsible overall financial management matters of the Group. He was the company secretary of the Company from 18 June 2019 to 31 March 2021. He has been appointed as company secretary of Bay Area Gold Group Limited (In Liquidation), a company listed on the Hong Kong Stock Exchange (Stock Code: 1194), with effect from 22 July 2022 and he has ceased to be its company secretary on 31 August 2022. Mr. Chang is a member of The Hong Kong Institute of Certified Public Accountants. He has over 10 years of experience in auditing, accounting and company secretarial matters. He has obtained his bachelor degree of business administration in accountancy from the City University of Hong Kong in 2009. He is the founder and the managing director of Clark Chang & Co CPA Limited since December 2017.

NON-EXECUTIVE DIRECTOR

Hon. LI Sai Wing, MH, aged 39, has been appointed as Non-Executive Director with effect from 26 October 2022. He has entered into a service agreement with the Company for a term of three years. Hon. Li has obtained his bachelor degree of administrative management from Jinan University and master degree of public administration from Sun Yat-Sen University. He is currently a member of the Legislative Council (New Territories South East) of Hong Kong since 2021.

Currently, he is the Vice Chairman of Qingyuan Overseas Association and Federation of New Territories Youth respectively, an executive committee member of Democratic Alliance for the Betterment and Progress of Hong Kong and Hong Kong Volunteers Federation. Hon. Li is a committee member of HKSAR Government Election Committee and CLP Eco Building Fund. Hon Li is a Hong Kong Committee Member of Guangzhou Panyu District CPPCC Committee. He is a member of The Lord Wilson Heritage Trust Council. He is also a social virtuous for Shatin Rural Committee and the Vice Chairman of New Territories Association of Societies. He was a district council member of Shatin District from 2012 to 2019. He was the PR Project Supervisor of A-World Consulting Limited.

Biographical Information of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. HUNG Hing Man, aged 52, is the chairman of audit committee and nomination committee of the Company. He holds a master's degree in Business Administration from the University of Western Sydney. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong and the Society of Chinese Accountants and Auditors. Mr. Hung is currently a proprietor of a certified public accountants firm. He has extensive working experience in corporate finance, accounting, auditing and taxation sectors. Mr. Hung joined the Group on 24 April 2015. Mr. Hung is also an independent non-executive director of Town Health International Medical Group Limited (Stock Code: 3886) since 10 February 2023 and Heng Tai Consumables Group Limited (Stock Code: 197) since 20 February 2017. He was an independent non-executive director of the Hong Kong listed company, namely China Baoli Technologies Holdings Limited (Stock Code: 164) from 31 March 2009 to 21 September 2015 and Ping An Securities Group (Holdings) Limited (Stock Code: 231) from 23 September 2009 to 17 November 2015. He was also an independent non-executive Director of REXLot Holdings Limited (Stock Code: 555) from 1 January 2019 to 26 November 2020. On 20 August 2020, a winding up order (the "Winding Up Order") was made by the High Court of Hong Kong against REXLot upon a winding up petition filed on 9 March 2020 in respect of a debt of HK\$770,609,876.28 owing under convertible bonds issued by REXLot. Liquidators were appointed to REXLot pursuant to an order made by the High Court of Hong Kong dated 27 August 2020. On 18 September 2020, an appeal was lodged against the Winding Up Order with the Court of Appeal of Hong Kong. REXLot is a company incorporated in Bermuda with limited liability and, together with its subsidiaries, are principally engaged in lottery system and game development business and distribution and marketing of lottery products in China. The securities of REXLot are listed on the Main Board of the Stock Exchange (Stock Code: 555) but had been suspended since 1 April 2019 and delisted on 10 May 2021. Mr. Hung has confirmed that he was not one of the respondents of such petition nor a party of such winding up proceedings and am not aware of any actual or potential claim that has been or will be made against him because of the Winding Up Order.

Mr. WONG Hoi Kuen, aged 62, is the chairman of the remuneration committee of the Company and the member of the audit committee and nomination committee of the Company. He is a practising certified public accountant in Hong Kong and a chartered accountant in the United Kingdom. He is a fellow member of The Hong Kong Institute of Certified Public Accountants, The Association of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales. Mr. Wong joined the Group on 16 August 2017. Mr. Wong is an independent non-executive director, members of audit committee and nomination committee of Elife Holdings Limited (Stock Code: 223) since 9 May 2011. He was also an independent non-executive director of REXLot Holdings Limited (Stock Code: 555) from 29 June 2018 to 27 November 2020. As disclosed above, on 20 August 2020, the Winding Up Order was made by the High Court of Hong Kong against REXLot upon a winding up petition filed on 9 March 2020 in respect of a debt of HK\$770,609,876.28 owing under convertible bonds issued by REXLot. Liquidators were appointed to REXLot pursuant to an order made by the High Court of Hong Kong dated 27 August 2020. On 18 September 2020, an appeal was lodged against the Winding Up Order with the Court of Appeal of Hong Kong. REXLot is a company incorporated in Bermuda with limited liability and, together with its subsidiaries, are principally engaged in lottery system and game development business and distribution and marketing of lottery products in China. The securities of REXLot are listed on the Main Board of the Stock Exchange (Stock Code: 555) but had been suspended since 1 April 2019 and delisted on 10 May 2021. Mr. Wong has confirmed that he was not one of the respondents of such petition nor a party of such winding up proceedings and am not aware of any actual or potential claim that has been or will be made against him because of the Winding Up Order.

Biographical Information of Directors and Senior Management

Dr. CHEN Shengrong, aged 40, is a member of the audit committee, remuneration committee and nomination committee of the Company. She obtained a doctorate degree in Business Administration from the Pacific States University of the USA in 2011. She was an audit manager with Baker Tilly China Certified Public Accountants and had been the vice general manager of New Times Securities Company Limited in charge of risk control. From August 2014 to December 2016, Dr. Chen served as the vice president of finance of Skyslink New Energy Asset Management Limited. From January 2017 to February 2021, she served as the vice president of Sky Cloud Green Data Technology Co., Ltd. (天之雲綠色數據技術有限責任公司). She is currently serving as general manager in China Ageing Welfare Development Co., Ltd. Dr. Chen has extensive experience in internal control of enterprises, risk control in investment businesses, project risk evaluation and assets restructuring management. Dr. Chen joined the Group on 30 January 2015.

SENIOR MANAGEMENT

Ms. LAM Mei Wai Michelle, is the company secretary and one of the authorised representatives of the Company with effect from 31 March 2021. She holds a Bachelor of Arts from The University of Hong Kong and a Master of Science in Professional Accounting and Corporate Governance from City University of Hong Kong. She is a Chartered Secretary, a Chartered Governance Professional and an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Lam is currently the President of Oakwood Services Limited and has more than 10 years of experience in company secretarial field. She also serves as the company secretary of Success Dragon International Holdings Limited (stock code: 1182), a company listed on the Main Board of the Stock Exchange.

Directors' Report

The Directors are pleased to present their report and the audited consolidated financial statements of China Information Technology Development Limited and its subsidiaries for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 41 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and indication of likely future developments in the Group's businesses and other relevant information, can be found in the Management Discussion and Analysis set out on pages 6 to 18 and the Chairman's Statement as set out on pages 4 to 5 of this report. Such discussion forms part of this Directors' Report.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2022 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 54 to 57.

The Audit Committee has reviewed the draft audited consolidated financial statements and annual report before presenting them to the Board for consideration and approval.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2022.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 129. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movement in the share capital and share options of the Company during the year are set out in note 37 and note 38 to the consolidated financial statements respectively.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme adopted by the Company on 2 August 2012 ("Share Option Scheme") as disclosed in the section headed "Share Options Scheme" of this Directors' Report, the Company has not entered into any equity-linked agreement for the year ended 31 December 2022.

Directors' Report

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles of Associations") or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 40 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company had no reserve available for distribution to shareholders (including share premium account, foreign currency translation reserve and retained earnings). Under the Companies Law, Cap 22 (Law 38 of 1961, as consolidated and revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its articles of association and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business, in accordance with the Company's Articles of Association, dividends shall be distributed out of the retained profits or other reserves, including the share premium account, of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 58.8% of the total sales for the year and sales to the largest customer included therein amounted to 18.6%. Purchases from the Group's five largest suppliers accounted for 68.8% of the total purchases for the year ended 31 December 2022 and purchase from the largest supplier included therein amounted to 23.4%.

None of the Directors or any of their associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

Directors' Report

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Wong King Shiu, Daniel (*Chairman and Chief Executive Officer*)
Mr. Chang Ki Sum Clark

Non-Executive Director:

Hon. Li Sai Wing, *MH (appointed on 26 October 2022)*

Independent non-executive Directors:

Mr. Hung Hing Man
Mr. Wong Hoi Kuen
Dr. Chen Shengrong

In accordance with Articles 87(1) and 87(2) of the Articles of Association of the Company ("Articles of Association"), one-third of the Directors will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmations of independence from Mr. Hung Hing Man, Mr. Wong Hoi Kuen and Dr. Chen Shengrong and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 19 to 21 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board of Directors with reference to Directors' duties, responsibilities and performance and the results of the Group as well as the recommendation of the remuneration committee of the Company (the "Remuneration Committee"). Further details of the Directors' remuneration and the five highest paid individuals are set out in the Note 12 to the consolidated financial statements on pages 95 to 96 of the annual report.

PERMITTED INDEMNITY OF DIRECTORS

Pursuant to the Articles of Association, every Director or other senior officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, and no director or other officer shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Company during the year.

Directors' Report

DIRECTORS' MATERIAL INTERESTS IN TRANSACTION, ARRANGEMENT AND CONTRACTS

None of the Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

No contracts, other than the employment contracts of the Directors and senior management of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 31 December 2022, the interests and short positions of the Directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long positions in ordinary shares of the Company:

Name of Directors	Capacity	Nature of Interest		Percentage of the Company's issued share capital (approximately) (Note a)
		Registered Shareholder	Underlying Interest	
Executive Directors				
WONG King Shiu, Daniel	Beneficial owner	363,550	—	0.71%
			343,000	0.67%
CHANG Ki Sum Clark	Beneficial owner	—	340,374	0.67%
Independent Non-Executive Directors				
HUNG Hing Man	Beneficial owner	—	34,000	0.07%
WONG Hoi Kuen	Beneficial owner	—	34,000	0.07%
CHEN Shengrong	Beneficial owner	—	34,000	0.07%

Notes:

- (a) The percentage is calculated based on the total number of ordinary shares of the Company in issue as at the date of this report, which was 51,471,199 Shares.

Directors' Report

SHARE OPTION SCHEME

The Company has adopted a share option scheme with effect from 2 August 2012 pursuant to an ordinary resolution passed by the Shareholders. (the "Share Options Scheme"). On 13 May 2021, the Company granted a total of 23,900,000 share options with rights to subscribe for 23,900,000 shares of the Company and further granted a total of 16,360,000 share options on 16 June 2022 with rights to subscribe for 16,360,000 shares of the Company.

Purpose of the Share Options Scheme

The purpose of the Share Option Scheme is to enable the Company to grant share options to selected eligible participants as incentives or rewards for their contribution or potential contribution to the Group. The Share Option Scheme provides the participants with the opportunity to acquire proprietary interests in the Company and will encourage such participants to work towards enhancing the value of the Company and the Shares for the benefit of the Company and the Shareholders as a whole.

Participants of the Share Option Scheme

The Share Option Scheme also attracts and retains the best available personnel and to provide additional incentive to an employee, director (including executive director, non-executive director or independent non-executive director), consultant, professional adviser, customer, business partner, joint venture partner, strategic partner or any supplier or provider of goods or services to, the Group, and any trustee(s) of a discretionary trust of which one or more beneficiaries belong to any of the abovementioned category(ies) of persons.

The basis of eligibility of any participant to the grant of any share option shall be determined by the Board from time to time on the basis of their contribution or potential contribution to the development and growth of the Group. The Board may, at its absolute discretion and on such terms as it may think fit and in accordance with the rules of the Share Option Scheme, grant share options under the Share Option Scheme to the eligible participants.

Total number of shares available for issue

The Share Options Scheme has expired on 1 August 2022 and no more share options may be granted under the Share Option Scheme. The outstanding share options under the Share Option Scheme would continue to be exercisable. 4,220,241 share options are outstanding and so 4,220,241 shares are available for issue, which represents 8.20% of the issued shares as at the date of this annual report.

Maximum entitlement of each participant under the scheme

The total number of Shares issued and which may fall to be issued upon exercise of the share options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding share options) to each participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of share options in excess of this 1% limit shall be subject to the issuance of circular by the Company to seek the approval of the Shareholders in general meeting and/or subject to other requirements prescribed under the GEM Listing Rules.

Period within which the option may be exercised by the grantee

The Company granted share options under the Share Option Scheme in 13 May 2021 and 16 June 2022. The exercise period for the respective share options granted was 10 years from the date of grant, from 13 May 2021 to 12 May 2031 and 16 June 2022 to 15 June 2032.

Directors' Report

Vesting Period of Options Granted

There is no vesting period with the share options granted in 13 May 2021 and 16 June 2022.

The Amount Payable on Acceptance of Option

Upon acceptance of the Option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant.

Basis of Determining the Exercise Price of Options

The subscription price of a Share in respect of any particular share option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

During the year ended 31 December 2022, movements of the options which have been granted under the Share Option Scheme are set out below:

Name	Title	Exercise price (HK\$) (adjusted)	Date of Grant	Number of share options					Outstanding as at 31 December 2022 (adjusted)
				Balance as at 1 January 2022 (adjusted)	Granted (adjusted)	Lapsed (adjusted)	Cancelled (adjusted)	Exercised (adjusted)	
SUBSTANTIAL SHAREHOLDER									
ZHANG Rong	Substantial Shareholder	2.19	13/5/2021	25,730	—	—	—	—	25,730
Sub-total:				25,730	—	—	—	—	25,730
DIRECTOR									
WONG King Shiu, Daniel	Executive Director ("ED"), Chairman and Chief Executive Director	1.40	16/6/2022	—	343,000	—	—	—	343,000
CHANG Ki Sum Clark	ED	2.19	13/5/2021	267,374	—	—	—	—	267,374
		1.40	16/6/2022	—	73,000	—	—	—	73,000
HUNG Hing Man	Independent non-executive director ("INED")	1.40	16/6/2022	—	34,000	—	—	—	34,000
WONG Hoi Kuen	INED	1.40	16/6/2022	—	34,000	—	—	—	34,000
CHEN Shengrong	INED	1.40	16/6/2022	—	34,000	—	—	—	34,000
Sub-total:				267,374	518,000	—	—	—	785,374

Directors' Report

Name	Title	Exercise price (HK\$) (adjusted)	Date of Grant	Number of share options					Outstanding as at 31 December 2022 (adjusted)
				Balance as at 1 January 2022 (adjusted)	Granted (adjusted)	Lapsed (adjusted)	Cancelled (adjusted)	Exercised (adjusted)	
EMPLOYEES									
Batch A ¹		2.19	13/5/2021	324,428	—	—	—	—	324,428
Batch B ¹		2.19	13/5/2021	246,118	—	—	—	—	246,118
Batch C ¹		2.19	13/5/2021	1,246,255	—	—	—	—	1,246,255
Batch D ¹		1.40	16/6/2022	—	245,000	—	—	—	245,000
Batch E ¹		1.40	16/6/2022	—	430,000	—	—	—	430,000
Batch F ¹		1.40	16/6/2022	—	343,000	—	—	—	343,000
	Sub-total:			1,816,801	1,018,000	—	—	—	2,834,801
CONSULTANTS									
WEI Qi	AI consultant	2.19	13/5/2021	237,168	—	—	—	—	237,168
WEI Guokang	Data center construction Consultant	2.19	13/5/2021	237,168	—	—	—	—	237,168
HUANG Jiehuan	Consultant (Algorithm)	1.40	16/6/2022	—	100,000	—	—	—	100,000
	Sub-total:			474,336	100,000	—	—	—	574,336
	TOTAL:			2,584,241	1,636,000	—	—	—	4,220,241

Directors' Report

Note 1:

Batch	Number of Options Granted to each employee	Number of Employees
A	0 to 50,000	18 (4 of the 18 employees resigned and the options granted have been lapsed)
B	50,001 to 100,000	4
C	200,001 to 250,000	5
D	0 to 50,000	10
E	50,001 to 100,000	6 (1 of the employees was a grantee of Batch A)
F	200,001 to 343,000	1

Note 2:

The number of outstanding share options and the exercise price were adjusted accordingly upon completion of rights issue on the basis of one rights share for every two existing shares on 11 April 2022 and completion of share consolidation of every ten issued and unissued existing shares be consolidated into one consolidated share on 5 December 2022.

Note 3:

The options have an exercise period of ten years from date of grant. They do not have any vesting period nor performance target.

Note 4:

The closing price of the shares immediately before the date on which the share options were granted i.e. 16 June 2022 was HK\$0.140 (prior to completion of the share consolidation mentioned in Note 2 above).

Directors' Report

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2022, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital (approximately) (Note a)
Mr. ZHANG Rong ("Mr. Zhang")	Beneficial owner	10,352,499 <i>(Registered shareholder)</i>	20.11%
		25,730 <i>(underlying interest)</i>	0.05%
	Through controlled corporation <i>(Note b)</i>	1,138,800 <i>(Registered shareholder)</i>	2.21%
Mr. LAM Shu Chung ("Mr. Lam")	Beneficial owner	3,801,300 <i>(Registered shareholder)</i>	7.39%
Ms. CHOI Hing Lin Lori ("Ms. Choi")	Interest of Spouse <i>(Note c)</i>	3,801,300	7.39%
Mr. TANG Keung	Beneficial owner	3,503,400 <i>(Registered shareholder)</i>	6.81%
Valuable Fortune Limited	Beneficial owner <i>(Note d)</i>	3,000,000 <i>(Registered shareholder)</i>	5.83%

Notes:

- (a) The percentage is calculated based on the total number of ordinary shares of the Company in issue as at the date of this report, which was 51,471,199.
- (b) The 1,138,800 Shares are held by Corporate Advisory Limited ("Corporate Advisory"), which is wholly-owned by Mr. Zhang Rong. Pursuant to the Division 7 and 8 of Part XV of the SFO, Mr. Zhang is deemed to have an interest in all shares in which Corporate Advisory has, or deemed to have an interest.
- (c) Ms. Choi is the spouse of Mr. Lam, and therefore deemed to have an interest on the Shares in which Mr. Lam has, or deemed to have, an interest.
- (d) The 3,000,000 Shares are held by the Valuable Fortune Limited which is wholly-owned by Mr. Lee Yat Lung Andrew ("Mr. Lee"). Pursuant to the Division 7 and 8 of Part XV of the SFO, Mr. Lee is deemed to have an interest in all Shares in which Valuable Fortune Limited has, or deemed to have, an interest.

Directors' Report

Save as disclosed above, as at 31 December 2022, no person, other than the Directors of the Company, whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares and Debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group are set out in the section headed "Management Discussion and Analysis" of this annual report.

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

As a responsible corporation, the Group is committed to maintaining the highest environmental and social standards to ensure sustainable development of its business. The Group has complied with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group understands a better future depends on everyone's participation and contribution. It has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole.

The details of environmental, social and governance policies and performance of the Group will be disclosed in the standalone Environmental, Social and Governance Report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management of the Company are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year under review, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 December 2022, the Directors had an interest in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business that need to be disclosed pursuant to the GEM Listing Rules were as follows:

Name of Director	Name of Company	Nature of Business	Nature of interest
Wong King Shiu, Daniel <i>(Retired as director of Huisheng on 30 June 2022)</i>	Huisheng International Holdings Limited ("Huisheng"), Stock Code: 1340	Money Lending Business	Independent non-executive director of Huisheng

As the Board is independent to the boards of the above mentioned companies, the Group is capable of carrying on its business independently of and at arm's length, from the business of those companies.

During the year and up to the date of this report, save as disclosed above, none of the Directors or the controlling shareholders (as defined in the GEM Listing Rules) of the Company were considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Directors' Report

RELATIONSHIP WITH STAKEHOLDERS

The Group is committed to operate in a sustainable manner while balancing the interests of its various stakeholders including customers, suppliers and employees. Through regular stakeholder engagement via different channels, the stakeholders are encouraged to give their opinions regarding the environmental, social and governance policies of the Group.

The Group maintains strong relationships with its employees and offers them with safe working environments. The Group has enhanced cooperation with its suppliers and has provided high quality products and services to its customers so as to ensure sustainable development.

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

CORPORATE GOVERNANCE

The Company's corporate governance report is set out on pages 33 to 49.

AUDITORS

ZHONGHUI ANDA CPA Limited retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

SUBSEQUENT EVENTS

Subsequent events are set out in the "Management Discussion and Analysis" on pages 6 to 18 in this annual report.

Save as disclosed in this annual report, there are no other subsequent event.

ON BEHALF OF THE BOARD

Mr. Wong King Shiu, Daniel

Chairman and Chief Executive Officer

Hong Kong

27 March 2023

Corporate Governance Report

INTRODUCTION

The Board of the Company believes that corporate governance is essential to enhance the Group's value and accountability and has adopted various measures to adhere to a high standard of corporate governance to safeguard the interests of shareholders, clients, service vendors, employees and other stakeholders.

The Company has complied with the code provisions (the "Code Provision(s)") of the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules (the "Code") for the year ended 31 December 2022, except for the following:

Code Provision C.2.1

Chairman and Chief Executive Officer

Code Provision C.2.1 stipulates the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Wong King Shiu, Daniel served as both the Chairman and the Chief Executive Officer during the year. Such practice deviates from code provision C.2.1 of the Code. The Board is of the opinion that it is appropriate and in the best interests of the Company for the same person to hold both positions as it helps maintain the continuity of the policies and the stability of the operations of the Company.

CULTURE AND VALUES

With the aim to provide advanced and high quality IT services to our clients, the Board strives to foster corporate culture with the following core principles and to ensure that the Company's vision, values and business strategies are aligned to it.

Integrity and code of conduct

The Group endeavors to maintain high standards of business ethics and corporate governance across all our activities and operations. The Directors, management and staff are all required to act lawfully, ethically and responsibly, and the required standards and norms are explicitly set out in the training materials for all new staff and embedded in various policies such as the Group's employee manual, the anti-corruption policy and the whistleblowing policy of the Group. The said policies had been available and sent to all staff for their reference. Regular updates and training are provided to reinforce the standard.

Commitment

The Group believes that the culture of commitment to workforce development, workplace safety and health, diversity, and sustainability is important to nurture commitment with the Group's mission. This sets the tone for a strong, productive workforce that attracts, develops, and retains the best talent and produces the highest quality work. Moreover, the Company's strategy in the business development and management are to achieve long-term, steady and sustainable growth, while having due considerations from environment, social and governance aspects.

Corporate Governance Report

BOARD OF DIRECTORS

Board Composition and its Responsibilities

The Board, which currently comprises six Directors, including two executive Directors, and one non-executive Director and three independent non-executive Directors. The Board is responsible for corporate strategy, annual, interim and quarterly results, succession planning, internal control and risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters of the Company. The independent non-executive Directors are responsible for ensuring a high standard of internal control of the Company and financial and other mandatory reporting of the Board as well as to provide a balance in the Board in order to protect shareholders' interest and overall interest of the Group.

Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual, interim and quarterly accounts for board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of risk management and internal controls procedures, and compliance with relevant statutory requirements and rules and regulations.

All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director and non-executive Director (including the independent non-executive Director) has sufficient experience, knowledge and execution ability to hold the position so as to carry out his duties effectively and efficiently.

The composition of the Board, details of backgrounds and qualifications of all Directors are set out in the "Corporate Information" and "Biographical Information of Directors and Senior Management" sections of this annual report. The latest list of Directors setting out their roles and responsibilities is available and accessible at the websites of the Company (<http://www.citd.com.hk>) and the Stock Exchange (www.hkexnews.hk).

There was no financial, business, family or other material relationship among Directors.

Board Independence

The Company recognises that Board independence is crucial in good corporate governance and effectiveness of the Board. The Board has established mechanisms to ensure independent views and input from any Director of the Company are delivered to the Board for building an objective and effective decision.

The governance framework and the following mechanisms are reviewed annually by the Board, through its nomination committee ("Nomination Committee") and the remuneration committee ("Remuneration Committee") of the Company, in order to ensure the effectiveness:

1. Three out of the six Directors are independent non-executive Directors, which meets the requirements of the GEM Listing Rules that the Board must have at least three independent non-executive Directors and must appoint independent non-executive Directors representing at least one-third of the Board.
2. The Nomination and Remuneration Committee will assess the independence, qualification and time commitment of a candidate who is nominated to be a new independent non-executive director before appointment and also the continued independence of existing independent non-executive Directors and their time commitments annually. On an annual basis, all independent non-executive Directors are required to confirm in writing their compliance of independence requirements pursuant to Rule 5.09 of the GEM Listing Rules, and to disclose the number and nature of offices held by them in public companies or organisations and other significant commitments.

Corporate Governance Report

3. The Nomination and Remuneration Committee will conduct the performance evaluation of the independent non-executive Directors annually to assess their contributions.
4. External independent professional advice is available as and when required by individual Directors.
5. No equity-based remuneration with performance-related elements will be granted to independent non-executive Directors.
6. A Director (including independent non-executive Director) who has a material interest in a contract, arrangement or other proposal shall not vote or be counted in the quorum on any Board resolution approving the same.
7. The Chairman of the Board meets with independent non-executive Director annually without the presence of the executive Directors and non-executive Directors.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the director's securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Directors have confirmed that they have complied with the GEM Listing Rules throughout the year ended 31 December 2022.

TRAINING, INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

Each Director receives comprehensive, formal and tailored induction on the first occasion of his appointment so as to ensure the he has appropriate understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements. The Company is committed to arranging and funding suitable training to all Directors for their continuous professional development.

During the year, each Director is briefed and updated from time to time to ensure that he is fully aware of his responsibilities under the GEM Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group. During the year ended 31 December 2022, all Directors participated in continuing professional development regarding their duties and responsibilities as a director of a listed company which included reading newspapers, journals and updates and/or attending training courses and/or seminars relevant to the Group's businesses to their duties and responsibilities as directors of a listed company. The Directors were provided with monthly updates on the Group's business and financial matters. All Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

Corporate Governance Report

Directors' participation in continuous professional development for the year ended 31 December 2022 are set out in the table below:

	Participation in continuous professional development
Executive Directors	
Mr. Wong King Shiu, Daniel	√
Mr. Chang Ki Sum, Clark	√
Non-Executive Director	
Hon. Li Sai Wing, <i>MH</i> (appointed on 26 October 2022)	√
Independent Non-executive Directors	
Mr. Hung Hing Man	√
Mr. Wong Hoi Kuen	√
Dr. Chen Shengrong	√

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The executive Directors and non-executive Directors have not entered into any service contract with the Company with a fixed term, yet all the Directors of the Company are subject to retirement and re-election at the forthcoming general meeting of the Company after his appointment and will also be subject to retirement by rotation and re-election in accordance with the Articles of Association and the Code.

BOARD MEETING

During the year of 2022, the board held totally 17 board meetings and 3 general meetings. The attendance of each Director are set out below:

Name of Director	Attendance/ Number of board meetings held	Attendance/ Number of general meetings held
<i>Executive Directors:</i>		
Mr. Wong King Shiu, Daniel (<i>Chairman and Chief Executive Officer</i>)	17/17	3/3
Mr. Chang Ki Sum Clark	17/17	3/3
<i>Non-Executive Director:</i>		
Hon. Li Sai Wing, <i>MH</i> (<i>Appointed on 26 October 2022</i>)	3/3	1/1

Corporate Governance Report

Name of Director	Attendance/ Number of board meetings held	Attendance/ Number of general meetings held
<i>Independent non-executive Directors:</i>		
Mr. Hung Hing Man	17/17	3/3
Mr. Wong Hoi Kuen	17/17	3/3
Dr. Chen Shengrong	17/17	2/3

At least 14 days' notice of a Board meeting is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. The Board's procedures comply with the Articles of Association, as well as relevant rules and regulations. An agenda and accompanying board papers shall be sent, in full, to all Directors in a timely manner at least 3 days before the intended date of a board or board committee meeting unless otherwise agreed. The management shall supply the Board and board committees with complete and reliable adequate information, in a timely manner, to enable them to make informed decisions and fulfil their duties properly. The Board and each Director has separate and independent access to the issuer's senior management. Queries raised by Directors will be responded promptly and in a full way.

If a Director has a conflict of interest in relation to a transaction or proposal to be considered by the Board, the individual is required to declare such interest and to abstain from voting. The matter is considered at a Board meeting attended by Directors who have no material interest in the transaction.

Board minutes of each Board meeting are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

NON-EXECUTIVE DIRECTORS

The Board fulfilled the requirement of appointing at least three independent non-executive directors and they represented at least one-third of the Board as stipulated by the GEM Listing Rules. It met the requirement of having at least one of the independent non-executive directors with appropriate professional qualifications or accounting or related financial management expertise. The independent non-executive Directors have appropriate and sufficient experience and qualification to carry out their duties so as to fully represent the interests of the shareholders.

The Company has received from each independent non-executive Director an annual confirmation for independence pursuant to Rule 5.09 of the GEM Listing Rules. The independent non-executive Directors have confirmed that they are independent.

Corporate Governance Report

TERM OF APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors are not appointed for a specific term. In accordance with the Articles of Association, all non-executive Directors are subject to retirement by rotation and re-election by shareholders at annual general meeting ("AGM") of the Company.

INSURANCE ON DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged for appropriate liabilities insurance for the Directors to cover their liabilities arising out of corporate activities. The insurance coverage is reviewed annually.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for the corporate governance functions, which include but not limited to the following duties:

- (a) To develop and review the Company's policies and practices on corporate governance and make recommendation to the Board;
- (b) To review and monitor the training and conditions professional development of Directors and senior management;
- (c) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) To develop, review and monitor the code of conduct applicable to employees and Directors; and
- (e) To review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

During the year, the Board has reviewed and discharged the above corporate governance functions.

REMUNERATION COMMITTEE

The Company established a remuneration committee (the "Remuneration Committee") with written terms of reference in compliance with Rules 5.34 to 5.36 of the GEM Listing Rules.

During the year under review, members of the Remuneration Committee are Mr. Wong Hoi Kuen (Committee Chairman), Mr. Hung Hing Man, Dr. Chen Shengrong. All of the Remuneration Committee members are independent non-executive Directors.

Its main role and functions include but not limited to making recommendations of specific remuneration packages of all executive directors, including benefits in kind, pension rights and compensation payments, any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board on the remuneration of non-executive directors and senior management of the Company. The Remuneration Committee will consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

Corporate Governance Report

During the year of 2022, 4 Remuneration Committee meetings were held. The attendance of each member is set out below:

Name of member	Attendance Number of meetings held
Mr. Wong Hoi Kuen (<i>Committee Chairman</i>)	4/4
Mr. Hung Hing Man	4/4
Dr. Chen Shengrong	4/4

The works performed by the Remuneration Committee during the year include the following:

- reviewed and recommended the remuneration package of Hon. Li Sai Wing, *MH* regarding his appointment as non-executive Director with effect from 26 October 2022;
- reviewed and recommended the grant of share options to the respective Directors on 16 June 2022;
- reviewed and made recommendation to the amendment of terms of reference of Remuneration Committee;
- reviewed and determined the policy for the remuneration of Directors and senior management;
- reviewed and recommended the remuneration package of the Directors and senior management; and
- reviewed and approved the terms of executive Directors' service contract.

No Director nor any of his/her associates was involved in deciding his/her own remuneration.

For the year, the remuneration payable (including equity-settled share option expense) to a senior management (excluding Directors) fell within the band of HK\$nil to HK\$550,000.

In relation to the grant of share options under the Share Option Scheme on 16 June 2022 to the Board of Directors, the Remuneration Committee viewed that the executive Directors are responsible for overseeing the operation of the Company as well as providing leadership for the Company to put forward the business strategy and work towards the business goals of the Company. The independent non-executive Directors are granted with share options as a means of showing appreciation for their valuable contribution to the Group's corporate governance practices over the years. The Nomination Committee of the Company regularly reviews and assesses the independence of all independent non-executive Directors having regard to the independence requirements under the Listing Rules and the Corporate Governance Code and so the grant of share options will not compromise their independence.

The Board believes that the grant of share options to the Directors shall provide incentives and motivates the grantees to perform their best towards the goal of the Group. The number of share options granted to them is determined with reference to the market and their contribution to the Group.

Further details of the remuneration of the Directors and the five highest paid individuals are set out in note 12 to the financial statements.

Corporate Governance Report

NOMINATION OF DIRECTORS

The Board is empowered under the Articles of Association to appoint any person as a director either to fill a casual vacancy or, subject to authorisation by the shareholders of the Company in general meeting, as an additional member of the Board. The Company has adopted the nomination policy (the “Nomination Policy”) with effect from 1 January 2019. The Nomination Policy sets out the procedures, process and criteria for identifying and recommending candidates for election to the Board of Directors. The criteria for recommending the suitable candidates for directorship include (i) reputation for integrity, (ii) qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company’s business and corporate strategy, (iii) commitment in respect of sufficient time and relevant interest; (iv) diversity in all its aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, and (v) such other perspectives appropriate to the Company’s business. These factors are for reference only, and not meant to be exhaustive and decisive. The nomination committee of the Company (“Nomination Committee”) has the discretion to nominate and recommend any person, as it considers appropriate to the Board for further approval.

The Nomination Committee shall review and recommend to the Board on any revisions to the Nomination Policy to ensure its transparent and fair for the election or re-election process of directors, remains relevant to the Company needs and reflects the good corporate governance practice. The Nomination Committee will discuss any revisions that may be required, and recommend any such revision to the Board for consideration and approval.

During the year ended 31 December 2022, Hon. Li Sai Wing, *MH* has been nominated to the Board as a non-executive Director in accordance with the Nomination Policy.

Corporate Governance Report

BOARD DIVERSITY

The Company recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Board has adopted a board diversity policy (the "Board Diversity Policy") which sets out the approach to achieve and maintain diversity on the Board.

Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and other qualities.

The Company also takes into consideration its own business model and specific needs from time to time in determining the optimal composition of the Board. Nomination Committee has considered measurable objectives based on four focus areas: gender, age, professional experience and ethnicity to implement the Board Diversity Policy. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained.

Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness at least once annually. The Board Diversity Policy is available on the website of the Company for public information.

Measurable Objectives

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives:

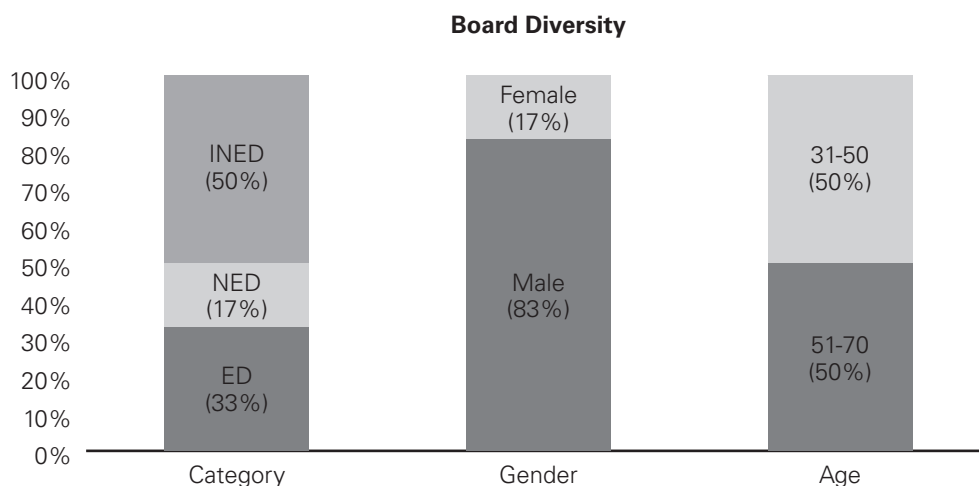
1. at least one third of the Directors shall be independent non executive Directors;
2. at least one Director is female; and
3. at least one Director shall have obtained accounting or other professional qualifications.

During the year ended 31 December 2022, all the measurable objectives have been fulfilled.

Corporate Governance Report

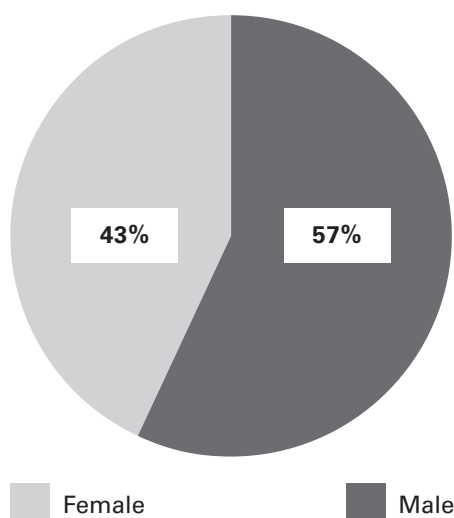
Progress:

The Board and the Nomination Committee believe that the diversity of the Board is sufficient given that there are Directors from different industries and with different experience, skills and knowledge. As at 31 December 2022, the analysis of the Board diversity is set out as follows:



During the year, in the IT industry which is traditionally short of female talents, the Group had managed to attract female talents and maintained a relatively balanced gender ratio as shown in the below chart:-

Gender Diversity in Workforce



The Company shall continue to recruit more female talents and maintain gender diversity in workforce.

Corporate Governance Report

NOMINATION COMMITTEE

The Company established a Nomination Committee with written terms of reference in compliance with Rule 5.36A and Code Provisions B.3.1 to B.3.4 of Appendix 15 of the GEM Listing Rules.

During the year under review, members of the Nomination Committee are Mr. Hung Hing Man (Committee Chairman), Dr. Chen Shengrong and Mr. Wong Hoi Kuen. All of the Nomination Committee members are independent non-executive Directors.

The Nomination Committee's role and functions include but not limited to reviewing the structure, size and composition of the Board at least annually, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships, assessing the independence of independent non-executive directors and making recommendations to the Board on the appointment, re-appointment and succession of directors.

During the year of 2022, 3 Nomination Committee meetings were held. The attendance of each member is set out below:

Name of member	Attendance/ Number of meetings held
Mr. Hung Hing Man (<i>Committee Chairman</i>)	3/3
Mr. Wong Hoi Kuen	3/3
Dr. Chen Shengrong	3/3

The works performed by the Nomination Committee during the year include the following:

- made recommendation for the appointment of Hon. Li Sai Wing, *MH* as non-executive Director of the Company with effect on 26 October 2022;
- reviewed the structure, size and composition of the Board according to the board diversity and the development of the Company and the market situation;
- accessed the independence of independent non-executive Directors;
- made recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer of the Company; and
- reviewed and made recommendation to the amendment of terms of reference of Nomination Committee.

AUDIT COMMITTEE

The Company established an Audit Committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules.

Corporate Governance Report

During the year under review, members of the Audit Committee are Mr. Hung Hing Man (Committee Chairman), Dr. Chen Shengrong and Mr. Wong Hoi Kuen. None of them is a member of the former or existing auditors of the Company. All of the Audit Committee members are independent non-executive Directors.

The role and functions of the Audit Committee include but not limited to supervising the financial reporting procedure and reviewing the consolidated financial statements of the Group, overseeing the Company's financial reporting system risk management and internal control systems adopted by the Group and reviewing the relevant work of the Group's external auditor. The Audit Committee had reviewed this annual report and confirmed that it complies with the applicable standard, the GEM Listing Rules and other applicable legal requirements and the adequate disclosures have been made. There is no disagreement between the members of the Audit Committee regarding the selection and appointment of external auditors.

During the year of 2022, 4 Audit Committee meetings were held. The attendance of each member is set out below:

Name of member	Attendance/ Number of meetings held
Mr. Hung Hing Man (<i>Committee Chairman</i>)	4/4
Mr. Wong Hoi Kuen	4/4
Dr. Chen Shengrong	4/4

The works performed by the Audit Committee during the year include the following:

- reviewed the annual report and the annual results announcement of the Company for the year ended 31 December 2021;
- reviewed the first quarterly report and results announcement of the Company for the three months ended 31 March 2022;
- reviewed the interim report and the interim results announcement of the Company for the six months ended 30 June 2022;
- reviewed the third quarterly report and results announcement of the Company for the nine months ended 30 September 2022;
- reviewed and discussed with the management the risk management and internal control systems of the Group;
- reviewed and discussed with the management the effectiveness of the internal audit of the Company;
- reviewed and discussed with the management the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting functions;

Corporate Governance Report

- reviewed and made recommendation to the amendment of terms of reference of Audit Committee;
- developed and reviewed the code of conduct applicable to employees and Directors;
- recommended to the Board, for approval by shareholders of the Company, the re-appointment of auditors of the Company; and
- discussed with the auditors about the audit plan.

FINANCIAL REPORTING

With the assistance of the accounting department and the sufficient explanation and information provided by the management of the Company, the Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 December 2022 and confirm that the financial statements contained herein give a true and fair view of the results and state of affairs of the Group for the year under review. The Directors consider that the financial statements have been prepared in conformity with the statutory requirements including the Hong Kong Companies Ordinances and the Listing Rules and the applicable accounting standards including the International Financial Reporting Standards, Hong Kong Financial Reporting Standards. These statutory requirements and applicable accounting standards have been consistently used and applied and reasonable judgements and estimates are properly made. The Board aims to present a clear and balanced assessments of the Group's performance in the annual, interim and quarterly reports to the shareholders, and make appropriate disclosure and announcements in a timely manner.

During the year of 2022, the Group incurred a loss of approximately HK\$85,612,000 and as at 31 December 2022 the Group had net current liabilities of approximately HK\$20,986,000. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors have been undertaking the following plans and measures to improve the Group's liquidity and financial position:

- (i) the directors have reviewed the Group's cash flow projection prepared by management, which covered a period of not less than twelve months from 31 December 2022. In the opinion of the Directors, the Group will have sufficient working capital to meet its financial obligations as and when they fall due and carry on its business without a significant curtailment of operations of not less than twelve months from 31 December 2022;
- (ii) completing disposal of Rosy Ridge Investments Limited and its subsidiaries; and
- (iii) completing placing of new shares under general mandate.

The Directors of the Company are therefore of the opinion that it is appropriate to prepare the audited consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the audited consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

The Directors' responsibilities for the consolidated financial statements and the responsibilities of the external auditors to the shareholders are set out on page 53.

Corporate Governance Report

AUDITORS' REMUNERATION

The Audit Committee is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year ended 31 December 2022, the remuneration paid or payable to the external auditors of the Company, ZHONGHUI ANDA CPA Limited, in respect of the audit and non-audit services were as follows:

Services rendered	Fees paid/ payable (HK\$'000)
Audit services	850
Non-audit services	215

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this Annual Report, the Company has maintained the prescribed public float under the GEM Listing Rules of at least 25% of the Company's total number of issued shares was held by the public.

RISK MANAGEMENT AND INTERNAL CONTROL

The main features of the risk management and internal control systems of the Group are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage its risks across business operations, to safeguard the shareholders' investment and the Group's assets and to ensure strict compliance with relevant laws, rules and regulations. The Group has established a risk management framework, which consists of the Board, the Audit Committee and the senior management of the Group. The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives. The Audit Committee is responsible for reviewing the effectiveness of the risk management and internal control systems and reporting to the Board. The Board, through the Audit Committee, conducts reviews of the effectiveness of such systems at least annually, covering all material controls including financial, operational and compliance controls.

The Group has formulated and adopted risk management policy in providing directions in identifying, evaluating and managing significant risks. At least on an annual basis, the senior management identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

In addition, the Group has engaged an independent professional advisor to assist the Board and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group and in performing the internal audit functions for the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

Corporate Governance Report

Risk management report and internal control report are submitted to the Audit Committee and the Board at least once a year. The Board, through the Audit Committee, had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the GEM Listing Rules. The Board considers the Group's risk management and internal control systems were effective during the year. The risk management and internal control systems of the Group are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Whistleblowing Policy

The Board adopted a whistleblowing policy (the "Whistleblowing Policy") in June 2022. The purpose of the Whistleblowing Policy is to (i) foster a culture of compliance, ethical behaviour and good corporate governance across the Group; and (ii) promote the importance of ethical behaviour and encourages the reporting of misconduct, unlawful and unethical behavior. The nature, status and the results of the complaints received under the Whistleblowing Policy are reported to the chairman of the Audit Committee of the Group. No incident of fraud or misconduct that have material effect on the Group's financial statements or overall operations for the year ended 31 December 2022 has been discovered. The Whistleblowing Policy is reviewed annually by the Audit Committee to ensure its effectiveness.

Anti-corruption Policy

The Board adopted an anti-corruption policy (the "Anti-corruption Policy") in June 2022. The Group is committed to achieving the high standards of integrity and ethical behaviour in conducting business. The Anti-corruption Policy forms an integral part of the Group's corporate governance framework. The Anti-corruption Policy sets out the specific behavioural guidelines that the Group's personnel and business partners must follow to combat corruption. It demonstrates the Group's commitment to the practice of ethical business conduct and the compliance of the anti-corruption laws and regulations that apply to its local and foreign operations. In line with this commitment and to ensure transparency in the Group's practices, the Anti-corruption Policy has been prepared as a guide to all Group employees and third parties dealing with the Group. The Anti-corruption Policy is reviewed and updated periodically to align with the applicable laws and regulations as well as the industry best practice.

COMPANY SECRETARY

As at 31 December 2022, the Company Secretary of the Company, Ms. Lam Mei Wai Michelle, fulfilled the requirement under Rules 5.14 and 5.15 of the GEM Listing Rules. As an employee of the Company, the Company Secretary supports and reports directly to the Chairman of Board, ensures good information flow within the Board and the board committees while board policies and procedures are followed; advises the Board on governance matters, facilitates induction and monitors the training and continuous professional development of directors. She has attained not less than fifteen hours of relevant professional training during the year. Her biography is set out in the "Biographical Information of Directors and Senior Management" section of this annual report.

Corporate Governance Report

The Board approves the selection, appointment or dismissal of the secretary in board meetings. All Directors have access to the advice and services of the Company Secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed.

INSIDE INFORMATION

Guidelines are provided to the Directors, management and relevant staff (likely possessing the unpublished inside information) of the Group to ensure that the inside information of the Group is to be disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations. The procedures include, among others, regularly remind the Directors, management and relevant staff about the compliance with the securities dealing restrictions as set out in Rules 5.48 to 5.67 of the GEM Listing Rules and the notification of the blackout period applicable to the publication of the annual, interim and quarterly results of the Company respectively.

All Directors and those employees who could have access to, and monitor, the information of the Group are responsible for making appropriate precautions to prevent abuse or misuse of such information. Employees of the Group are prohibited from using inside information for their own benefit.

SHAREHOLDERS' RIGHTS

In accordance with the Company's Article 58, any shareholder or shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to the requisitionists by the Company.

Shareholders may put forward their enquiries about the Company to the Board or the Company Secretary at the Company's head office in Hong Kong.

DIVIDEND POLICY

The dividend policy of the Company has been adopted on 31 December 2018 which sets out the factors in determination of dividend payment of the Company (the "Dividend Policy").

Under the Dividend Policy, the declaration and payment of dividends shall be in accordance with the applicable laws and the relevant provisions of articles of association of the Company effective from time to time.

In deciding whether to propose a dividend and in determining an appropriate basis for dividend distribution, the Board will take into account, inter alia, the Group's earnings, reasonable return in investment of the investors and the shareholders in order to provide incentive to them to continue to support the Company in their long-term development, the financial conditions, business plan, future operations and earnings, capital requirement and expenditure plans of the Company, any restrictions on payment of dividends that may be imposed by the Group's lenders, the general market sentiment and circumstances and any other factors the Board deems appropriate.

Corporate Governance Report

The Company will continually review the Dividend Policy as appropriate from time to time. There is no guarantee that any particular amount of dividends will be distributed for any specific periods.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Board is committed to maintaining a high degree of corporate transparency, as well as establishing a policy of open communication with shareholders having the aim to ensure shareholders be provided with information about the Company and enable them to engage actively with the Company and to exercise their rights.

The Company communicates with shareholders and investors through various channels including Hong Kong Branch Share Registrar of the Company, Computershare Hong Kong Investor Services Limited, for enquiries of shareholding, the Company Secretary of the Company for direct enquiries and publication of quarterly, interim and annual reports, announcements, circulars and other corporate information available on the websites of the Stock Exchange and/or the Company.

The Company's general meeting provides valuable opportunities for the Board to have face-to-face communication with the shareholders. The Company encourages the participation of the shareholders through annual general meeting and other general meetings where the shareholders exchange views with the Board, and to exercise their rights to vote at meetings.

The Board has reviewed the implementation and effectiveness of the Communication Policy with Shareholders including steps taken at the general meetings, the handling of queries received (if any) and the multiple channels of communication and engagement in place, and considered that the Communication Policy with Shareholders has been properly implemented during the year under review and is effective.

The Articles of Association of the Company have been amended and restated with effect from 30 June 2022, the latest version of which is available on the websites of the Company and the Stock Exchange.

We welcome shareholders and potential investors to visit the Company's website at www.citd.com.hk to obtain up-to-date information regarding the Company.

Save as disclosed above, there was no other significant change in the Company's constitutional documents for the year ended 31 December 2022.

ENQUIRES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary of the Company whose contact details are as follows:

Unit 3308, 33/F., Millennium City 6, 392 Kwun Tong Road, Kwun Tong, Hong Kong

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Independent Auditor's Report



To the shareholders of
China Information Technology Development Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of China Information Technology Development Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 54 to 128, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a net loss of approximately HK\$85,612,000 for the year ended 31 December 2022 and as at 31 December 2022 the Group had net current liabilities of approximately HK\$20,986,000. These conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Independent Auditor's Report

Investment properties

Refer to note 16 to the consolidated financial statements.

The Group measured its investment properties at fair value with the changes in fair value recognised in the consolidated profit or loss. This fair value measurement is significant to our audit because the balance of investment properties of approximately HK\$256,671,000 as at 31 December 2022 and change in fair value of investment properties of approximately HK\$49,393,000 for the year ended 31 December 2022 are material to the consolidated financial statements. In addition, the Group's fair value measurement involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the competence, independence and integrity of the external valuer engaged by the Group;
- Obtaining the external valuation report and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;
- Checking key assumptions and input data in the valuation model to supporting evidence;
- Checking arithmetical accuracy of the valuation model; and
- Assessing the disclosure of the fair value measurement in the consolidated financial statements.

We consider that the Group's fair value measurement of the investment properties is supported by the available evidence.

Loan receivables

Refer to note 24 to the consolidated financial statements.

The Group tested the amount of loan receivables from borrowers for impairment. This impairment test is significant to our audit because the balance of loan receivables of approximately HK\$90,644,000 as at 31 December 2022 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

- Assessing the Group's procedures on granting credit periods to the borrowers;
- Evaluating the Group's impairment assessment;
- Obtaining confirmation from the borrowers;
- Assessing aging of the debts; and
- Checking subsequent settlements from the borrowers.

We consider that the Group's impairment test for the loan receivables is supported by the available evidence.

Independent Auditor's Report

Equity investments at fair value through other comprehensive income

Refer to Note 21 to the consolidated financial statements.

The Group measured its equity investments at fair value through other comprehensive income at fair value with the changes in fair value recognised in other comprehensive income. This fair value measurement is significant to our audit because the balance of equity investments at fair value through other comprehensive income of HK\$43,025,000 as at 31 December 2022 and the fair value gain of HK\$2,724,000 for the year then ended are material to the consolidated financial statements. In addition, the Group's fair value measurement involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the competence, independence and integrity of the external valuer engaged by client;
- Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;
- Checking key assumptions and input data in the valuation model to supporting evidence;
- Checking arithmetical accuracy of the valuation model; and
- Assessing the disclosure of the fair value measurement in the consolidated financial statements.

We consider that the Group's fair value measurement of the equity investments at fair value through other comprehensive income is supported by the available evidence.

Other information

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

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

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

Independent Auditor's Report

Responsibilities of Directors for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

<https://www.hkicpa.org.hk/en/Standards-setting/Standards/Our-views/auditre>

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Fong Tak Ching

Audit Engagement Director

Practising Certificate Number P06353

Hong Kong, 27 March 2023

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
INTEREST REVENUE		3,633	4,666
OTHER REVENUE		59,324	61,426
TOTAL REVENUE	<i>7&8</i>	62,957	66,092
Cost of sales and services		(41,923)	(42,386)
Gross profit		21,034	23,706
Bank and other interest income		7,272	7,445
Other income and gains	<i>9</i>	1,555	614
Selling and distribution expenses		(18,206)	(15,856)
Administrative expenses		(31,493)	(31,064)
Gain on early settlement/(loss on extension) of loan receivables	<i>24(b)&(c)</i>	30	(7,442)
(Loss of early redemption)/gain on extension of promissory notes	<i>33</i>	(2,052)	2,247
Equity-settled share-based payment expenses		(1,172)	(2,992)
Fair value loss on investments at fair value through profit or loss		(3,019)	(2,462)
Change in fair value of investment properties		(49,393)	(53,206)
Finance costs	<i>10</i>	(11,548)	(11,530)
LOSS BEFORE TAX	<i>11</i>	(86,992)	(90,540)
Income tax credit	<i>13</i>	1,380	124
LOSS FOR THE YEAR		(85,612)	(90,416)
Attributable to:			
Owners of the Company		(82,295)	(90,326)
Non-controlling interests		(3,317)	(90)
		(85,612)	(90,416)
LOSS PER SHARE	<i>15</i>		(restated)
Basic		HK(170.5) cents	HK(271.7) cents
Diluted		HK(170.5) cents	HK(271.7) cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
LOSS FOR THE YEAR	(85,612)	(90,416)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(20,379)	9,656
Items that will not be reclassified to profit or loss:		
Change in fair value of equity investments at fair value through other comprehensive income	2,724	(16,285)
Income tax on items that will not be reclassified to profit or loss	(837)	5,190
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX	(18,492)	(1,439)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(104,104)	(91,855)
Attributable to:		
Owners of the Company	(100,871)	(91,732)
Non-controlling interests	(3,233)	(123)
	(104,104)	(91,855)

Consolidated Statement of Financial Position

At 31 December 2022

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
NON-CURRENT ASSETS			
Investment properties	16	256,671	273,607
Property, plant and equipment	17	1,185	2,618
Goodwill	18	6,504	6,504
Right-of-use assets	19	4,886	1,328
Other intangible assets	20	3,861	4,727
Equity investments at fair value through other comprehensive income	21	43,025	42,857
Prepayments, deposits and other receivables	22	11,062	939
Deferred tax assets	23	5,456	4,081
Loan receivables	24	–	58,012
Total non-current assets		332,650	394,673
CURRENT ASSETS			
Inventories	25	55	1,277
Trade receivables	26	18,398	14,029
Prepayments, deposits and other receivables	22	11,754	20,207
Loan receivables	24	90,644	33,286
Investments at fair value through profit or loss	28	1,394	17,676
Current tax assets		12	–
Bank and cash balances	29	13,877	6,714
Total current assets		136,134	93,189
CURRENT LIABILITIES			
Trade payables	30	10,302	6,396
Contract liabilities	27	10,752	4,341
Other payables and accruals	31	13,510	28,052
Current tax liabilities		–	99
Bank and other loans	32	54,035	12,791
Promissory note payables	33	66,288	–
Lease liabilities	34	2,233	1,426
Total current liabilities		157,120	53,105
NET CURRENT (LIABILITIES)/ASSETS		(20,986)	40,084
TOTAL ASSETS LESS CURRENT LIABILITIES		311,664	434,757

Consolidated Statement of Financial Position *(Continued)*

At 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
NON-CURRENT LIABILITIES			
Promissory note payables	33	–	71,415
Lease liabilities	34	2,691	32
Loan from a shareholder	35	3,323	3,233
Bank and other loans	32	13,314	–
Amount due to a director	36	700	1,376
Deferred tax liabilities	23	4,895	4,439
Contract liabilities	27	10,550	–
Total non-current liabilities		35,473	80,495
NET ASSETS			
CAPITAL AND RESERVES			
Share capital	37	5,147	3,431
Reserves	40	278,874	355,428
Equity attributable to owners of the Company		284,021	358,859
Non-controlling interests		(7,830)	(4,597)
TOTAL EQUITY		276,191	354,262

Approved by the Board of Directors on 27 March 2023

Wong King Shiu, Daniel
Director

Chang Ki Sum, Clark
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to owners of the Company								Total equity HK\$'000
	Share Capital HK\$'000	Share premium account HK\$'000 (note 40(a)(i))	Share-based payment reserve HK\$'000 (note 40(a)(iii))	Foreign currency translation reserve HK\$'000 (note 40(a)(iii))	(Accumulated losses)/ retained earnings HK\$'000	Investment revaluation reserve HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	
At 1 January 2021	574,419	108,291*	-	3,167*	(292,582)*	26,516*	419,811	(4,225)	415,586
Loss for the year	-	-	-	-	(90,326)	-	(90,326)	(90)	(90,416)
Other comprehensive (loss)/income for the year:									
- Exchange differences on translation of foreign operations	-	-	-	9,689	-	-	9,689	(33)	9,656
- change in fair value of equity investments at fair value through other comprehensive income	-	-	-	-	-	(16,285)	(16,285)	-	(16,285)
- Income tax on items that will not be reclassified to profit or loss	-	-	-	-	-	5,190	5,190	-	5,190
Total comprehensive (loss)/income for the year	-	-	-	9,689	(90,326)	(11,095)	(91,732)	(123)	(91,855)
Capital reorganisation	(572,026)	-	-	-	572,026	-	-	-	-
Equity-settled share-based payment	38	-	2,992	-	-	-	2,992	-	2,992
Issue of shares under placing	768	17,640	-	-	-	-	18,408	-	18,408
Cancellation of share option	-	-	(100)	-	100	-	-	-	-
Issue of shares for acquisition of an equity investment	200	6,800	-	-	-	-	7,000	-	7,000
Issue of shares for acquisition of a subsidiary	70	2,310	-	-	-	-	2,380	(249)	2,131
At 31 December 2021 and 1 January 2022	3,431	135,041*	2,892*	12,856*	189,218*	15,421*	358,859	(4,597)	354,262
Loss for the year	-	-	-	-	(82,295)	-	(82,295)	(3,317)	(85,612)
Other comprehensive (loss)/income for the year:									
- Exchange differences on translation of foreign operations	-	-	-	(20,463)	-	-	(20,463)	84	(20,379)
- Change in fair value of equity investments at fair value through other comprehensive income	-	-	-	-	-	2,724	2,724	-	2,724
- Income tax on items that will not be reclassified to profit or loss	-	-	-	-	-	(837)	(837)	-	(837)
Total comprehensive (loss)/income for the year	-	-	-	(20,463)	(82,295)	1,887	(100,871)	(3,233)	(104,104)
Issue of shares under rights issue (net of expenses on issue of shares)	37	1,716	23,145	-	-	-	24,861	-	24,861
Equity-settled share-based payment	38	-	1,172	-	-	-	1,172	-	1,172
At 31 December 2022	5,147	158,186*	4,064*	(7,607)*	106,923*	17,308*	284,021	(7,830)	276,191

Note:

* These reserve accounts comprise the consolidated reserve of approximately HK\$278,874,000 (2021: approximately HK\$355,428,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(86,992)	(90,540)
Adjustments for:		
Equity-settled share-base payment expenses	1,172	2,992
Finance costs	11,548	11,530
Bank and other interest income	(7,272)	(7,445)
Change in fair value of investment properties	49,393	53,206
Fair value loss on investments at fair value through profit or loss	3,019	2,462
Dividends received from investments at fair value through other comprehensive income	–	(150)
Dividends received from investments at fair value through profit or loss	(15)	–
Depreciation of property, plant and equipment	1,454	1,644
Depreciation of right-of-use assets	2,541	2,710
Amortisation of other intangible assets	866	824
(Gain on early settlement)/loss on extension of loan receivables	(30)	7,442
Loss on early redemption/(gain on extension) of promissory notes	2,052	(2,247)
Operating loss before working capital change	(22,264)	(17,572)
Change in inventories	1,222	(888)
Change in trade receivables	(4,369)	(11,233)
Change in loan receivables	2,983	14,620
Change in prepayments, deposits and other receivables	(1,670)	2,697
Change in investments at fair value through profit or loss	13,263	8,280
Change in trade payables	3,906	1,871
Change in other payables and accruals	(14,605)	9,557
Change in contract liabilities	16,961	3,023
Cash (used in)/generated from operations	(4,573)	10,355
Tax paid	(119)	–
Loan interest paid	(2,205)	(1,502)
Net cash (used in)/generated from operating activities	(6,897)	8,853

Consolidated Statement of Cash Flows *(Continued)*

For the year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries	–	9
Purchases of property, plant and equipment	(54)	(103)
Payments for construction works of investment properties	(52,494)	(209)
Proceeds from disposal of an associate that was disposed in previous year	–	3,956
Proceed from time deposits	–	251
Repayment of loan receivables	830	–
Bank interest received	11	5
Dividends received from investments at fair value through other comprehensive income	–	150
Dividends received from investments at fair value through profit or loss	15	–
Net cash (used in)/generated from investing activities	(51,692)	4,059
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance from independent third parties	13,094	–
Repayment of lease liabilities	(2,633)	(2,929)
Lease interest paid	(160)	(134)
Proceeds from issue of shares (net of expenses on issue of shares)	24,861	18,408
Repayment of promissory notes	(11,000)	(9,337)
Repayment of amount advance from a director	(676)	(2,250)
Amount advance from a shareholder and a director	–	50
Bank loan raised	56,536	–
Repayment of bank and other loans	(14,418)	(18,099)
Net cash generated from/(used in) financing activities	65,604	(14,291)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of year	6,714	7,653
Effect of foreign exchange rate changes	148	440
CASH AND CASH EQUIVALENTS AT END OF YEAR	13,877	6,714
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances other than time deposits	13,877	6,714

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Unit 3308, 33/F, Millennium City 6, 392 Kwun Tong Road, Kwun Tong, Hong Kong. The Company's shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year, the Company and its subsidiaries (collectively the "Group") were principally engaged in provision of system integration and related support services, provision of IT infrastructure solutions and maintenance services, money lending, rental of properties and securities trading.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 41 to the consolidated financial statements.

2. GOING CONCERN BASIS

The Group incurred a loss of approximately HK\$85,612,000 for the year ended 31 December 2022 and as at 31 December 2022 the Group had net current liabilities of approximately HK\$20,986,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company have been undertaking the following plans and measures to improve the Group's liquidity and financial position:

- (i) the directors of the Company have reviewed the Group's cash flow projection prepared by management, which covered a period of not less than twelve months from 31 December 2022. In the opinion of the directors of the Company, the Group will have sufficient working capital to meet its financial obligations as and when they fall due and carry on its business without a significant curtailment of operations of not less than twelve months from 31 December 2022;
- (ii) completing disposal of Rosy Ridge Investments Limited and its subsidiaries (note 44); and
- (iii) completing placing of new shares under general mandate (note 44).

The directors of the Company are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2022. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs and the applicable disclosures requirements under the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments and investment properties which are carried at their fair values.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors of the Company to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note 5 to these consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in consolidated other comprehensive income (for example, equity investments at fair value through other comprehensive income), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) *Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- (iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property (including property that is being constructed or developed for future use as investment property) is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in consolidated profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

Property, plant and equipment

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

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

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates or useful lives are as follows:

Leasehold improvements	Over the lease terms or 5 years, whichever is shorter
Furniture, fixtures and equipment	18% – 30%
Motor vehicles	10% – 20%

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

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in consolidated profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

The Group as lessor

Operating leases: leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Land and buildings	Over the lease term of 1 year to 3 years
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Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$5,000.

Intangible assets

Customer relationships

Customer relationships are stated at cost less any accumulated impairment losses and are amortised on the straight-line basis over their estimated useful life of 10 years. Impairment is reviewed when there is any indication that the customer relationships have suffered an impairment loss.

Money lending license

Money lending license with indefinite useful life is stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that the money leading license has suffered an impairment loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

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

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

- Financial assets at amortised cost;
- Equity investments at fair value through other comprehensive income; and
- Investments at fair value through profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

(i) Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

(ii) Equity investments at fair value through other comprehensive income

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that are not held for trading as at fair value through other comprehensive income.

Equity investments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair values recognised in other comprehensive income and accumulated in the equity investment revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the investment revaluation reserve are not reclassified to profit or loss.

Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

(iii) Investments at fair value through profit or loss

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investments at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

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

Borrowings and promissory note

Borrowings and promissory note are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings and promissory note are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities and equity instruments (Continued)

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

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

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

Other revenue

Interest income is recognised using the effective interest method.

Dividend income is recognised when the shareholders' rights to receive payment are established.

Rental income is recognised on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

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

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees’ basic salaries. The retirement benefit scheme cost charged to consolidated profit or loss represents contributions payable by the Group to the funds.

The Group also participates in a defined contribution retirement scheme organised by the government in the People’s Republic of China (“PRC”). The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to consolidated profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve is transferred to retain earnings.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in consolidated profit or loss in the period in which they are incurred.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in consolidated profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of the Group's various lines of business in different geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Related parties

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

- (b) An entity is related to the Group if any of the following conditions applies: (Continued)
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Impairment of assets

Intangible assets that have an indefinite useful life are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and other intangible assets except goodwill, deferred tax assets, investment properties, investments, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. KEY ESTIMATES AND CRITICAL JUDGEMENTS

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Fair values of investment properties

The Group appointed an independent professional valuer to assess the fair values of the investment properties. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Changes to the estimates used in valuation would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. KEY ESTIMATES AND CRITICAL JUDGEMENTS *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(b) Provision for impairment of trade, loan and other receivables

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade, loan and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade, loan and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(c) Fair value of investment

In the absence of quoted market prices in an active market, the directors estimate the fair value of the Group's investment in equity investments at fair value through other comprehensive income (the "equity investments"), details of which are set out in note 21 to the consolidated financial statements, by considering information from a variety of sources, including the latest published financial information, the historical data on market volatility as well as the price and industry and sector performance of the equity investments. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factor could result in material adjustments to the fair value of the equity investment.

(d) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing for the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Changing the assumptions and estimations, including the discount rate could materially affect the recoverable amounts.

(e) Income taxes

The Group is subject to income taxes in Hong Kong and the PRC. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. KEY ESTIMATES AND CRITICAL JUDGEMENTS (Continued)

Key sources of estimation uncertainty (Continued)

(f) *Property, plant and equipment/other intangible assets and depreciation/amortisation*

The Group determines the estimated useful lives, residual values and related depreciation/amortisation charges for the Group's property, plant and equipment/other intangible assets. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment/other intangible assets of similar nature and functions. The Group will revise the depreciation/amortisation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(g) *Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate and growth rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

(h) *Deferred tax assets*

As at 31 December 2022, a deferred tax asset of approximately HK\$5,973,000 (2021: approximately HK\$4,728,000) in relation to unused tax losses has been recognised in the consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of approximately HK\$163,163,000 (2021: approximately HK\$140,806,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) *Going concern basis*

These consolidated financial statements have been prepared on a going concern basis, the validity of which is explained in note 2 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. KEY ESTIMATES AND CRITICAL JUDGEMENTS *(Continued)*

Critical judgements in applying accounting policies *(Continued)*

(b) Deferred tax for investment properties

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties, the directors have rebutted the presumption that investment properties measured using the fair value model are recovered through sale.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Price risk

The Group's investments at fair value through profit or loss are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. The directors of the Company manage this exposure by maintaining a portfolio of investments with difference risk profiles.

At 31 December 2022, if the share prices of the investments increase/decrease by 10%, loss after tax for the year would have been approximately HK\$116,000 (2021: approximately HK\$1,476,000) lower/higher, arising as a result of the fair value gain/loss of the investments.

(c) Credit risk

The carrying amount of the bank and cash balances, trade, loan and other receivables and investments included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit risk (Continued)

It has policies in place to ensure that sales and loans are made to customers with an appropriate credit history.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The credit risk on investments is limited because the counterparties are well-established securities broker firms and issuers in Hong Kong.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower;
- significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit risk (Continued)

The Group uses two categories for non-trade receivables which reflect their credit risk and how the loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Total HK\$'000
At 31 December 2022				
Trade payables	10,302	—	—	10,302
Other payables and accruals	13,042	—	—	13,042
Bank and other loans	54,035	9,701	5,973	69,709
Promissory note payables	71,889	—	—	71,889
Loan from a shareholder	—	3,413	—	3,413
Amount due to a director	—	700	—	700
	149,268	13,814	5,973	169,055
At 31 December 2021				
Trade payables	6,396	—	—	6,396
Other payables and accruals	27,685	—	—	27,685
Bank and other loans	12,791	—	—	12,791
Promissory note payables	—	89,320	—	89,320
Loan from a shareholder	—	3,323	—	3,323
Amount due to a director	—	1,376	—	1,376
	46,872	94,019	—	140,891

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6. FINANCIAL RISK MANAGEMENT (Continued)

(e) Interest rate risk

At 31 December 2022, the Group's other loan of approximately HK\$4,503,000 (2021: approximately HK\$2,362,000), loan from a shareholder of approximately HK\$3,323,000 (2021: approximately HK\$3,233,000) and promissory note payables of approximately HK\$66,288,000 (2021: approximately HK\$71,415,000) bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

At 31 December 2022, the Group's exposure to interest-rate risk arises from its bank balances of approximately HK\$13,870,000 (2021: approximately HK\$6,714,000) and bank loan of approximately HK\$53,144,000 (2021: approximately HK\$10,429,000). These bank balances and bank loan bear interests at variable rates varied with the then prevailing market condition.

At 31 December 2022, if interest rates at that date had been 50 basis points lower with all other variables held constant, the Group's loss after tax for the year would have been approximately HK\$260,000 (2021: approximately HK\$50,000) lower (2021: lower), arising mainly as a result of lower interest expenses on bank loans. If interest rates had been 50 basis points higher, with all other variables held constant, the Group's loss after tax for the year would have been approximately HK\$196,000 (2021: approximately HK\$19,000) higher (2021: higher), arising mainly as a result of higher interest expenses on bank loans.

(f) Categories of financial instruments

	2022 HK\$'000	2021 HK\$'000
Financial assets:		
Equity investments at fair value through other comprehensive income	43,025	42,857
Investments at fair value through profit or loss — Mandatorily measured	1,394	17,676
Financial assets at amortised cost (including bank and cash balances)	126,977	131,845
Financial liabilities:		
Financial liabilities at amortised costs	161,004	122,896

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6. FINANCIAL RISK MANAGEMENT (Continued)

(g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy

	Fair value measurements using:			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
At 31 December 2022				
Recurring fair value measurements:				
Investments at fair value through profit or loss				
— Listed equity securities in Hong Kong	1,330	—	—	1,330
— Listed equity securities outside Hong Kong	64	—	—	64
Equity investments at fair value through other comprehensive income				
— Private equity investment	—	—	43,025	43,025
Investment properties Commercial — PRC	—	—	256,671	256,671
Total recurring fair value measurement	1,394	—	299,696	301,090

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6. FINANCIAL RISK MANAGEMENT (Continued)

(g) Fair values (Continued)

(a) Disclosures of level in fair value hierarchy (Continued)

	Fair value measurements using:			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 December 2021				
Recurring fair value measurements:				
Investments at fair value through profit or loss				
— Listed equity securities in Hong Kong	16,964	—	—	16,964
— Listed equity securities outside Hong Kong	712	—	—	712
Equity investments at fair value through other comprehensive income				
— Private equity investment	—	—	42,857	42,857
Investment properties				
Commercial — PRC	—	—	273,607	273,607
Total recurring fair value measurement	17,676	—	316,464	334,140

(b) Reconciliation of assets measured at fair value based on level 3:

At 31 December 2022

Description	Equity investments at fair value through other comprehensive income HK\$'000	Investment properties HK\$'000	Total HK\$'000
At beginning of year	42,857	273,607	316,464
Total gains/(losses) recognised in			
— consolidated profit or loss [#]	—	(49,393)	(49,393)
— other comprehensive income	2,724	—	2,724
Additions	—	52,494	52,494
Exchange realignment	(2,556)	(20,037)	(22,593)
At end of year	43,025	256,671	299,696

[#] Include gains or losses for assets held at end of reporting period

	—	(49,393)	(49,393)
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Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6. FINANCIAL RISK MANAGEMENT (Continued)

(g) Fair values (Continued)

(b) Reconciliation of assets measured at fair value based on level 3: (Continued)

At 31 December 2021

Description	Equity investments at fair value through other comprehensive income HK\$'000	Investment properties HK\$'000	Total HK\$'000
At beginning of year	50,846	317,098	367,944
Total losses recognised in			
— consolidated profit or loss [#]	—	(53,206)	(53,206)
— other comprehensive income	(16,285)	—	(16,285)
Additions	7,000	209	7,209
Exchange realignment	1,296	9,506	10,802
At end of year	42,857	273,607	316,464

[#] Include gains or losses for assets held at end of reporting period

	—	(53,206)	(53,206)
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Total gains or losses recognised in profit or loss including those for asset held at end of reporting period are presented in the consolidated statement of profit or loss.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

The Group's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The chief financial officer reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6. FINANCIAL RISK MANAGEMENT (Continued)

(g) Fair values (Continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements: (Continued)

As at 31 December 2022

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value HK\$'000
Investment properties	Direct income approach	Monthly rental income	RMB72-122 per square meter	Increase	256,671
		Monthly market rent	RMB89 per square meter	Increase	
		Term yield rate	3.00%	Decrease	
		Reversionary yield rate	3.25%	Decrease	
Private equity investments classified as equity through other comprehensive income	(i) Investment method (for properties)	Capitalization rate	7.70%	Decrease	32,173
		Monthly market rent	RMB38 per square meter	Increase	
		Monthly rental income	RMB39-72 per square meter	Increase	
	(ii) Direct comparison method (for land)	Market price	RMB1,200 per square meter	Increase	
		Reversionary yield rate	7.5%	Decrease	
Private equity investments classified as equity investments at fair value through other comprehensive income	Discounted cash flow	Weighted average cost of capital	12.90%	Decrease	10,852
		Discount for lack of marketability	20.6%	Decrease	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6. FINANCIAL RISK MANAGEMENT (Continued)

(g) Fair values (Continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements: (Continued)

At 31 December 2021

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value HK\$'000
Investment properties	Direct income approach	Monthly rental income	RMB70-122 per square meter	Increase	273,607
		Monthly market rent	RMB79 per square meter	Increase	
		Term yield rate	3.00%	Decrease	
		Reversionary yield rate	3.25%	Decrease	
Private equity investments classified as equity investments at fair value through other comprehensive income	(i) Investment method (for properties)	Capitalization rate	7.25%	Decrease	31,383
		Monthly market rent	RMB28 per square meter	Increase	
		Monthly rental income	RMB46-78 per square meter	Increase	
	(ii) Direct comparison method (for land)	Market price	RMB1,100 per square meter	Increase	
		(iii) Discounted cash flow (for financial assets and liabilities at amortised costs)	Discount rate	9.813%	
Private equity investments classified as equity investments at fair value through other comprehensive income	Discounted cash flow	Weighted average cost of capital	12.66%	Decrease	11,474
		Discount for lack of marketability	20.6%	Decrease	

During the two years, there were no changes in the valuation techniques used.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

7. OPERATING SEGMENT INFORMATION

The Group has four reportable segments as follows:

- provision of IT infrastructure solutions and maintenance services (“IT solutions and maintenance”);
- money lending;
- Securities trading (“Securities investments”); and
- rental of properties.

The Group’s reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment profits or losses do not include bank and other interest income, finance costs as well as head office and corporate expenses. Segment assets do not include other unallocated head office and corporate assets. Segment liabilities do not include other loans, current tax liabilities and other unallocated head office and corporate liabilities.

	IT solutions and maintenance		Money lending		Securities investments		Rental of properties		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	48,066	54,159	3,633	4,666	—	—	11,258	7,267	62,957	66,092
Segment (loss)/profit	(31,595)	(27,879)	264	287	(3,131)	(2,501)	(40,904)	(46,781)	(75,366)	(76,874)
Reconciliation:										
Bank and other interest income									7,272	7,445
Corporate and other unallocated expenses and gains									(7,350)	(9,581)
Finance costs									(11,548)	(11,530)
Loss before tax									(86,992)	(90,540)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

7. OPERATING SEGMENT INFORMATION (Continued)

	IT solutions and maintenance		Money lending		Securities investments		Rental of properties		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	134,124	113,384	31,610	36,804	1,454	17,741	269,002	294,374	436,190	462,303
Reconciliation:										
Corporate and other unallocated assets									32,594	25,559
Total assets									468,784	487,862
Segment liabilities	(114,864)	(84,143)	(113)	(114)	(891)	(2,362)	(59,927)	(33,112)	(175,795)	(119,731)
Reconciliation:										
Corporate and other unallocated liabilities									(16,798)	(13,869)
Total liabilities									(192,593)	(133,600)
Other segment information:										
Depreciation on:										
Segment assets	1,240	1,304	125	138	—	—	1	10	1,366	1,452
Corporate and other unallocated assets									2,629	2,902
									3,995	4,354
Amortisation of other intangible assets on: Segment assets	866	824	—	—	—	—	—	—	866	824
Income tax credit									1,380	124
Capital expenditure on:										
Segment assets	38	97	—	—	—	—	52,504	209	52,542	306
Corporate and other unallocated assets									6	6
									52,548	312

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

7. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

	Revenue		Non-current assets	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	51,531	57,702	25,913	14,814
PRC except Hong Kong	11,426	8,390	257,669	274,909
Consolidated total	62,957	66,092	283,582	289,723

In presenting the geographical information, revenue is based on the locations of the customers and information about the non-current assets, except equity investments at fair value through other comprehensive income, deferred tax assets and loan receivables classified in accordance with geographical location of the assets at the end of the reporting period.

Information about major customers

The Group had transaction with one (2021: one) external customer of the rental properties segment and two (2021: nil) external customer of the IT solution and maintenance segment during the year ended 31 December 2022 who contributed over 10% of the Group's total revenue for the year. A summary of revenue earned from each of these major external customers is set out below:

	2022	2021
	HK\$'000	HK\$'000
Customer 1	11,258	7,267
Customer 2	11,738	N/A
Customer 3	9,718	N/A

8. REVENUE

The Group's revenue which represents (1) the aggregate of the invoiced value of goods sold, net of value-added tax and government surcharges, and after allowances for returns and trade discounts; (2) an appropriate proportion of contract revenue from the provision of the technical support and maintenance services, net of business tax and government surcharges; (3) an appropriate proportion of contract revenue from the provision of software development and system integration services, net of value-added tax, business tax and government surcharges; (4) rental income; and (5) loan interest income are as follows:

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

8. REVENUE (Continued)

	2022 HK\$'000	2021 HK\$'000
Sale of computer hardware and software	14,728	29,036
Provision of technical support and maintenance services	33,338	25,123
Provision of property management services	5,329	1,793
Revenue from contracts with customers	53,395	55,952
Rental income	5,929	5,474
Loan interest income	3,633	4,666
Total revenue	62,957	66,092
Disaggregation of revenue from contracts with customers:		
Geographical markets		
Hong Kong	47,898	53,036
PRC except Hong Kong	5,497	2,916
Total	53,395	55,952
Major products/services		
Sale of computer hardware and software	14,728	29,036
Provision of technical support and maintenance services	33,338	25,123
Provision of property management services	5,329	1,793
Total	53,395	55,952
Timing of revenue recognition		
At a point in time	14,728	29,036
Over time	38,667	26,916
Total	53,395	55,952

Sale of computer hardware and software

The Group sells computer hardware and software to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 30 to 90 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

8. REVENUE (Continued)

Sale of computer hardware and software (Continued)

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Provision of services

The Group provides software development, system integration, technical support and maintenance services to the customers. When the progress towards complete satisfaction of the performance obligations of a contract can be measured reasonably, revenue from the contract and the contract costs are recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract. This method provides the most reliable estimate of the percentage of completion.

When the progress towards complete satisfaction of the performance obligations of a contract cannot be measured reasonably, revenue is recognised only to the extent of contract costs incurred that is expected to be recoverable.

The customers pay the contract prices to the Group according to the payment schedules as stipulated in the contracts. If the service rendered by the Group exceeds the payments, a contract asset is recognised. If the payments exceed the service rendered, a contract liability is recognised.

Provision of property management services

Property management services fees recognised on a monthly basis when the services are rendered. The amount for which can be reliably estimated and it is probable that the income will be received. The property management services fees are due on the end of each month.

9. OTHER INCOME AND GAINS

	Notes	2022 HK\$'000	2021 HK\$'000
Dividend income		15	150
Government grant	(i)	759	—
Net foreign exchange gains		—	197
Others		781	267
		1,555	614

Notes:

- (i) During the year, the Group received government grants of approximately HK\$759,000 (2021: nil) under the Employment Support Scheme provided by the Hong Kong government.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

10. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 HK\$'000	2021 HK\$'000
Interest on other loans	344	689
Interest on bank loans	2,241	903
Lease interest	160	134
Imputed interest on promissory notes	8,803	9,804
	11,548	11,530

11. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2022 HK\$'000	2021 HK\$'000
Cost of inventories sold	38,842	38,864
Cost of services provided	3,081	3,522
Depreciation of property, plant and equipment	1,454	1,644
Depreciation of right-of-use assets	2,541	2,710
Amortisation of other intangible assets	866	824
Expenses related to short-term leases	608	632
Auditors' remuneration	850	860
Employee benefit expense (including directors' remuneration — note 12):		
Salaries, allowances and benefits in kind	19,024	20,111
Pension schemes contribution	1,287	1,645
Equity-settled share-based payment expenses	1,100	2,462
	21,411	24,218
Equity-settled share-based payment to consultants	72	530
Foreign exchange differences, net	556	(197)
Research and development expenses	17,224	15,070

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

(a) Directors' emoluments

	Notes	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension schemes contribution HK\$'000	Equity- settled share-based payment HK\$'000	Total HK\$'000
Year ended 31 December 2022						
Executive directors:						
Mr. Wong King Shiu, Daniel		160	840	18	246	1,264
Mr. Chang Ki Sum, Clark	(ii)	160	480	18	52	710
		320	1,320	36	298	1,974
Independent non-executive directors:						
Dr. Chen Shengrong		160	—	—	24	184
Mr. Hung Hing Man		160	—	—	24	184
Mr. Wong Hoi Kuen		160	—	—	24	184
		480	—	—	72	552
Non-executive director:						
Hon Li Sai Wing, MH	(i)	44	—	—	—	44
Total		844	1,320	36	370	2,570

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

	Notes	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension schemes contribution HK\$'000	Equity- settled share-based payment HK\$'000	Total HK\$'000
Year ended 31 December 2021						
Executive directors:						
Mr. Wong King Shiu, Daniel		160	840	18	—	1,018
Mr. Chang Ki Sum, Clark	(ii)	120	380	14	299	813
Mr. Wong Kui Shing, Danny	(iii), (iv)	—	—	—	—	—
Mr. Chan Kai Leung	(v)	—	—	—	—	—
		280	1,220	32	299	1,831
Independent non-executive directors:						
Dr. Chen Shengrong		160	—	—	—	160
Mr. Hung Hing Man		160	—	—	—	160
Mr. Wong Hoi Kuen		160	—	—	—	160
		480	—	—	—	480
Total		760	1,220	32	299	2,311

Notes:

- (i) Appointed on 26 October 2022.
- (ii) Appointed on 31 March 2021.
- (iii) Resigned on 31 March 2021.
- (iv) The director agreed to waive the emoluments for the years ended 31 December 2021.
- (v) Resigned on 5 January 2021.

During the year, no emoluments were paid by the Group to any of the directors of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments

The five highest paid individuals in the Group during the year included two (2021: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2021: three) individuals are set out below:

	2022	2021
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	2,201	2,175
Pension schemes contribution	36	54
Equity settled share-based payment	—	437
	2,237	2,666

Their emoluments were within the following band:

	Number of individuals	
	2022	2021
Nil — HK\$1,000,000	3	2
HK\$1,000,001 — HK\$1,500,000	—	1

During the year, no emoluments were paid by the Group to the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

13. INCOME TAX CREDIT

	2022 HK\$'000	2021 HK\$'000
Current tax — Hong Kong	8	14
Deferred tax credit (<i>note 23</i>)	(1,388)	(138)
	(1,380)	(124)

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the year ended 31 December 2022 (2021: 16.5%).

No provision for PRC corporate income tax was required since the Group had no assessable profit for the year ended 31 December 2022 and 31 December 2021.

The reconciliation between the income tax credit and the product of loss before tax multiplied by tax rates applicable to profit or loss in the respective countries is as follows:

	2022 HK\$'000	2021 HK\$'000
Loss before tax	(86,992)	(90,540)
Tax calculated at domestic tax rates applicable to profit or loss in the respective countries	(18,831)	(20,177)
Tax effect of income that is not taxable	(189)	(644)
Tax effect of expenses that are not deductible	13,479	17,468
Tax effect of temporary differences not recognised	(1,334)	(995)
Tax effect of tax losses not recognised	5,578	4,398
Tax effect of utilisation of tax losses not previously recognised	(51)	(140)
Income tax on concessionary rate (<i>note</i>)	(22)	(24)
One-off tax reduction	(10)	(10)
Tax credit for the year	(1,380)	(124)

Note: For the year of assessment 2022/23 and 2021/22, a two-tiered profits tax rate was introduced of which one subsidiary of the Group can elect 8.25% tax rate for its first assessable profits of HK\$2,000,000.

14. DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the years ended 31 December 2022 and 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

15. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following:

	2022 HK\$'000	2021 HK\$'000
Loss for the year attributable to owners of the Company	(82,295)	(90,326)
	2022	2021 (restated)
Weighted average number of ordinary shares for basic and diluted loss per share	48,266,268	33,247,168

The weighted average number of ordinary shares of 33,247,168 for the year ended 31 December 2021 was adjusted to reflect the rights issue completed on 11 April 2022 and the share consolidation completed on 5 December 2022.

The diluted loss per share is the same as the basic loss per share as the computation of diluted loss per share does not assume the exercise of the Company's share options since their exercise would result in an anti-dilutive effect on loss per share for the years ended 31 December 2022 and 2021.

16. INVESTMENT PROPERTIES

	2022 HK\$'000	2021 HK\$'000
At 1 January	273,607	317,098
Additions	52,494	209
Fair value loss	(49,393)	(53,206)
Exchange differences	(20,037)	9,506
At 31 December	256,671	273,607

Investment properties were revalued at 31 December 2022 by direct income approach (2021: direct income approach) by Roma Appraisals Limited, an independent firm of chartered surveyors.

At 31 December 2022, the carrying amount of investment properties of approximately HK\$256,671,000 (2021: approximately HK\$273,607,000) pledged as security for the Group's bank loans amounted to approximately HK\$53,144,000 (2021: approximately HK\$10,429,000).

During the year ended 31 December 2021, the Group signed a rental agreement to lease out its investment properties under operating lease. The lease term is 20 years. The lease is on a fixed rental basis and does not include variable lease payments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

16. INVESTMENT PROPERTIES (Continued)

The Group's future undiscounted lease payments under operating leases are receivable as follows:

	2022 HK\$'000	2021 HK\$'000
Less than 1 year	5,184	5,461
Between 1 and 2 years	5,339	5,625
Between 2 and 3 years	5,500	5,794
Between 3 and 4 years	5,665	5,968
Between 4 and 5 years	5,835	6,147
Over 5 years	95,292	109,733
	122,815	138,728

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST:				
At 1 January 2021	2,364	2,842	3,484	8,690
Exchange realignment	—	27	15	42
Additions	—	103	—	103
At 31 December 2021 and 1 January 2022	2,364	2,972	3,499	8,835
Exchange realignment	—	(70)	(36)	(106)
Additions	—	54	—	54
At 31 December 2022	2,364	2,956	3,463	8,783
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS:				
At 1 January 2021	981	1,241	2,327	4,549
Exchange realignment	—	11	13	24
Provided during the year	565	614	465	1,644
At 31 December 2021 and 1 January 2022	1,546	1,866	2,805	6,217
Exchange realignment	—	(40)	(33)	(73)
Provided during the year	449	547	458	1,454
At 31 December 2022	1,995	2,373	3,230	7,598
CARRYING AMOUNTS:				
At 31 December 2022	369	583	233	1,185
At 31 December 2021	818	1,106	694	2,618

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

18. GOODWILL

	2022 HK\$'000	2021 HK\$'000
Cost		
At 1 January	6,504	3,865
Additions on acquisition of subsidiaries	–	2,639
At 31 December	6,504	6,504
Carrying amount:		
At 31 December	6,504	6,504
The carrying amount of goodwill had been allocated as follows:	2022 HK\$'000	2021 HK\$'000
IT solutions and maintenance	6,504	6,504

The recoverable amount of this CGUs are determined by reference to the value-in-use approach, which are based on discounted cash flow based on the financial budgets approved by the management covering a 5-year period, and the discount rate of approximately 14.10% to 14.60% (2021: approximately 13.74% to 14.48%) that reflects current market assessment of the time value of money and the risks specific to the CGUs. Cash flows beyond 5-year period have been extrapolated using a steady 3% (2021: 3%) annual growth rate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

19. RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2022 HK\$'000	2021 HK\$'000
At 31 December:		
Right-of-use assets		
— Land and buildings	4,886	1,328

The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:

— Less than 1 year	2,435	1,450
— Between 1 and 2 years	1,977	34
— Between 2 and 5 years	821	—
	5,233	1,484

For the year ended 31 December:

Depreciation charge of right-of-use assets		
— Land and buildings	2,541	2,710
Lease interests	160	134
Expenses related to short-term leases	608	632
Total cash outflow for leases	3,401	3,695
Additions to right-of-use assets	6,099	628
Lease commitments of short-term leases	700	305

The Group leases various land and buildings. Lease agreements are typically made for fixed periods of 1 to 3 years (2021: 1 to 3 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

20. OTHER INTANGIBLE ASSETS

	Customer relationships HK\$'000 (note (a))	Money lending license HK\$'000 (note (b))	Total HK\$'000
COST:			
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	8,242	440	8,682
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS:			
At 1 January 2021	3,131	—	3,131
Provided during the year	824	—	824
At 31 December 2021 and 1 January 2022	3,955	—	3,955
Provided during the year	866	—	866
At 31 December 2022	4,821	—	4,821
CARRYING AMOUNTS:			
At 31 December 2022	3,421	440	3,861
At 31 December 2021	4,287	440	4,727

Notes:

- (a) The average remaining amortisation period of the customer relationship is 4 years (2021: 5 years).
- (b) The Group's money lending license of HK\$440,000 (2021: HK\$440,000) at 31 December 2022 is assessed as having indefinite useful life because the Group can renew the money lending license without substantial costs.

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For the year ended 31 December 2022

21. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 HK\$'000	2021 HK\$'000
Unlisted equity investments, at fair value	43,025	42,857

The unlisted equity investments are intended to be held for the medium to long-term. Designation of these investments as equity investments at fair value through other comprehensive income can avoid the volatility of the fair value changes of these investments to the profit or loss.

- (a) On 28 August 2019, the Group acquired 19% equity interest of Guangzhou Dehuang Investment Company Limited (廣州市德煌投資有限公司) (“Dehuang”), which is incorporated in the PRC and loan receivables with principal amount of RMB51,199,000 (note 24), at a consideration of RMB66,341,000 which is satisfied by issuance of promissory notes to the vendor (note 33). The principal activities of it is provision of business services. The principal assets of Dehuang are the one parcels of land and five (2021: four) buildings for data centre and office (including the land beneath) owned by Dehuang and located in South of Shinan Highway, Nansha District, Guangzhou (廣州市南沙區市南公路南側). As at 31 December 2022, it was measured at fair value of approximately HK\$32,173,000 (2021: approximately HK\$31,383,000).
- (b) On 1 April 2021, the Group acquired 10% equity interest of Global Engine Group Holding Limited (“Global Engine”), a company incorporated in the British Virgin Islands with limited liability, at a consideration of HK\$10,000,000 which is satisfied by issuance of 20,000,000 new shares at consideration share price of HK\$0.5 per share. Global Engine is an investment holding company and its directly wholly-owned subsidiary is an integrated solutions provider in information and communication technologies, system integration and other technical consultation services in Hong Kong and Asia Pacific region. During the year, the Company did not receive any (2021: received of HK\$150,000) dividend from Global Engine. As at 31 December 2022, it was measured at fair value of approximately HK\$10,852,000 (2021: approximately HK\$11,474,000).

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22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2022 HK\$'000	2021 HK\$'000
Prepayments		18,758	1,342
Deposits and other receivables	(a)	4,058	19,804
		22,816	21,146
Analysed as:			
Non-current portion			
Prepayments		10,475	939
Deposits and other receivables		587	—
		11,062	939
Current portion			
Prepayments		8,283	403
Deposits and other receivables	(a)	3,471	19,804
		11,754	20,207
		22,816	21,146

Notes:

- (a) As at 31 December 2022, included in other receivables of approximately HK\$2,455,000 (2021: approximately HK\$14,626,000) is due from a former non-controlling shareholder of a subsidiary who will repay mortgage loan on behalf of the subsidiary.

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23. DEFERRED TAX

The following are the major deferred tax assets/(liabilities) recognised by the Group:

	Revaluation of equity investments at fair value through other comprehensive income HK\$'000	Other intangible assets HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 January 2021	(9,355)	(776)	4,725	(5,406)
Acquisition of subsidiaries	—	(68)	—	(68)
Credit to consolidated profit or loss	—	135	3	138
Credit to other comprehensive income	5,190	—	—	5,190
Exchange realignment	(212)	—	—	(212)
At 31 December 2021 and 1 January 2022	(4,377)	(709)	4,728	(358)
Credit to consolidated profit or loss	—	143	1,245	1,388
Charge to other comprehensive income	(837)	—	—	(837)
Exchange realignment	368	—	—	368
At 31 December 2022	(4,846)	(566)	5,973	561

The following is the analysis of the deferred tax balances (after offset) for consolidated statement of financial position purposes:

	2022 HK\$'000	2021 HK\$'000
Deferred tax assets	5,456	4,081
Deferred tax liabilities	(4,895)	(4,439)
	561	(358)

The Group has tax losses arising in Hong Kong of approximately HK\$180,819,000 (2021: approximately HK\$153,238,000) that are available indefinitely and in Mainland China of approximately HK\$18,534,000 (2021: approximately HK\$16,214,000) that are available for a maximum of five years, for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of tax losses of approximately HK\$163,163,000 (2021: approximately HK\$140,806,000) as they have arisen in certain subsidiaries that have been loss-making for some time and it is considered not probable that taxable profits will be available against which tax losses can be utilised.

Notes to the Consolidated Financial Statements

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23. DEFERRED TAX (Continued)

As at 31 December 2022, the Group has deductible temporary differences of approximately HK\$15,488,000 (2021: approximately HK\$2,697,000) not recognised as deferred tax assets as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At the end of the reporting period, there is no temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised (2021: nil).

24. LOAN RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Loan receivables	90,644	91,298
Analysed as:		
Non-current assets	–	58,012
Current assets	90,644	33,286
	90,644	91,298

Notes:

(a) As at 31 December 2022, loan receivables of approximately HK\$30,304,000 carried at fixed effective interest at 12% per annum respectively and with the terms ranging from 9 months to 6 years. As at 31 December 2021, loan receivables of approximately HK\$33,286,000 carried at fixed effective interest at 12% per annum and with the terms ranging from 9 months to 5 years.

(b) As at 31 December 2022, included in loan receivables are receivable from Dehuang of approximately HK\$52,925,000 (2021: approximately HK\$50,136,000) which is unsecured, non-interest bearing, repayable on 2 September 2023 (2021: 2 September 2023) and measured at amortised cost using effective interest rate of 14.42%.

On 31 December 2021, the Group entered into a supplemental agreement with Dehuang, pursuant to which the maturity date of the loan receivables was extended to 2 September 2023. The Group recognised a loss on extension of loan receivables amounted to approximately HK\$7,098,000.

(c) As at 31 December 2022, included in loan receivables are receivable from Dehuang of approximately HK\$7,415,000 (2021: approximately HK\$7,876,000) which is unsecured, non-interest bearing, repayable on 15 October 2023 (2021: repayable on 15 October 2023) and measured at amortised cost using effective interest rate of 4.35%. Dehuang early settled HK\$830,000 during the year ended 31 December 2022 and the Group recognised a gain on early settlement of loan receivables of approximately HK\$30,000.

On 31 December 2021, the Group entered into a supplemental agreement with Dehuang, pursuant to which the maturity date of the loan receivables was extended to 15 October 2023. The Group recognised a loss on extension of loan receivables of approximately HK\$344,000.

(d) The directors of the Company monitored the collectability of the loan receivables closely with reference to their respective current creditworthiness and repayment records. The management believes that no impairment allowance is necessary in respect of these receivables as they are considered fully recoverable. Upon its original maturity and up to the approval date of the consolidated financial statements, approximately HK\$2,970,000 were fully settled.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

25. INVENTORIES

	2022 HK\$'000	2021 HK\$'000
Finished goods and merchandises	55	1,277

26. TRADE RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Trade receivables	18,398	14,029

Notes:

- (a) The Group has granted credit terms to its customers within 30 to 90 days (2021: ranging from 30 to 90 days). The Group seeks to maintain strict control over its outstanding balances by imposing 2% (2021: 2%) monthly interest charge upon them and requesting payment in advances from certain customers. Overdue balances are reviewed by the directors. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.
- (b) The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2022 HK\$'000	2021 HK\$'000
Within 1 month	7,574	10,251
1 to 2 months	81	821
2 to 3 months	746	—
Over 3 months	9,997	2,957
	18,398	14,029

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

26. TRADE RECEIVABLES (Continued)

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Neither past due nor impaired	Less than 1 month past due	1 to 3 months past due	Over 3 months to 1 year past due	Over 1 year past due	Total
At 31 December 2022						
Weighted average expected loss rate	0%	0%	0%	0%	0%	0%
Receivable amount (HK\$'000)	7,558	81	799	9,960	—	18,398
Loss allowance (HK\$'000)	—	—	—	—	—	—
At 31 December 2021						
Weighted average expected loss rate	0%	0%	0%	0%	0%	0%
Receivable amount (HK\$'000)	10,569	1,360	700	1,400	—	14,029
Loss allowance (HK\$'000)	—	—	—	—	—	—

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

27. CONTRACT LIABILITIES

Disclosures of revenue-related items:

	As at 31 December 2022 HK\$'000	As at 31 December 2021 HK\$'000	As at 1 January 2021 HK\$'000
Contract liabilities — sale of computer hardware and software	2,564	3,205	—
Contract liabilities — provision of technical support and maintenance services	18,738	1,136	1,318
Total contract liabilities	21,302	4,341	1,318
Contract receivables (included in trade receivables)	11,371	9,584	2,796
		2022 HK\$'000	2021 HK\$'000
Analysed as:			
Non-current liabilities		10,550	—
Current liabilities		10,752	4,341
		21,302	4,341
		2022 HK\$'000	2021 HK\$'000
Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:			
— 2022		—	4,341
— 2023		10,752	—
— 2024		6,063	—
— 2025		4,487	—
		21,302	4,341
Year ended 31 December		2022 HK\$'000	2021 HK\$'000
Revenue recognised in the year that was included in contract liabilities at beginning of year		4,341	1,318

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

27. CONTRACT LIABILITIES (Continued)

Significant changes in contract liabilities during the year:

	2022 HK\$'000	2021 HK\$'000
Increase due to operations in the year	65,027	57,182
Transfer of contract liabilities to revenue	(48,066)	(54,159)

A contract liability represents the Group's obligation to transfer products or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

28. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK\$'000	2021 HK\$'000
Listed equity securities, at fair value		
— in Hong Kong	1,330	16,964
— outside Hong Kong	64	712
	1,394	17,676

Note: The investments included above as at 31 December 2022 and 2021 represent investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate.

The fair values of the listed equity securities are determined based on the quoted market prices.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

29. BANK AND CASH BALANCES

	2022 HK\$'000	2021 HK\$'000
Bank and cash balances	13,877	6,714

Notes:

- (a) As at 31 December 2022, the bank and cash balances of the Group denominated in RMB amounted to approximately HK\$2,130,000 (2021: approximately HK\$571,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

30. TRADE PAYABLES

An aging analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 HK\$'000	2021 HK\$'000
Within 1 month	346	931
1 to 2 months	234	2,256
2 to 3 months	86	1,763
Over 3 months	9,636	1,446
	10,302	6,396

31. OTHER PAYABLES AND ACCRUALS

	2022 HK\$'000	2021 HK\$'000
Accruals	5,297	4,708
Other payables	5,848	21,041
Rental deposit received	1,897	1,936
VAT payables	468	367
	13,510	28,052

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32. BANK AND OTHER LOANS

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
Bank loans:			
Mortgage loan	<i>(i)</i>	53,144	10,429
Other loans:			
Margin loans	<i>(ii)</i>	891	2,362
Loans from independent third parties	<i>(iii)</i>	13,314	–
		14,205	2,362
		67,349	12,791
Analysed as:			
Non-current liabilities		13,314	–
Current liabilities		54,035	12,791
		67,349	12,791

The borrowings are repayable as follows:

	2022 HK\$'000	2021 HK\$'000
On demand or within one year	54,035	12,791
In the second year	9,702	–
In the third to fifth years, inclusive	3,612	–
	67,349	12,791
Less: Amount due for settlement within 12 months (shown under current liabilities)	(54,035)	(12,791)
Amount due for settlement after 12 months	13,314	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

32. BANK AND OTHER LOANS (Continued)

Notes:

- (i) The mortgage loan has terms of 8 years until 2030 (2021: 10 years until 2022) with a repayable on demand clause exercisable by a bank. The average interest rate was 4.15% (2021: 5.39%).

The mortgage loan is secured by a charge over the Group's investment properties with fair value of approximately HK\$256,671,000 (2021: approximately HK\$273,607,000) and by the rights to receive the rental fees of the Group's investment properties, and guaranteed by the Company and an equity investment of the Company.

- (ii) As at 31 December 2022, the margin loans are secured by the Group's equity securities listed in Hong Kong with fair value of approximately HK\$1,330,000 (2021: approximately HK\$5,821,000) and repayable on demand. As at 31 December 2022, the loan is charged at a fixed interest rate of 8.875% (2021: 8.25%) per annum.

- (iii) Loan from an independent third party amounted to approximately HK\$3,612,000 is interest bearing at 15% per annum, unsecured and repayable on 28 July 2027.

Loan from an independent third party amounted to approximately HK\$9,702,000 is interest free, unsecured and repayable on 1 January 2024.

33. PROMISSORY NOTE PAYABLES

	HK\$'000
At 1 January 2021	70,882
Imputed interest	9,804
Gain on modification	(2,247)
Repayment of promissory note	(9,337)
Exchange realignment	2,313
At 31 December 2021 and 1 January 2022	71,415
Imputed interest	8,803
Loss on early redemption	2,052
Repayment of promissory note	(11,000)
Exchange realignment	(4,982)
At 31 December 2022	66,288

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

33. PROMISSORY NOTE PAYABLES (Continued)

On 3 September 2019, the Group issued a promissory note (the “PN”) with fair value of approximately HK\$72,435,000 (principal amount of RMB66,341,000) as a consideration for the acquisition of 19% equity interest of Dehuang and a loan receivable with principal amount of RMB51,199,000 (the “Loan Receivable”). On the date of issuance of the PN, (i) the fair value of 19% equity interest in Dehuang and the Loan Receivable; and (ii) the fair value of the PN of approximately HK\$72,435,000 allocated to 19% equity interest of Dehuang and the Loan Receivable are as follows:

	Fair value at the date of issuance of the PN	Fair value of the PN allocated
	HK\$'000	HK\$'000
19% equity interest in Dehuang (note 21)	9,544	12,825
The Loan Receivable (note 24(b & c))	44,361	59,610
	53,905	72,435

Loss on initial recognition of the Loan Receivable of HK\$15,249,000 was recognised on the date of issuance of the PN.

The fair value of the PN approximates its carrying amount. As at 31 December 2022, the PN is measured at amortised cost using effective interest rate of 14.28% (2021: 14.28%).

On 29 June 2020, the Group entered into supplemental agreement with the PN holder, pursuant to which the maturity date of the PN was extended to 2 September 2021. The Group recognised a gain on modification of PN amounted to approximately HK\$3,263,000.

On 3 September 2020, the Group entered into supplemental agreement with the PN holder, pursuant to which the maturity date of the PN was extended to 2 September 2022 and the interest rate revised to 11% per annum. The Group recognised a gain on modification of PN amounted to approximately HK\$2,458,000.

On 31 December 2021, the Group entered into supplemental agreement with the PN holder, pursuant to which the maturity date of the PN was extended to 2 September 2023. The Group recognised a gain on modification of PN amounted to approximately HK\$2,247,000.

On 24 February 2022, the Group early settled the principal and interest amounted to approximately HK\$11,000,000. The Group recognised a loss on early redemption of PN amounted to approximately HK\$2,052,000.

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34. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	2,435	1,450	2,233	1,426
In the second to fifth years, inclusive	2,798	34	2,691	32
	5,233	1,484		
Less: Future finance charges	(309)	(26)		
Present value of lease liabilities	4,924	1,458	4,924	1,458
Less: Amount due for settlement within 12 months (shown under current liabilities)			(2,233)	(1,426)
Amount due for settlement after 12 months			2,691	32

At 31 December 2022, the average effective borrowing rate was 5.125% to 5.25% (2021: 4.35% to 5.25%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

35. LOAN FROM A SHAREHOLDER

As at 31 December 2022, loan from a shareholder is advanced from Mr. Zhang Rong and is unsecured, interest bearing at 3% (2021: 3%) and due for repayment on 1 January 2024 (2021: 1 January 2023).

36. AMOUNT DUE TO A DIRECTOR

As at 31 December 2022, the amount is unsecured, interest-free and due for repayment on 1 January 2024 (2021: 1 January 2023).

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37. SHARE CAPITAL

	Number of shares		Share capital	
	2022	2021	2022 HK\$'000	2021 HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 (2021: HK\$0.01) each				
At the beginning and at the end of the year	12,000,000,000	120,000,000,000	1,200,000	1,200,000
Issued and fully paid:				
Ordinary shares of HK\$0.1 (2021: HK\$0.01) each				
At the beginning of the year	343,141,329	5,744,191,908	3,431	574,419
Capital reorganisation	(i) (463,240,794)	(5,504,850,579)	—	(572,026)
Acquisition of an equity investment	(ii) —	20,000,000	—	200
Placing of shares under general mandate	(iii) —	20,800,000	—	208
Acquisition of subsidiaries	(iv) —	7,000,000	—	70
Placing of shares under general mandate	(v) —	56,000,000	—	560
Issue of shares under rights issue	(vi) 171,570,664	—	1,716	—
At the end of the year	51,471,199	343,141,329	5,147	3,431

Notes:

- (i) On 15 January 2021, an ordinary resolution was passed on share consolidation ("2021 Share Consolidation"), pursuant to it, every 24 issued and unissued existing shares of par value HK\$0.10 each in the share capital of the Company will be consolidated into 1 consolidated share of par value HK\$2.40 in the share capital of the Company and the total number of consolidated shares in the issued share capital of the Company immediately following the Share Consolidation will be rounded down to a whole number by cancelling any fraction in the issued share capital of the Company arising from the 2021 Share Consolidation. 5,504,850,579 shares were cancelled by way of Share Consolidation.

On 1 December 2022, an ordinary resolution was passed on share consolidation ("2022 Share Consolidation"), pursuant to it, every 10 issued and unissued existing shares of par value HK\$0.01 each in the share capital of the Company will be consolidated into 1 consolidated share of par value HK\$0.1 in the share capital of the Company and the total number of consolidated shares in the issued share capital of the Company immediately following the 2022 Share Consolidation will be rounded down to a whole number by cancelling any fraction in the issued share capital of the Company arising from the Share Consolidation. 463,240,794 shares were cancelled by way of 2022 Share Consolidation.

- (ii) On 1 April 2021, Rosy Depot Limited ("Rosy Depot"), a wholly-owned subsidiary of the Company, had entered into an agreement with Valuable Fortune Limited ("Valuable Fortune"), pursuant to which Rosy Depot, as the purchaser, intended to acquire and Valuable Fortune, as the vendor, intended to sell 10% equity interest in Global Engine Holdings Limited at a consideration of HK\$10,000,000, which to be settled by way of allotment and issue of the 20,000,000 consideration shares by the Company at the HK\$0.5 per share. The acquisition was completed on 31 May 2021. The consideration shares of the Company had fair value of HK\$7,000,000 on 31 May 2021.

Notes to the Consolidated Financial Statements

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37. SHARE CAPITAL (Continued)

Notes:

- (iii) On 25 May 2021, the Company entered into a placing agreement with a placing agent to place 20,800,000 new shares under general mandate of the Company at HK\$0.23 per share. The placing was completed on 17 June 2021. The net proceeds of approximately HK\$4,688,000 were raised from the placing.
- (iv) On 12 May 2021, Golden Shield Global Limited ("Golden Shield"), a wholly-owned subsidiary of the Company, had entered into an agreement with Unity Victory Limited ("Unity Victory"), pursuant to which Golden Shield has conditionally agreed to acquire, and Unity Victory has conditionally agreed to sell 51% of the issued share capital of Orient Rise Investment Development Limited at a consideration of HK\$3,500,000 which to be settled by way of allotment and issue of the 7,000,000 consideration shares by the Company at the HK\$0.5 per share. The acquisition was completed on 15 July 2021. The consideration shares of the Company had fair value of HK\$2,380,000 on 15 July 2021.
- (v) On 30 July 2021, the Company entered into a placing agreement with a placing agent to place 56,000,000 new shares under general mandate of the Company at HK\$0.25 per share. The placing was completed on 16 August 2021. The net proceeds of approximately HK\$13,720,000 were raised from the placing.
- (vi) On 5 January 2022, the Board of Directors proposed to conduct the rights issue (the "Rights Issue") on the basis of one (1) rights share ("Rights Share(s)") for every two (2) existing Shares held on the record date of 8 March 2022 at the subscription price of HK\$0.15 per Rights Share, to raise up to approximately HK\$25.74 million before expenses by way of issuing up to 171,570,664 Rights Shares. On 11 April 2022, the Rights Issue was completed and 171,570,664 Rights Shares were issued. The net proceeds of approximately HK\$24,861,000 were raised from the Rights Issue.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, non-controlling interests, retained profits and other reserves) and includes some forms of subordinated debts.

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38. SHARE OPTION SCHEME

The Company has adopted the share option scheme with effect from 2 August 2012 pursuant to an ordinary resolution passed by the Shareholders on 2 August 2012 (the "Share Options Scheme").

Pursuant to the Share Option Scheme, the maximum number of shares of the Company Shares which may be issued upon exercise of all options (the "Options") to be granted under the Share Option Scheme and any other share option scheme(s) of the Company and/or its subsidiaries (if any) must not represent more than 10% of the total number of Shares in issue as at the date of adoption of the Share Option Scheme. The Share Options Scheme has expired on 1 August 2022. Save for the Share Option Scheme, as at the date of this report, the Company does not have any other share option scheme. There is currently no Share Option Scheme that remains in effect.

The scheme mandate limit may be refreshed by the shareholders of the Company in general meeting from time to time provided that:

- (i) the scheme mandate limit as refreshed shall not exceed 10% of the total number of Shares in issue as at the date of approval of the refreshment of the Scheme Mandate Limit;
- (ii) Options previously granted under the Share Option Scheme and any other share option scheme(s) of the Company and/or its subsidiaries (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme(s) of the Company and/or its subsidiaries) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed; and
- (iii) the total number of Shares which may be issued upon exercise of all Options granted and yet to be exercised under the Share Option Scheme or any other share option scheme(s) adopted by the Company and/or its subsidiaries must not exceed 30% of the Shares in issue from time to time.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors at their discretion, and commences on the date upon which the options are deemed to be granted and accepted.

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38. SHARE OPTION SCHEME (Continued)

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings. Details of the specific categories of options are as follows:

Date of grant	Vesting date	Exercise period	Exercise price HK\$ (as adjusted)
13 May 2021	13 May 2021	13 May 2021–12 May 2031	2.19
16 June 2022	16 Jun 2022	16 June 2022–15 June 2032	1.40

For options granted on 13 May 2021 and 16 June 2022, if the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2022		2021	
	Number of share options	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$
Outstanding at the beginning of the year	23,100,000	0.245	—	—
Adjusted as a result of rights issue	2,742,465	(0.026)	—	—
Granted during the year	16,360,000	0.14	23,900,000	0.245
Adjusted as a result of share consolidation	(37,982,219)	(0.0019)	—	—
Forfeited during the year	—	—	(800,000)	0.245
Outstanding at the end of the year	4,220,246	1.88	23,100,000	0.245

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38. SHARE OPTION SCHEME (Continued)

The estimated fair values of the options granted on 13 May 2021 and 16 June 2022 are approximately HK\$2,992,000 and HK\$1,172,000 respectively.

At the date of approval of these consolidated financial statements, the number of share options permitted to be granted under the Scheme was 5,147,119 (2021: 3,431,413, as adjusted the share consolidation on 5 December 2022), representing 10% (2021: 10%) of the Company's shares in share as at that day.

These fair values were calculated using Binominal pricing model. The inputs into the model are as follows:

	16 June 2022	13 May 2021
Share price at the date of grant	HK\$0.140	HK\$0.245
Exercise price	HK\$0.140	HK\$0.245
Expected volatility	65.11%	68.33%
Expected life	10 years	10 years
Risk free rate	3.23%	1.2%
Expected dividend yield	0%	0%
Expected Early Exercise Multiple	2.2	2.2

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 10 years.

Share options granted to consultants were incentives for helping the Group expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

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39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 HK\$'000	2021 HK\$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	—	—
Right-of-use assets	4,409	836
Prepayments, deposits and other receivables	587	—
Loan receivable	—	7,875
Total non-current assets	4,996	8,711
CURRENT ASSETS		
Due from subsidiaries	214,914	217,217
Loan receivable	7,415	—
Prepayments, deposits and other receivables	206	1,675
Cash and bank balances	7,765	1,616
Total current assets	230,300	220,508
CURRENT LIABILITIES		
Other payables and accruals	6,198	6,302
Lease liabilities	1,771	962
Total current liabilities	7,969	7,264
NET CURRENT ASSETS	222,331	213,244
Total assets less current liabilities	227,327	221,955
NON-CURRENT LIABILITIES		
Lease liabilities	2,673	—
Amount due to a director	320	996
Total non-current liabilities	2,993	996
NET ASSETS	224,334	220,959
CAPITAL AND RESERVES		
Share capital	5,147	3,431
Reserves	219,187	217,528
TOTAL EQUITY	224,334	220,959

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40. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(i) *Share premium account*

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) *Foreign currency translation reserve*

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations.

(iii) *Share-based payment reserve*

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors, employees and consultants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4 to the consolidated financial statements.

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40. RESERVES (Continued)

(b) Company

	Share premium account HK\$'000	Share-based payment reserve HK\$'000	(Accumulated losses)/ retained earnings HK\$'000	Total HK\$'000
At 1 January 2021	108,291	—	(454,427)	(346,136)
Total comprehensive loss for the year	—	—	(38,104)	(38,104)
Capital reorganisation	—	—	572,026	572,026
Equity-settled share-base payment	—	2,992	—	2,992
Cancellation of share option	—	(100)	100	—
Issue of shares under placing	17,640	—	—	17,640
Issue of shares for acquisitions of an equity investment	6,800	—	—	6,800
Issue of shares for acquisition of subsidiaries	2,310	—	—	2,310
At 31 December 2021 and 1 January 2022	135,041	2,892	79,595	217,528
Total comprehensive loss for the year	—	—	(22,658)	(22,658)
Equity-settled share-base payment	—	1,172	—	1,172
Issue of shares under rights issue (net of expenses on issue of shares)	23,145	—	—	23,145
At 31 December 2022	158,186	4,064	56,937	219,187

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41. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2022 and 2021 are as follows:

Company name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital/ registered capital	Percentage of ownership interest	Principal activities
China Information Technology Development (Hong Kong) Limited	Hong Kong	HK\$100	100%	Office management
Macro Systems Limited	Hong Kong	HK\$1,050,000	84%	Provision of system integration and maintenance services in Hong Kong
Macro Systems (Guangzhou) Co., Ltd.**	PRC	HK\$1,300,000	84%	Provision of system integration and maintenance services in the PRC
DataCube Research Centre	Hong Kong	HK\$100	80%	Big data application
Logic Network Limited	Hong Kong	HK\$10,000	51%	Provision of telecommunications consultancy, cloud services, managed IT services, support consultancy and intelligent retail system services
Guangzhou Xinfeng Investment Consultancy Company Limited**	PRC	HK\$101,400,000	100%	Assets acquisition, management and consultancy services
Global Shine Investment Limited	Hong Kong	HK\$1	100%	Securities trading
Value Creation Finance Limited	Hong Kong	HK\$10,000	100%	Money lending
Guangzhou Deyong Technology Investment Co., Ltd.**	PRC	*	100%	Investment holding

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

* The amount of registered capital is HK\$10 million and it is not yet injected.

** Wholly-foreign-owned enterprises.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

42. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Interest payable HK\$'000	Promissory note payables HK\$'000	Lease liabilities HK\$'000	Bank and other loans HK\$'000	Loan from a shareholder HK\$'000	Amount due to a director HK\$'000	Total liabilities from financing activities HK\$'000
At 1 January 2021	—	70,882	3,759	30,205	3,143	3,576	111,565
Change in cash flows	—	(9,337)	(3,063)	(18,099)	—	(2,200)	(32,699)
Non-cash changes							
— imputed interest	—	9,804	—	—	—	—	9,804
— gain on modification of promissory notes	—	(2,247)	—	—	—	—	(2,247)
— interest charged	—	—	134	—	90	—	224
— additions of lease liabilities	—	—	628	—	—	—	628
— exchange differences	—	2,313	—	685	—	—	2,998
At 31 December 2021 and 1 January 2022	—	71,415	1,458	12,791	3,233	1,376	90,273
Change in cash flows	—	(11,000)	(2,793)	55,212	—	(676)	40,743
Non-cash changes							
— imputed interest	—	8,803	—	—	—	—	8,803
— loss on early redemption of promissory notes	—	2,052	—	—	—	—	2,052
— interest charged	63	—	160	227	90	—	540
— additions of lease liabilities	—	—	6,099	—	—	—	6,099
— exchange differences	—	(4,982)	—	(881)	—	—	(5,863)
At 31 December 2022	63	66,288	4,924	67,349	3,323	700	142,647

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

43. LITIGATIONS

As disclosed in the announcements of the Company dated 13 August 2021, on 10 August 2021 and 18 November 2022, 廣州信豐投資諮詢有限公司 (Guangzhou Xinfeng Investment Consultancy Company Limited*) (“Xinfeng”) received litigation documents, pursuant to which 廣州麓湖錦城置業管理有限公司 (Guangzhou Luhu Jincheng Properties Management Limited*) (the “Guarantor”) alleged that Giant Prestige Investments Limited (the “Vendor”), Joyunited Investments Limited (the “Target Company”), Xinfeng, 廣州市德永科技投資有限公司 (Guangzhou Deyong Technology Investment Limited*) (“Deyong”) and Winner Sino Corporate Development Limited (中勝企業發展有限公司) (the “Purchaser”) failed to perform their obligations under the sale and purchase agreement dated 2 August 2019 (the “Agreement”) in relation to, inter alia, the entire issued share capital of the Target Company (the “PRC Litigation”). The Guarantor requested 廣東自由貿易區南沙片區人民法院 (the People’s Court of Nanshapian District, Guangdong Free-Trade zone*) (the “Nanshapian District Court”) to order the defendants in the PRC Litigation to repay the deposit of RMB13,000,000 (the “Deposit”) paid by the Guarantor under the Agreement, the interest on the Deposit and the legal costs of the PRC Litigation. The Vendor, the Target Company, Xinfeng and Deyong are wholly owned subsidiaries of the Company. On 15 November 2022, Nanshapian District Court handed down a civil ruling that (i) dismissed the claim by the Guarantor against the Vendor, the Target Company, Xinfeng and Deyong for payment of RMB13,000,000 paid by the Guarantor as the deposit under the Agreement and the interest thereon; and (ii) ordered cost of the legal proceedings against the Guarantor.

44. EVENTS AFTER THE REPORTING PERIOD

(a) Disposal of Rosy Ridge Investments company and its subsidiaries

On 3 March 2023, and independent third party (the “Purchaser”) and Gorgeous Ocean Global Limited, a direct wholly-owned subsidiary of the Company, (the “Vendor”), entered into an agreement (the “Disposal Agreement”), pursuant to which, the Vendor has conditionally agreed to sell the entire issued share capital of Rosy Ridge Investments Limited (the “Target Company”) and its subsidiaries (collectively referred to as the “Target Group”) and to assign the loans receivables from the Target Group of approximately HK\$35,200,000 and Dehuang of approximately HK\$7,415,000 (the “Sale Loan”) to the Purchaser, and the Purchaser has conditionally agreed to acquire the entire issued share capital of the Target Company and take up the assignment of the Sale Loan at the consideration of HK\$28,000,000.

The followings are financial information of the Target Group as at 31 December 2022.

	HK\$'000
Non-current assets	32,187
Current assets	53,018
Non-current liabilities	(4,847)
Current liabilities	(66,337)
Loan from the Group	(35,200)
Net liabilities	(21,179)

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For the year ended 31 December 2022

44. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(b) Memorandum of Understanding with Autostereoscopic 3D Limited

On 10 March 2023, the Company entered into a non-legally binding Memorandum of Understanding (the “MOU”) with Autostereoscopic 3D Limited (the “3DT”). The MOU will be an expression of agreement between the Company and 3DT on the collaboration. In this connection, it is recognized that the combination of the use of proprietary Artificial Intelligence (“AI”) technologies and big data database held by the Company will proliferate the 3D autostereoscopic technologies currently owned by 3DT.

The MOU is at-will and may be modified by mutual consent of authorized officials from the Company and 3DT. The MOU shall become effective upon signature by the authorized officials from the Company and 3DT and will remain in effect until modified or terminated by any one of the parties by mutual consent. In the absence of mutual agreement by the authorized officials from the Company and 3DT, the MOU shall end within one (1) year from the date of signing of the MOU, unless formal agreement is to be entered into between the parties which shall then supersede the MOU.

Details of the MOU and the collaboration are set out in the announcement dated 10 March 2023.

(c) Placing of new shares under general mandate

On 14 March 2023, the Company and Grand China Securities Limited (“Placing Agent”) entered into the placing agreement, pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, of up to 7,642,000 placing shares, to not less than six places at the placing price of HK\$1.93 per placing share.

Details of the placing under general mandate are set forth in the announcements dated 14 March 2023.

45. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 27 March 2023.

Five Year Financial Summary

31 December 2022

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published annual report and audited financial statements is set out below:

	2022 HK\$'000	Year ended 31 December			
		2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000 (Restated)
RESULTS					
REVENUE	62,957	66,092	45,694	63,712	51,666
Loss before tax	(86,992)	(90,540)	(11,350)	(82,216)	(80,168)
Income tax credit	1,380	124	403	281	1,913
LOSS FOR THE YEAR	(85,612)	(90,416)	(10,947)	(81,935)	(78,255)
Attributable to:					
Owners of the Company	(82,295)	(90,326)	(9,758)	(80,850)	(75,308)
Non-controlling interests	(3,317)	(90)	(1,189)	(1,085)	(2,947)
	(85,612)	(90,416)	(10,947)	(81,935)	(78,255)
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
	2022 HK\$'000	As at 31 December			
		2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000 (Restated)
TOTAL ASSETS	468,784	487,862	560,066	548,373	596,458
TOTAL LIABILITIES	(192,593)	(133,600)	(144,480)	(173,824)	(149,883)
NET ASSETS	276,191	354,262	415,586	374,549	446,575
Equity attributable to:					
Owners of the Company	284,021	358,859	419,811	376,297	447,252
Non-controlling interests	(7,830)	(4,597)	(4,225)	(1,748)	(677)
	276,191	354,262	415,586	374,549	446,575

Particulars of Property Interests

Particulars of property interests held by the Group as at 31 December 2022 are as follows:

Location	Use of Investment Properties	Tenure	Attributable interest of the Group
Investment properties			
A composite building situated in No. 123 Lu Jing Road, Tianhe District, Guangzhou City, Guangdong Province, the PRC	Commercial, office and other use permitted by the laws and regulations of the PRC	Medium	100%