



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 : 8178)



2023
INTERIM REPORT

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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This report, for which the directors (the “Directors” and each a “Director”) of the China Information Technology Development Limited (the “Company”), together with its subsidiaries, (the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) 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 report 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 report misleading.

This report 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 Stock Exchange website at <http://www.hkexnews.hk> for at least 7 days from the date of its posting.

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CORPORATE INFORMATION

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(*Chairman and Chief Executive Officer*)
Mr. Chang Ki Sum Clark

NON-EXECUTIVE DIRECTOR

Hon. Li Sai Wing, *JP, MH*

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
(*Committee Chairman*)
Mr. Wong Hoi Kuen
Dr. Chen Shengrong

REMUNERATION COMMITTEE

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

AUDIT COMMITTEE

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

AUDITOR

ZHONGHUI ANDA CPA Limited

LEGAL ADVISOR

Conyers Dill & Pearman

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GEM STOCK CODE

8178

WEBSITE ADDRESS

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SUMMARY

- Revenue for the six months ended 30 June 2023 (the “Period”) was approximately HK\$40,365,000, representing an increase of 16.2% from the corresponding period in last year (2022: approximately HK\$34,735,000).
- Loss attributable to owners of the Company for the six months ended 30 June 2023 amounted to approximately HK\$3,785,000 (2022: approximately HK\$21,028,000). The decrease in loss was mainly attributed to (i) the gain on disposal of a subsidiary of approximately HK\$8,756,000 and (ii) the decrease in research and development expenses for (including but not limited to) the smart logistics system and smart retail cloud platform for the CRM system, namely “Retail Booster”, and network security of IoT cloud platform from approximately HK\$14,324,000 to approximately HK\$5,256,000 for the Period.
- Loss per share attributable to owners of the Company from continuing operations for the six months ended 30 June 2023 was approximately HK6.72 cents (2022: approximately HK50.07 cents as restated).
- The Board of Directors (the “Board”) does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the six months ended 30 June 2023, 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 in developing innovative and advanced technology especially in fields like AI and cloud technologies while cautiously controlled and allocated our resources efficiently and took appropriate corporate actions according to the market conditions.

During the Period, the Group persistently strived to improve the financial position of the Company while persevere in developing the existing businesses of the Group. The Company had grabbed various opportunities to collaborate with other calibers in the industry to extend our client network as well as to enhance the Group’s existing IT solutions services and to create synergy with the integration of various artificial intelligence self-developed by the Group through the collaborations.

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 (“Grand China”) entered into the placing agreement (“Rights Issue Placing Agreement”), pursuant to which the Company conditionally appointed Grand China as the placing agent and Grand China conditionally agreed to act as the placing agent for the Company to procure, on a best effort basis, places 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 Rights Issue Placing Agreement on 5 January 2022. Under the terms of the Rights Issue 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 Rights Issue 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 Rights Issue 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.

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 30 June 2023, the Group used (i) approximately HK\$21,371,000 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\$1,629,000 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”). The restrictive measures imposed in 2022 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.

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. (“Bonanza”), a company incorporated in the State of Nevada, the USA of which the issued shares are traded in the OTC. 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 held 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 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 has been completed on 17 April 2023. The Company had allotted and issued 2,652,038 CITD Shares, representing approximately 4.29% of the issued share capital of the Company immediately upon completion of the Share Swap, to Marvion Group Limited (“Marvion”), a wholly-owned subsidiary of Bonanza, at the agreed price of HK\$1.35 per CITD Share. The CITD shares were allotted and issued to Marvion upon the share consolidation of the CITD shares becoming effective on 5 December 2022, on the basis of 10 existing shares for 1 consolidated share. Simultaneously, Bonanza has allotted and issued 218,574,618 BONZ Shares to the Company, representing approximately 0.15% of the enlarged issued share capital of Bonanza immediately upon completion of the Share Swap, at the subscription price of US\$0.0021 (equivalent to approximately HK\$0.01638) per BONZ Share.

Details of the MOU and Share Swap Agreement are set out in the announcements dated 20 October 2022, 25 October 2022, 26 October 2022 and 17 April 2023 respectively.

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 Company and its subsidiaries and Guangzhou Dehuang Investment Company Limited (廣州市德煌投資有限公司) 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.

The said Proposed Disposal was approved by Shareholders in the EGM on 28 April 2023.

Details of the Proposed Disposal and the Disposal Agreement are set out in the announcements dated 3 March 2023 and 28 April 2023 and the circular dated 31 March 2023.

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 would 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 Share(s)”), 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”). The closing price of the Company’s shares on 14 March 2023 was HK\$2.410.

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.

On 4 April 2023, all the conditions set out in the Placing Agreement have been fulfilled. The Placing was completed on 4 April 2023 in accordance with the terms of the Placing Agreement. An aggregate of 7,642,000 Placing Shares, representing approximately 12.93% of the issued share capital of the Company immediately after completion of the Placing, have been successfully placed to not less than six Placees at the Placing Price of HK\$1.93 per Placing Share.

The net proceeds from the Placing (after deduction of commission and other expenses of the Placing) were approximately HK\$14.34 million. 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 capital purpose of the Group.

Details of the Placing and Placing Agreement are set out in the announcements dated 14 March 2023 and 4 April 2023.

As at the date of this report, the abovementioned net proceeds has been fully utilised as intended.

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) 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. The aforementioned loans were assigned to the Purchaser upon approval by the Shareholders in the EGM held on 28 April 2023.

Further details of the assignment are set out above in the section headed ‘Major Transaction in Relation to Proposed Disposal of the Entire Equity Interest in the Target Company and Assignment of the Sale Loan’.

Adoption of 2023 Share Option Scheme

In view of the expiration of the 2012 Share Option Scheme, on 21 April 2023, the Board proposed to adopt the 2023 Share Option Scheme (“2023 Share Option Scheme”) in accordance with Chapter 23 of the GEM Listing Rules. The proposed 2023 Share Option Scheme was adopted by the Shareholders at the EGM held on 15 May 2023.

The purpose of the 2023 Share Option Scheme is to enable the Board to grant Share Options to the eligible participants as incentives or rewards for their contribution or potential contribution to the Group.

A summary of the principal rules and terms of the 2023 Share Option Scheme as well as the details of the 2023 Share Option Scheme and EGM are set out in the circular dated 21 April 2023.

Establishment of a Joint Venture Company

The Company has been seeking suitable investment and business opportunities in light of the market conditions to create value for the Company and its shareholders in a long term and sustainable manner. On 15 June 2023, the Group has entered into a shareholders and cooperation agreement (the “Agreement”) with an independent third party whereby the parties agreed to establish a joint venture company (“JV Company”) to engage in the ownership and management of an e-Commerce platform and its respective membership and reward points program (collectively known as “Petaverse”).

The business of the Petaverse focuses on the sales and marketing of pets-related products in the real world and in the Metaverse.

Under the Agreement, the Group and the Independent Third Party will initially own 30% and 70% of the equity interest in the JV Company, respectively.

Details of the Agreement and the Joint Venture are set in the announcement dated 15 June 2023.

Issue of Bonds

On 23 June 2023, the Board considered and passed a resolution to approve, confirm and ratify the issue of the zero-coupon bond(s) with aggregate principal up to HK\$100 million (the “Bonds”). The Bonds will be documented using Distributed Ledger Technology (in place of paper) and will be implemented using Digital Ownership Token standard.

The Company’s Bonds will be one of the first Bond Security Token that will truly implement and justify the use of blockchain and smart contract technologies, by using DOT standard. This unique approach provides greater certainty, efficiency, and security for bond holders, as the token itself becomes the security, and investors can directly hold and control their own securities.

The use of DOTs as a means of documentation for the tokenization of the Bonds also allows for a clear record of ownership of the security. The use of DOT standard in the Bond Security Token eliminates the need for a third-party custodian to hold onto the Bonds, reducing risks associated with traditional securities custody. This provides a more secure and transparent Bonds offering model, allowing investors to directly hold and control their own securities.

The DOT-standard security token applied to Bonds offerings maximizes the use of smart contracts. This process is efficient, transparent, secure, and cost-effective, providing several benefits over link-based security token approaches. Compared to paper-based Bond offerings, DOT-standard security tokens offer a more efficient, secure, and cost-effective alternative.

Subsequently, the Company has completed the issuance of the Bonds to professional investors on 12 July 2023. The total principal amount of the Bonds is HK\$100 million. The Bonds are offered at a discount with an effective yield to maturity of 3.73% per annum. The net proceeds from the issue of the Bonds, after deducting the transaction costs and expenses, will be approximately HK\$31.50 million. The Company intends to apply the net proceeds for the Group’s development of Web3.0 and blockchain business.

Details of the Issue of Bonds are set out in the announcements dated 23 June 2023 and 12 July 2023.

Macro Systems

During the Period, 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.

Various industries are facing difficulties in the IT market in Hong Kong, such as the lack of professional talents and resources, while most enterprises have high requirements for IT efficiency and performance. Demand for professional IT talents grew. Enterprises are eager to adopt advanced technology, yet there is lack of talents with relevant skills and knowledge in the market. In March 2023, Macro Systems adopted grMail, a product of Green Radar (Hong Kong) Limited (“Green Radar”), a member of Edvance International Holdings Limited (Stock Code: 1410), a leading cybersecurity and innovative technology company headquartered in Hong Kong, and jointly provided enterprise customers with the most suitable and comprehensive email security solutions. Combining with Green Radar’s unique and targeted technology, Macro Systems can better help clients to actively deal with cyber attacks and protect important information, reducing the cost of enterprises dealing with related problems.

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.

DataCube

During the Period, DataCube Research Centre Limited (“DataCube”), has kick-started the cooperation with a public transportation company. It has also 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.

During the Period, Macro Systems and DataCube had contributed a revenue of approximately HK\$16,477,000 and approximately HK\$17,278,000 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 Period, 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 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 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 Period, the segment's revenue was approximately HK\$1,631,000 (2022: HK\$1,834,000). The Group has implemented effective credit control procedures and there were no delinquent loans as at the date of this report.

FUTURE PROSPECT

Although the aftermath of COVID-19 is still lingering, the negative sentiment is gradually alleviated with the relaxation of anti-COVID measures in Hong Kong and China and revival of global business activities. The Group anticipates that the global market is poised to slowly recover.

While the outlook is shadowed by uncertainty, the Group's prudent development strategy, together with the efforts made during the Period shall put us in a good position to identify new revenue and business streams amid a challenging environment. We shall continue to focus on the development of our existing businesses in information technology related areas. To keep pace with the technological advancement and the market trends, the Company shall continue to dedicate more resources on R&D of the IoT, AI, cloud and other technologies so as to provide updated and high quality services and products to 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 from the aforementioned in this competitive technology industry, the Company shall stay attentive to market trends and potential IT trends like blockchain and virtual reality, which are all 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 collaboration 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. During the Period, the Company had demonstrated its determination to utilize its AI technology in various arenas like the Web3.0, crypto, decentralized finance ("DeFi") industries and in the Metaverse by collaborating with other pioneers of the respective industries.

The Bonds issued on 23 June 2023 was one of the first Bond Security Token is truly a milestone to the Company and to the market, it will implement and justify the use of blockchain and smart contract technologies by using DOT standard. This unique approach provides greater certainty, efficiency, and security for bond holders, as the token itself becomes the security, and investors can directly hold and control their own securities. The use of DOTs as a means of documentation for the tokenization of the Bonds also allows for a clear record of ownership of the security. The Company is thankful, if not honored, to be involved in this revolutionary moment.

Looking forward, we shall continue to 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 future.

Employees

The total number of full-time employees hired by the Group maintained at 55 as of 30 June 2023 (2022: 58 employees). Total expenses on employee benefits amounted to approximately HK\$8,509,000 for the six months ended 30 June 2023, (2022: approximately HK\$11,079,000 of which HK\$1,100,000 related to equity-settled share-based payments). The management believes the salaries offered by the Group to its employees are competitive.

Financial review

For the six months ended 30 June 2023, the Group recorded a revenue of approximately HK\$40,365,000, an increase of 16.2% from approximately HK\$34,735,000 for the corresponding period of last year. The increase is mainly due to the increase of revenue in IT solutions and maintenance business. The revenue in IT solutions and maintenance segment increased from approximately HK\$26,897,000 to approximately HK\$35,684,000 for the Period.

The Group had a total cost of sales and services of approximately HK\$27,725,000 for the first half of year 2023, an increase of 28.3% compared with approximately HK\$21,604,000 for the same period of 2022. The increase is mainly due to the increase in number of projects during the Period and in line with the growth of IT solutions and maintenance business.

The gross profit of the Group for the first half of year 2023 was approximately HK\$12,640,000, a decrease of 3.7% from approximately HK\$13,131,000 for the corresponding period of last year. The decrease in gross profit is mainly due to the decrease in loan interest income and decrease in rental income during the Period.

Selling and distribution expenses for the reporting period were approximately HK\$5,627,000, a decrease of 61.8% from approximately HK\$14,744,000 for the corresponding period of last year. The decrease is mainly due to the decrease in research and development expenses for the smart logistics system and smart retail cloud platform for the CRM system and network security of IoT cloud platform.

Administrative expenses for the reporting period were approximately HK\$18,748,000, an increase of 20.0% as compared to approximately HK\$15,621,000 for the corresponding period of last year. The increase is mainly due to the increase in staff cost and legal and professional fees for publication of the circulars and announcements in relation to the corporate actions of the Company during the Period.

During the first half of 2023, the Group recorded a loss on trading of marketable securities of approximately HK\$357,000 (2022: loss of approximately HK\$1,162,000).

During the Period, the fair value of investment properties remains unchanged (2022: decrease of approximately HK\$1,208,000).

The Group's loss attributable to owners of the Company was approximately HK\$3,785,000 for the six months ended 30 June 2023 (2022: approximately HK\$21,028,000).

Financial position

As at 30 June 2023, the Group had cash and bank balances of approximately HK\$17,536,000 (31 December 2022: approximately HK\$13,877,000).

As at 30 June 2023, the Group's total borrowings amounted approximately HK\$60,673,000 (31 December 2022: approximately HK\$136,960,000). The gearing ratio (calculated as total borrowings over total equity) of the Group was 0.22 (31 December 2022: 0.50).

As the Group carried out a major portion of its operations in the PRC and Hong Kong and substantially all of its business transactions, assets and liabilities are denominated in either Renminbi or Hong Kong dollars, the foreign exchange risk of the Group was considered minimal thus no hedging activities were conducted.

Capital expenditure

The Group incurred a capital expenditure of approximately HK\$25,000 (31 December 2022: approximately HK\$54,000) for addition of property, plant and equipment and approximately HK\$nil (31 December 2022: approximately HK\$52,494,000) for addition of investment properties during the six months for 30 June 2023.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2023 and 31 December 2022 respectively.

Capital commitment

The Group did not have any material capital commitments as at 30 June 2023 and 31 December 2022.

The Board announces the unaudited results of the Company and its subsidiaries for the six months ended 30 June 2023, together with the unaudited comparative figures for the corresponding period of 2022, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Interest revenue		790	917	1,631	1,834
Other revenue		6,598	12,931	38,734	32,901
Revenue	4	7,388	13,848	40,365	34,735
Cost of sales and services		(3,498)	(7,682)	(27,725)	(21,604)
Gross profit		3,890	6,166	12,640	13,131
Other income and gains	4	629	2,325	2,558	4,872
Selling and distribution expenses		(3,259)	(10,202)	(5,627)	(14,744)
Administrative expenses		(10,372)	(9,643)	(18,748)	(15,621)
Gain on disposal of a subsidiary	22	8,756	–	8,756	–
Loss on early redemption of promissory notes		–	(2,130)	–	(2,130)
Fair value loss on investments at fair value through profit or loss		(18)	(1,094)	(357)	(1,162)
Change in fair value of investment properties		–	(1,208)	–	(1,208)
Finance costs	5	(1,206)	(2,821)	(3,883)	(5,608)
LOSS BEFORE TAX	6	(1,580)	(18,607)	(4,661)	(22,470)
Income tax credit	7	4	10	7	10
LOSS FOR THE PERIOD		(1,576)	(18,597)	(4,654)	(22,460)
Attributable to:					
Owners of the Company		(758)	(17,148)	(3,785)	(21,028)
Non-controlling interests		(818)	(1,449)	(869)	(1,432)
		(1,576)	(18,597)	(4,654)	(22,460)
Basic and diluted loss per share	8	HK(1.24) cents	(restated) HK(34.58) cents	HK(6.72) cents	(restated) HK(50.07) cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Note	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
LOSS FOR THE PERIOD	(1,576)	(18,597)	(4,654)	(22,460)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF INCOME TAX				
– Exchange differences reclassified to profit or loss on disposal of a subsidiary	22 (1,211)	–	(1,211)	–
– Exchange differences on translation of foreign operations	(8,781)	(13,589)	(7,071)	(13,202)
– Change in fair value of equity investments at fair value through other comprehensive income	(1,875)	–	(1,875)	–
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(13,443)	(32,186)	(14,811)	(35,662)
Attributable to:				
Owners of the Company	(12,685)	(30,793)	(13,990)	(34,279)
Non-controlling interests	(758)	(1,393)	(821)	(1,383)
	(13,443)	(32,186)	(14,811)	(35,662)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Investment properties	10	245,243	256,671
Property, plant and equipment	11	729	1,185
Goodwill		6,504	6,504
Interest in a joint venture		–	–
Right-of-use assets		3,654	4,886
Other intangible assets		3,428	3,861
Equity investments at fair value through other comprehensive income		12,557	43,025
Prepayments, deposits and other receivables	12	648	11,062
Deferred tax assets		5,456	5,456
Total non-current assets		278,219	332,650
CURRENT ASSETS			
Inventories		1,788	55
Trade receivables	13	18,962	18,398
Prepayments, deposits and other receivables	12	109,981	11,754
Loan receivables	14	27,329	90,644
Investments at fair value through profit or loss		175	1,394
Current tax assets		12	12
Bank and cash balances		17,536	13,877
Total current assets		175,783	136,134
CURRENT LIABILITIES			
Trade payables	15	11,934	10,302
Contract liabilities		80,032	10,752
Other payables and accruals	16	18,176	13,510
Lease liabilities		1,979	2,233
Promissory note payables	20	–	66,288
Bank and other loans	17	45,953	54,035
Total current liabilities		158,074	157,120

		As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
	<i>Notes</i>		
NET CURRENT ASSETS/(LIABILITIES)		17,709	(20,986)
TOTAL ASSETS LESS CURRENT LIABILITIES		295,928	311,664
NON-CURRENT LIABILITIES			
Loan from a shareholder	18	–	3,323
Amount due to a director	19	–	700
Contract liabilities		–	10,550
Bank and other loans	17	14,720	13,314
Lease liabilities		1,752	2,691
Deferred tax liabilities		41	4,895
		16,513	35,473
NET ASSETS		279,415	276,191
EQUITY			
Equity attributable to owners of the Company			
Share capital	21	6,177	5,147
Reserves		281,889	278,874
		288,066	284,021
Non-controlling interests		(8,651)	(7,830)
TOTAL EQUITY		279,415	276,191

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Share capital	Share premium account	Share-based payment reserve	Foreign currency translation reserve	Retained earnings	Investment revaluation reserve	Total	Non-controlling interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2022	3,431	135,041	2,892	12,866	189,218	15,421	358,859	(4,597)	354,262
Loss for the period	-	-	-	-	(21,028)	-	(21,028)	(1,432)	(22,460)
Other comprehensive (loss)/income									
- Exchange differences on translation of foreign operations	-	-	-	(13,251)	-	-	(13,251)	49	(13,202)
Total comprehensive loss for the period	-	-	-	(13,251)	(21,028)	-	(34,279)	(1,383)	(35,662)
Equity-settled share-based payment expenses	-	-	1,172	-	-	-	1,172	-	1,172
Issue of shares under rights issue	1,716	23,145	-	-	-	-	24,861	-	24,861
At 30 June 2022	5,147	158,186	4,064	(395)	168,190	15,421	350,613	(5,980)	344,633
At 1 January 2023	5,147	158,186	4,064	(7,607)	106,923	17,308	284,021	(7,830)	276,191
Loss for the period	-	-	-	-	(3,785)	-	(3,785)	(869)	(4,654)
Other comprehensive (loss)/income									
- Exchange differences reclassified to profit or loss on disposal of a subsidiary (note 22)	-	-	-	(1,211)	-	-	(1,211)	-	(1,211)
- Exchange differences on translation of foreign operations	-	-	-	(7,119)	-	(1,875)	(8,994)	48	(8,946)
Total comprehensive loss for the period	-	-	-	(8,330)	(3,785)	(1,875)	(13,990)	(821)	(14,811)
Disposal of a subsidiary	-	-	-	-	13,457	(13,457)	-	-	-
Lapsed of share options	-	-	(131)	-	131	-	-	-	-
Issue of shares under placing	765	13,690	-	-	-	-	14,455	-	14,455
Issue of shares under share swap	265	3,315	-	-	-	-	3,580	-	3,580
At 30 June 2023	6,177	175,191	3,933	(15,937)	116,726	1,976	288,066	(8,651)	279,415

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
	Note	
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(5,410)	7,060
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(25)	(36)
Bank interest received	11	–
Proceeds from disposal of a subsidiary	22 3,289	–
Payment for construction works of investment properties	–	(58,567)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	3,275	(58,603)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance from an independent third party	2,095	7,614
Repayment of amount due to a director	(700)	(76)
Repayment of loan from a shareholder	(3,323)	–
Lease interest paid	(116)	(22)
Proceeds from issue of shares	14,455	24,861
Repayment of lease liabilities	(1,193)	(1,460)
Repayment of promissory note	–	(11,000)
Bank loan raised	–	60,422
Repayment of bank and other borrowings	(5,950)	(12,183)
NET CASH GENERATED FROM FINANCING ACTIVITIES	5,268	68,156
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,133	16,613
Cash and cash equivalents at beginning of the period	13,877	6,714
Effect of foreign exchange rate changes, net	526	(2,997)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	17,536	20,330
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	17,536	20,330

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Accounting policies

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). The accounting policies and methods of computation used in the preparation of these unaudited condensed interim financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2022.

2. Adoption of new and revised Hong Kong financial reporting standards

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); HKAS 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 financial statements and amounts reported for the current period and prior period.

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

3. 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.

Segment assets exclude equity investments at fair value through other comprehensive income and other unallocated head office and corporate assets.

Segment liabilities exclude income tax payables, deferred tax liabilities and other unallocated head office and corporate liabilities.

The following table presents revenue and (loss)/profit for the Group’s operating segments for the six months ended 30 June 2023 and 2022 respectively.

Reporting segment information

	Six months ended 30 June									
	IT solutions and maintenance		Money lending		Securities investments		Rental of properties		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	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	35,684	26,897	1,631	1,834	-	-	3,050	6,004	40,365	34,735
Segment (loss)/profit	(6,902)	(20,072)	1,538	1,734	(380)	(1,285)	2,804	5,716	(2,940)	(13,907)
Reconciliation:										
Bank and other interest income									2,523	3,640
Unallocated gains									8,756	722
Corporate and other unallocated expenses									(9,117)	(7,317)
Finance costs									(3,883)	(5,608)
Loss before tax									(4,661)	(22,470)

	IT solutions and maintenance		Money lending		Securities investments		Rental of properties		Total	
	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	135,353	134,124	28,870	31,610	234	1,454	256,113	269,002	420,570	436,190
Reconciliation:										
Corporate and other unallocated assets									33,432	32,594
Total assets									454,002	468,784
Segment liabilities	(107,235)	(114,864)	(52)	(113)	(37)	(891)	(54,587)	(59,927)	(161,911)	(175,795)
Reconciliation:										
Corporate and other unallocated liabilities									(12,676)	(16,798)
Total liabilities									(174,587)	(192,593)

Geographical information

	Revenue	
	Six months ended 30 June 2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Hong Kong	37,102	28,584
PRC except Hong Kong	3,263	6,151
Consolidated total	40,365	34,735

In preparing the geographical information, revenue is based on the locations of the customers.

4. Revenue, other income and gains

An analysis of revenue, other income and gains from operations is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Revenue				
Sale of computer hardware and software	3,252	5,543	11,613	7,754
Provision of technical support and maintenance services	2,767	4,498	24,071	19,143
Revenue from contracts with customers	6,019	10,041	35,684	26,897
Rental income	579	2,890	3,050	6,004
Loans interest income	790	917	1,631	1,834
	7,388	13,848	40,365	34,735
Disaggregation of revenue from contracts with customers:				
Geographical markets				
Hong Kong	6,019	9,894	35,468	26,750
PRC except Hong Kong	-	147	216	147
	6,019	10,041	35,684	26,897
Major products/services				
Sale of computer hardware and software	3,252	5,543	11,613	7,754
Provision of technical support and maintenance services	2,767	4,498	24,071	19,143
Total	6,019	10,041	35,684	26,897
Timing of revenue recognition				
At a point in time	3,252	5,543	11,613	7,754
Over time	2,767	4,498	24,071	19,143
Total	6,019	10,041	35,684	26,897
Other income and gains				
Government grant	-	256	-	256
Other interest income	629	1,801	2,523	3,640
Others	-	268	35	976
	629	2,325	2,558	4,872

5. Finance costs

	Three months ended		Six months ended	
	30 June		30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Interest on bank loan	483	636	968	806
Interest on other loans	1	87	29	175
Lease interest	54	6	116	22
Imputed interest on promissory notes	668	2,092	2,770	4,605
	1,206	2,821	3,883	5,608

6. Loss before tax

Loss before tax was arrived at after charging/(crediting) the following:

	Three months ended		Six months ended	
	30 June		30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Amortisation of other intangible assets	217	217	433	433
Depreciation on property, plant and equipment	210	397	461	797
Depreciation on right-of-use assets	616	646	1,232	1,308
Directors' remuneration	590	530	1,200	1,060
Equity-settled share based payment to employees	–	1,100	–	1,100
Equity-settled share-based payment to consultants	–	72	–	72
Gain on disposal of a subsidiary	(8,756)	–	(8,756)	–
Research and development expenses	3,076	10,004	5,256	14,324

7. Income tax credit

	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred tax credit	4	10	7	10

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2023 as the Group has accumulated tax losses brought forward from previous year (2022: Nil).

No provision of the PRC corporate income tax has been made for the six months ended 30 June 2023 as the Group did not generate any assessable profits in the PRC during the period (2022: Nil).

8. Loss per share

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

	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company	(758)	(17,148)	(3,785)	(21,028)

	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited) (restated)	(Unaudited)	(Unaudited) (restated)
Weighted average number of ordinary shares for basic and diluted loss per share	61,047,011	49,585,807	56,285,557	41,992,571

For the six months ended 30 June 2023, 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 during the six months ended 30 June 2023 and 2022.

9. Interim dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023 (2022: Nil).

10. Investment properties

	(Unaudited) HK\$'000
Valuation	
At 1 January 2023	256,671
Exchange differences	(11,428)
At 30 June 2023	245,243

At 30 June 2023, the carrying amount of investment properties pledged as security for the Group's bank loans amounted to approximately HK\$45,916,000 (31 December 2022: approximately HK\$53,144,000).

11. Additions in property, plant and equipment

During the six months ended 30 June 2023, the Group spent approximately HK\$25,000 (30 June 2022: approximately HK\$36,000) for additions of property, plant and equipment.

12. Prepayments, deposits and other receivables

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Prepayments	77,623	18,758
Deposits and other receivables	33,006	4,058
	110,629	22,816
Non-current portion:		
Prepayments	–	10,475
Deposits and other receivables	648	587
	648	11,062
Current portion:		
Prepayments	77,623	8,283
Deposits and other receivables	32,358	3,471
	109,981	11,754
	110,629	22,816

13. Trade receivables

An aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of impairment, is as follows:

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Within 1 month	9,137	7,574
1 to 2 months	115	81
2 to 3 months	21	746
Over 3 months	9,689	9,997
	18,962	18,398

The Group has granted credit terms to its customers ranging from 30 to 90 days. In certain cases, the Group would request payment in advance from the customers. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

14. Loan receivables

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Loan receivables	27,329	90,644

Notes:

- (a) As at 30 June 2023, loan receivables of approximately HK\$27,329,000 (31 December 2022: HK\$30,304,000) carried fixed interest rate at 12% per annum (31 December 2022: 12% per annum) and with the terms ranging from 9 months to 5 years.
- (b) As at 30 June 2023, included in loan receivables are receivable from Dehuang of HK\$nil and HK\$nil (31 December 2022: approximately HK\$7,415,000 and approximately HK\$52,925,000 which are unsecured, non-interest bearing, repayable on 15 October 2023 and 2 September 2023 respectively and measured at amortised cost using effective interest rates of 4.35% and 14.42% respectively). The loan receivables were disposed with the disposal of a subsidiary on 4 May 2023.

15. Trade payables

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

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Within 1 month	1,310	346
1 to 2 months	701	234
2 to 3 months	293	86
Over 3 months	9,630	9,636
	11,934	10,302

16. Other payables and accruals

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Accruals	3,244	5,297
Other payables	13,971	5,848
Deposit received	961	1,897
VAT payables	–	468
	18,176	13,510

17. Bank and other loans

	Notes	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Bank loan:			
Mortgage loans	(i)	45,916	53,144
Other loans:			
Margin loan	(ii)	37	891
Loans from independent third parties	(iii)	14,720	13,314
		14,757	14,205
		60,673	67,349
Analysed as:			
Non-current liabilities		14,720	13,314
Current liabilities		45,953	54,035
		60,673	67,349

Notes:

- (i) As at 30 June 2023, mortgage loan of approximately HK\$45,916,000 (31 December 2022: HK\$53,144,000) has a term of 8 years until March 2030 with a repayable on demand clause exercisable by a bank. The average interest rate was 4.15%. The mortgage loan is secured by a charge over the Group's investment properties and corporate guarantee by the Company.
- (ii) As at 30 June 2023, the margin loan is secured by the Group's equity securities listed in Hong Kong with fair value of approximately HK\$111,000 (31 December 2022: approximately HK\$1,330,000) and repayable on demand. The loan is charged at a fixed interest rate of 8.875% (31 December 2022: 8.875%) per annum.

(iii) As at 30 June 2023, loan from an independent third party amounted to approximately HK\$3,452,000 (31 December 2022: approximately HK\$3,612,000) is interest bearing at 15% per annum, unsecured and repayable on 28 July 2027.

As at 30 June 2023, loan from an independent third party amounted to approximately HK\$11,268,000 (31 December 2022: approximately HK\$9,702,000) is interest free, unsecured and repayable on 1 January 2025.

18. 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% per annum and due for repayment on 1 January 2024. The loan was settled during the Period.

19. Amount due to a director

As at 31 December 2022, the amount is unsecured, interest-free and due for repayment on 1 January 2024. The amount due was settled during the Period.

20. Promissory note payables

	(Unaudited) HK\$'000
At 1 January 2023	66,288
Imputed interest	2,770
Exchange realignment	(3,079)
Disposal of a subsidiary (note 22)	(65,979)
At 30 June 2023	–

The promissory note is unsecured, interest bearing at 11% per annum and repayable on 2 September 2023. The fair value of the promissory notes approximates its carrying amount. As at 31 December 2022, the promissory note is measured at amortised cost using effective interest rate of 14.28%.

21. Share capital

	Number of shares	Amount (Unaudited) HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each at 31 December 2022 and 30 June 2023	12,000,000,000	1,200,000
Issued and fully paid:		
Ordinary shares of HK\$0.1 each At 1 January 2023	51,471,199	5,147
Issue of shares under placing of shares (note a)	7,642,000	765
Issue of shares under shares swap (note b)	2,652,038	265
At 30 June 2023	61,765,237	6,177

Note:

- a. On 14 March 2023, the Company and the 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 placees who and whose ultimate beneficial owners shall be Independent Third Parties at the Placing Price of HK\$1.93 per placing share. The placing was completed on 4 April 2023.
- b. On 25 October 2022, the Company entered into a share swap agreement (the "Share Swap Agreement") with Bonanza. In accordance with the terms of the Share Swap Agreement, the Company has allotted and issued 2,652,038 shares, representing approximately 4.29% of the issued share capital of the Company immediately upon completion of the Share Swap, to Marvion Group Limited ("Marvion"), a wholly-owned subsidiary of Bonanza, at the agreed price of HK\$1.35 per share. Simultaneously, Bonanza has allotted and issued 218,574,618 BONZ Shares to the Company, representing approximately 0.15% of the enlarged issued share capital of Bonanza immediately upon completion of the Share Swap, at the subscription price of US\$0.0021 (equivalent to approximately HK\$0.01638) per BONZ Share. The share swap was completed on 17 April 2023.

22. Disposal of a subsidiary

Disposal of Rosy Ridge Investments Limited (“Rosy Ridge”)

On 4 May 2023, the Group disposed of the 100% equity interest in Rosy Ridge.

Net assets at the date of disposal were as follows:

	HK\$'000
Property, plant and equipment	6
Equity investment at fair value through other comprehensive income	30,740
Prepayments, deposits and other receivables	52,834
Bank and cash balances	11
Promissory notes (note 20)	(65,979)
Accruals and other payables	(48)
Deferred tax liabilities	(4,631)
Net assets disposed of	12,933
Release of foreign currency translation reserve	(1,211)
Loan receivable assigned to the purchaser	7,522
Gain on disposal of a subsidiary	8,756
Total consideration – satisfied by cash	28,000
Net cash inflow arising on disposal:	
Cash consideration received	3,300
Cash and cash equivalents disposed of	(11)
	3,289

Consideration receivables of HK\$24,700,000 was included in “Prepayment, deposits and other receivables” as at 30 June 2023.

23. Fair value measurements

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:**

Description	Fair value measurements as at 30 June 2023 using:			Total (Unaudited) HK\$'000
	Level 1	Level 2	Level 3	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	
Recurring fair value measurements:				
Investments at fair value through profit or loss				
Equity securities – listed in Hong Kong	111	–	–	111
Equity securities – listed outside Hong Kong	64	–	–	64
Equity investments at fair value through other comprehensive income				
Equity securities				
– unlisted investments	–	–	10,852	10,852
– listed investment	1,705	–	–	1,705
Investment properties				
Commercial – PRC	–	–	245,243	245,243
Total recurring fair value measurement	1,880	–	256,095	257,975

Description	Fair value measurements as at 31 December 2022 using:			Total (Audited) HK\$'000
	Level 1	Level 2	Level 3	
	(Audited) HK\$'000	(Audited) HK\$'000	(Audited) HK\$'000	
Recurring fair value measurements:				
Investments at fair value through profit or loss				
Equity securities – listed in Hong Kong	1,330	–	–	1,330
Equity securities – listed outside Hong Kong	64	–	–	64
Equity investments at fair value through other comprehensive income				
Equity securities – unlisted investments	–	–	43,025	43,025
Investment properties				
Commercial – PRC	–	–	256,671	256,671
Total recurring fair value measurement	1,394	–	299,696	301,090

(b) Reconciliation of assets measured at fair value based on level 3:**At 30 June 2023**

Description	Equity investments at fair value through other comprehensive income (Unaudited) HK\$'000	Investment properties (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January	43,025	256,671	299,696
Disposal	(30,740)	–	(30,740)
Exchange realignment	(1,433)	(11,428)	(12,861)
At 30 June	10,852	245,243	256,095

At 31 December 2022

Description	Equity investments at fair value through other comprehensive income (Audited) HK\$'000	Investment properties (Audited) HK\$'000	Total (Audited) HK\$'000
At 1 January	42,857	273,607	316,464
Total (losses)/gain 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 31 December	43,025	256,671	299,696

(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 financial controller 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.

As at 30 June 2023

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value (Unaudited) HK\$'000
Investment properties	Direct income approach	Monthly rental income	RMB72-122 per square meter	Increase	245,243
		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 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	20.60%	Decrease	

As at 31 December 2022

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value (Audited) 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 investments at fair value 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	

24. Share option scheme

The Company adopted a share option scheme with effect from 2 August 2012 (the "2012 Share Option Scheme") and a new share option with effect from 15 May 2023 (the "2023 Share Option Scheme", together with 2012 Share Option Scheme, the "Schemes") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Schemes include the Company's executive and non-executive directors, full-time employees of the Group, advisers and consultants of the Group. The 2012 Share Option Scheme was expired on 1 August 2022. The 2023 Share Option Scheme became effective on 15 May 2023 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. Upon expiry of the Schemes, the options granted under the Scheme remain valid until they expire. Further details of the term and validity of the options are set out below.

The maximum number of shares which may be issued upon exercise of all options granted and yet to be granted under the Schemes is currently limited to 30% of the shares of the Company in issue at any time. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each eligible participant in the Schemes in any 12-month period up to the date of the grant is limited to 1% of the aggregate number of issued shares of the Company at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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.

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 period	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 June 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 lapsed if the employee leaves the Group.

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

	As at 30 June 2023		As at 30 June 2022	
	Number of share options	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$
Outstanding at the beginning of the period	4,220,246	1.88	23,100,000	0.245
Adjusted as a result of rights issue	-	-	2,742,465	(0.026)
Lapsed during the period	(117,471)	1.88	-	-
Granted during the period	-	-	16,360,000	0.140
Adjusted as a result of share consolidation	-	-	(37,982,219)	(0.0019)
Outstanding at the end of the period	4,102,775	1.88	4,220,246	1.88

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

At the date of this report, the number of share options permitted to be granted under the 2023 Share Option Scheme was 6,176,523, representing 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\$0.219
Expected volatility	65.11%	68.33%
Expected life	10 years	10 years
Risk free rate	3.23%	1.20%
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.

25. Contingent liabilities

As at 30 June 2023, the Group did not have any significant contingent liabilities (31 December 2022: Nil).

26. Approval of the condensed consolidated interim financial statements

These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 9 August 2023.

GENERAL INFORMATION

Directors' service contracts

At 30 June 2023, none of the Directors had any existing or proposed service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' interests in 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 six months ended 30 June 2023.

Directors' interests and short positions in shares and underlying shares

At 30 June 2023, 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	–	0.59%
		–	343,000 (Note b)	0.56%
CHANG Ki Sum Clark	Beneficial owner	–	340,374	0.55%
Independent Non-Executive Directors				
HUNG Hing Man	Beneficial owner	–	34,000 (Note c)	0.05%
WONG Hoi Kuen	Beneficial owner	–	34,000 (Note c)	0.05%
CHEN Shengrong	Beneficial owner	–	34,000 (Note c)	0.05%

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 61,765,237 Shares.
- (b) Mr. Wong King Shiu, Daniel was granted 3,430,000 share options on 16 June 2022 (prior to consolidation of the shares of the Company on the basis of 10 existing shares into 1 consolidated shares).
- (c) The directors were each granted 340,000 share options on 16 June 2022 (prior to consolidation of the shares of the Company on the basis of 10 existing shares into 1 consolidated shares).

Save as disclosed above and in the section headed "Share Options", as at 30 June 2023 and as at the date of this report, none of the Directors or chief executive had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded 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.

Directors' rights to acquire shares or debentures

Save as disclosed in the section "Directors' interests and short positions in shares and underlying shares" and "Share Options", at no time during the six months ended 30 June 2023, were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Share Options

2012 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 "2012 Share Option 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 2012 Share option scheme

The purpose of the 2012 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 2012 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 2012 Share Option Scheme

The 2012 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 2012 Share Option Scheme, grant share options under the 2012 Share Option Scheme to the eligible participants.

Total number of shares available for issue

The 2012 Share Option 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 2012 Share Option Scheme would continue to be exercisable. 4,102,775 share options are outstanding and so 4,102,775 shares are available for issue, which represents 6.64% of the issued shares as at the date of this report.

Maximum entitlement of each participant under the 2012 Share Option Scheme

The total number of Shares issued and which may fall to be issued upon exercise of the share options granted under the 2012 Share Option Scheme and any other share options 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 2012 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.

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 options

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 2012 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 period ended 30 June 2023, movements of the options which have been granted under the 2012 Share Option Scheme are set out below:

Name	Title	Exercise price (HK\$)	Date of Grant	Number of share options				Outstanding as at 30 June 2023
				Balance as at 1 January 2023	Granted	Lapsed	Cancelled	
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:				785,374	—	—	—	785,374
EMPLOYEES								
Batch A ¹		2.19	13/5/2021	324,428	—	(55,936)	—	268,492
Batch B ¹		2.19	13/5/2021	246,118	—	(61,530)	—	184,588
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:				2,834,801	—	(117,466)	—	2,717,335
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:				574,336	—	—	—	574,336
TOTAL:				4,220,241	—	(117,466)	—	4,102,775

Note 1:

Batch	Number of Options Granted to each employee	Number of Employees
A	0 to 50,000	18 (6 of the 18 employees resigned and the options granted have been lapsed)
B	50,001 to 100,000	4 (1 of the 4 employees resigned and the options granted have been lapsed)
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).

2023 Share Option Scheme

The Company has adopted the 2023 Share Option Scheme with effect from 15 May 2023 (the “Adoption Date”) pursuant to an ordinary resolution passed by the Shareholders. As at the date of this report, no share options have been granted under the 2023 Share Option Scheme. The Company is entitled to offer up to a total of 6,176,523 share options and 617,652 share options under the service provider sublimit.

Purpose and Participants of the 2023 Share Option Scheme

The purpose of the 2023 Share Option Scheme is to enable the Board to grant share options to (i) director(s) and employee(s) of the Company or any of its subsidiaries; (ii) directors and employees of holding companies, fellow subsidiaries or associate companies of the Company; and (iii) person(s) who provide services to the Group on a continuing and recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group such as advisers, consultants, distributors, contractors, suppliers, agents and service providers of any subsidiary of the Group (“Service Providers” and collectively referred as the “Eligible Participants”) as incentives or rewards for their contribution or potential contribution to the Group.

The Directors are of the view that the adoption of the 2023 Share Option Scheme aligns with the market practice of providing incentives to employee participants to work towards achieving the long-term objectives for the benefit of the Group as a whole.

The Board may determine the Employee Participants’ eligibility in its sole discretion by considering all relevant factors as appropriate and take into account criteria based on the nature of the contributions made by the Eligible Participants before granting Share Option(s) to them.

Total number of share available for issue

Pursuant to an ordinary resolution passed by the Shareholders on 15 May 2023, the Company is entitled to issue a maximum of 6,176,523 Shares upon exercise of the share option to be granted under the scheme, representing 10% of the issued Shares as at the date of this report.

Maximum entitlement of each participant under the 2023 Share Option Scheme

The total number of Shares issued and which may fall to be issued upon exercise of the share option granted under the 2023 Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding share option) 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 option 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.

The Board has also set the service provider sublimit in respect of the total number of Shares which may be allotted and issued in respect of all share option to be granted to Service Providers under the 2023 Share Option Scheme to 1% of the total number of Shares in issue on the Adoption Date, being no more than 617,652 Shares.

Period within which the option may be exercised by grantee

The option granted under the 2023 Share Option Scheme shall be exercised in 10 years from the date of grant.

Vesting Period of the options granted

The vesting period of share options granted under the 2023 Share Option Scheme shall be determined by the Board subject to a minimum period of no less than 12 months.

The amount payable on acceptance of options

Upon acceptance of the Option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant no later than 30 days from the date of grant.

Basis of determining the exercise price of options granted

The exercise price of a Share in respect of any particular share option granted under the 2023 Share Option Scheme shall be such price as the Board in its absolute discretion shall determine at the time of grant, save that such price will be at least 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.

The remaining life of the 2023 Share Option Scheme

The 2023 Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date.

Substantial shareholders' and other persons' interests in shares and underlying shares

At 30 June 2023, 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	13,951,499 (Registered shareholder)	22.59%
		25,730 (underlying interest)	0.04%
	Through controlled corporation (Note b)	1,138,800 (Registered shareholder)	1.84%
Mr. LAM Shu Chung ("Mr. Lam")	Beneficial owner	3,801,300 (Registered shareholder)	6.15%
Ms. CHOI Hing Lin Lori ("Ms. Choi")	Interest of Spouse (Note c)	3,801,300	6.15%
Mr. TANG Keung	Beneficial owner	3,503,400 (Registered shareholder)	5.67%

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 61,765,237.
- (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.

Save as disclosed above, as at 30 June 2023, no person, other than the Directors of the Company, whose interests are set out in the section “Directors’ interests and short positions in shares and underlying shares” 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.

Purchase, sale or redemption of the Company’s listed securities

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of Company’s listed securities.

Competing Interests of Directors and controlling shareholders

During the six months ended 30 June 2023 and up to the date of this report, 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.

CORPORATE GOVERNANCE

Corporate governance practices

During the six months ended 30 June 2023, the Company has complied with the code provisions on the Corporate Governance Code (the “Code”) as set out in Appendix 15 to the GEM Listing Rules, except for the followings:

Code Provision C.2.1

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 (“Mr. Wong”) now serves as both the chairman (the “Chairman”) and the chief executive officer of the Company (the “Chief Executive Officer”), 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 Mr. Wong to hold both positions as it helps maintain the continuity of the policies and the stability of the operations of the Company.

Code of conduct regarding securities transactions by Directors

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required Standard of dealings and its code of conduct regarding securities transactions by the Directors during the six months ended 30 June 2023.

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.

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 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.

As at the date of this report, the Audit Committee comprises three members, including Mr. Hung Hing Man (Audit Committee chairman), Mr. Wong Hoi Kuen and Dr. Chen Shengrong. All Audit Committee Members are independent non-executive Directors.

The Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2023 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards.

Change in information of Directors

Pursuant to the Rule 17.50A(1) of the GEM Listing Rules, there is following change in information of Directors during the six months ended 30 June 2023 and as at the date of this report:

- (1) Subsequent to the Period, Hon. Li Sai Wing, *JP, MH*, has been appointed Justices of the Peace with effect from 1 July 2023.

Save as disclosed above, there are no other matters required to be disclosed pursuant to Rule 17.50A of the GEM Listing Rules.

Internal control and Risk management

The Board has the ultimate responsibility to maintain sound and effective internal control and risk management systems for the Group 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 internal control and risk management 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.

Interim dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023 (2021: Nil).

Events after Reporting Period

Save as disclosed in this report, there was no other significant event after the reporting period.

By Order of the Board
China Information Technology Development Limited
Wong King Shiu, Daniel
Chairman and Chief Executive Officer

Hong Kong, 9 August 2023

As at the date of this report, 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, JP, MH as non-executive Director; Mr. Hung Hing Man, Mr. Wong Hoi Kuen and Dr. Chen Shengrong as independent non-executive Directors.