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中國信息科技發展有限公司

China Information Technology Development Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 08178)

2023 THIRD QUARTERLY RESULTS ANNOUNCEMENT

The Board of Directors (the “**Board**”) of China Information Technology Development Limited (the “**Company**”) is pleased to announce the unaudited results of the Company and its subsidiaries for the nine months ended 30 September 2023. This announcement, containing the full text of the 2023 third quarterly report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of quarterly results. Printed version of the Company’s 2023 third quarterly report will be delivered to the shareholders of the Company in due course.

By order of the Board

China Information Technology Development Limited

Wong King Shiu, Daniel

Chairman and Chief Executive Officer

Hong Kong, 9 November 2023

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

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

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

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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.

The English text of this report shall prevail over the Chinese text in case of inconsistencies.

** For identification purpose only.*

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Wong King Shiu, Daniel
(Chairman and Chief Executive Officer)

Mr. Chang Ki Sum Clark

NON-EXECUTIVE DIRECTOR

Hon. Li Sai Wing, *MH, JP*

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

HONG KONG LEGAL ADVISOR

C&T Legal LLP

CAYMAN ISLANDS LEGAL ADVISOR

Conyers Dill & Pearnan

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited

Public Bank (Hong Kong) Limited

DBS Bank (Hong Kong) Limited

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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GEM STOCK CODE

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COMPANY WEBSITE

www.citd.com.hk

SUMMARY

- Revenue for the nine months ended 30 September 2023 (the “Period”) was approximately HK\$51,156,000, representing a decrease of 5.04% from the corresponding period in last year (2022: approximately HK\$53,869,000).
- Loss attributable to owners of the Company for the nine months ended 30 September 2023 amounted to approximately HK\$14,718,000 (2022: approximately HK\$25,054,000). The loss is mainly attributable to (i) the research and development expenses for smart retail cloud platform and network security of Internet of Things (“IoT”) cloud platform of approximately HK\$8,256,000 incurred for the nine months ended 30 September 2023 (nine months ended 30 September 2022: approximately HK\$14,924,000); and (ii) the Group recorded an equity-settled share-based payments of approximately HK\$2,695,000 for the nine months ended 30 September 2023 (nine months ended 30 September 2022: approximately HK\$1,172,000).
- Loss per share attributable to owners of the Company for the nine months ended 30 September 2023 was HK25.32 cents (2022: Loss per share of HK55.45 cents (restated)).
- The Board (the “Board”) of Directors (the “Director(s)”) of the Company does not recommend the payment of an interim dividend for the nine months ended 30 September 2023 (2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Market overview

During the nine months ended 30 September 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, Web 3.0 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 (e.g.: in Web 3.0, blockchain and autostereoscopic 3D technology etc) 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 September 2023, the net proceeds have been fully used as intended. During the Period, the Group had started to receive purchase orders for our Smart AI Logistic products from a customer who engages in public transportation industry.

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 (“Soar High”) 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 Soar High, and Soar High 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 Soar High 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.

Very Substantial Acquisition: Acquisition of the Entire Issued Share Capital of Autostereoscopic 3D Limited (the “Target Company”) Involving Issue of Consideration Shares Under Specific Mandate; and Major Disposal: Charge Over the Entire Issued Share Capital of a Subsidiary

On 19 September 2023, Beauty Intentions Limited, a wholly-owned subsidiary of the Company as the Purchaser (the “Purchaser”), the Company and Marvel Digital Group Limited, Akara.com Limited, Wealth Axis Limited, Mr. Ho Tak Wing, Mr. Li Yat Ho, Mr. Wong Alvin Chun Ho, Ms. Chan Pui Lei, Ms. Chan Yat Man Ava, Ms. Wong Ka Lai Kirsty as vendors (the “Vendors”) entered into the sale and purchase agreement (the “Sale and Purchase Agreement”) pursuant to which the Vendors have conditionally agreed to sell to the Purchaser and the Purchaser has conditionally agreed to acquire the Sale Shares, representing the entire issued share capital of the Target Company (the “Proposed Acquisition”). The consideration for the Proposed Acquisition is HK\$100 million, which shall be settled by (i) the promissory notes in the aggregate principal amount of HK\$75,985,677.28; and (ii) the allotment and issue of a total of 11,117,742 consideration Shares at the issue price of HK\$2.16 per Share by the Company to the Vendors (or their nominee(s)) under Specific Mandate.

Meanwhile, to secure the Purchaser’s obligations under the Sale and Purchase Agreement, upon Completion, the Company shall procure Giant Prestige Investment Limited, y (the “Chargor”), being a direct wholly-owned subsidiary of the Company, to execute the Deed of Share Charge in favour of the Vendors, as chargees. Under the Deed of Share Charge, the Chargor shall, by way of first fixed charge and floating charge, charge to the Vendors of all its right, title and interest in and to the Charged Shares, as continuing security for the payment or discharge of the Secured Obligations.

Details of the aforementioned proposed transactions are set out in the announcement dated 19 September 2023. A circular containing, among other things, (i) further details on the Transaction Documents, the Proposed Transactions, the allotment and issue of the Consideration Shares pursuant to the Specific Mandate and the transactions contemplated thereunder; (ii) financial information of the Target Group; (iii) pro forma financial information of the Enlarged Group; (iv) valuation report of the Target Company; (v) equity and properties valuation reports of the Charged Company; (vi) other information required under the GEM Listing Rules; and (vii) a notice convening the extraordinary general meeting, is expected to be despatched to the shareholders of the Company in due course.

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.

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 that our AI products will contribute to the Group's revenue in due course. Meanwhile, the Group was delighted that it has started to receive purchase order from client for our AI Smart Logistics system during the Period.

During the Period, Macro Systems and DataCube had contributed a revenue of approximately HK\$23,946,000 and approximately HK\$17,399,000 respectively to the Group while DataCube continues to negotiate with different business partners for potential projects. The Group shall continue to develop the businesses of Macro Systems and DataCube.

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. As at 30 September 2023, all the loan receivables of approximately HK\$28,119,000 were due within one year and there were no borrower defaulted on repayment. 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\$2,421,000 (2022: HK\$2,751,000). During the Period, the Group has implemented effective credit control procedures and there were no delinquent loans.

FUTURE PROSPECT

During the Period, when the pandemic impact subsided and the economy of Hong Kong and the rest of the world was returning gradually to normal. Nevertheless, the tight monetary policies of governments and also the geopolitical tensions may have impacts on the pace of economic recovery.

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.

Apart from the aforementioned in this competitive technology industry, the Company shall stay attentive to market trends and potential IT trends like blockchain Web 3.0 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. We had also strengthen our team of experts to provide the Company valuable advices in strategic business development and operations of the Group. 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 59 as of 30 September 2023 (30 September 2022: 64 employees). Total expenses on employee benefits amounted to approximately HK\$17,719,000 of which approximately HK\$2,695,000 related to equity-settled share-based payment (30 September 2022: approximately HK\$14,920,000 of which approximately HK\$1,100,000 related to equity-settled share-based payment). The management believes the salaries offered by the Group to its employees are competitive.

Financial review

For the nine months ended 30 September 2023, the Group recorded a revenue of approximately HK\$51,156,000, a decrease of 5.04% from approximately HK\$53,869,000 in the corresponding period in last year. The decrease is mainly due to decrease in rental income from the PRC properties which were rented to an independent third party for commercial office and other use permitted by the laws and regulations of the PRC from approximately HK\$8,786,000 in 2022 to approximately HK\$4,441,000 in 2023.

The Group had a total cost of sales and services of approximately HK\$35,189,000 for the first three quarters of 2023, a decrease of 1.70% compared with approximately HK\$35,796,000 in the same period of 2022.

The gross profit of the Group for the nine months ended 30 September 2023 was approximately HK\$15,967,000, compared with a decrease of approximately HK\$2,106,000 in corresponding period of last year. The decrease is mainly due to the decrease in rental income from the PRC properties.

The Group's selling and distribution expenses for the nine months ended 30 September 2023 amounted to approximately HK\$8,808,000, a decrease of 43.05% compared with approximately HK\$15,465,000 in the corresponding period in 2022. The decrease is mainly due to the decrease in research and development expenses for smart retail cloud platform and network security of IoT cloud platform from approximately HK\$14,924,000 in 2022 to approximately HK\$8,256,000 in 2023.

Administrative expenses for the Period were approximately HK\$36,282,000, an increase of 61.36% as compared to HK\$22,485,000 for the corresponding period last year. The increase is mainly due to the increase in staff cost, advertising and promotion expenses of the Group's products, and legal and professional fees for publication of circulars and announcements in relation to the corporate actions of the Company during the Period.

During the first three quarters of 2023, the Group recorded a net loss of approximately HK\$382,000 from trading of marketable securities as compared to a net loss of approximately HK\$2,293,000 for 2022.

The Group's loss attributable to owners of the Company was approximately HK\$14,718,000 for the nine months ended 30 September 2023 (2022: approximately HK\$25,054,000).

EVENTS AFTER REPORTING PERIOD

Tokenization of Corporate Bonds

On 18 October 2023, the Group and Echo International Holdings Group Limited (Stock Code: 8218) (“Echo International”) have entered into a strategic partnership to explore tokenization of corporate bonds. The Company aims to initially develop tokenized corporate bonds of up to HK\$180 million for Echo International.

The Board believes that, further to the Company’s proposed bond issuance using Distributed Ledger Technology (in place of paper) and implemented using Digital Ownership Token (DOTs) standard, the strategic partnership allows the Group to showcase its strengths in blockchain and Digital Ownership Tokens (DOTs) and play a pivotal role in the development of tokenization.

Details of the strategic partnership are set out in the announcement dated 18 October 2023.

The Board of Directors of the Company announces the unaudited results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 30 September 2023, together with the unaudited comparative figures for the corresponding periods of the year 2022, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Interest revenue		790	917	2,421	2,751
Other revenue		10,001	18,217	48,735	51,118
Revenue	4	10,791	19,134	51,156	53,869
Cost of sales and services		(7,464)	(14,192)	(35,189)	(35,796)
Gross profit		3,327	4,942	15,967	18,073
Other income and gains, net	4	20	2,250	2,578	7,122
Selling and distribution expenses		(3,181)	(721)	(8,808)	(15,465)
Administrative expenses		(17,534)	(6,864)	(36,282)	(22,485)
Gain on initial recognition of bond		5,889	–	5,889	–
Gain on disposal of a subsidiary		–	–	8,756	–
Loss on redemption of promissory notes		–	–	–	(2,130)
Fair value loss on investments at fair value through profit or loss, net		(25)	(1,131)	(382)	(2,293)
Change in fair value of investment properties		–	21	–	(1,187)
Finance costs	5	(546)	(2,897)	(4,429)	(8,505)
LOSS BEFORE TAX	6	(12,050)	(4,400)	(16,711)	(26,870)
Income tax credit	7	3	–	10	10
LOSS FOR THE PERIOD		(12,047)	(4,400)	(16,701)	(26,860)
Attributable to:					
Owners of the Company		(10,933)	(4,026)	(14,718)	(25,054)
Non-controlling interests		(1,114)	(374)	(1,983)	(1,806)
		(12,047)	(4,400)	(16,701)	(26,860)
			(restated)		(restated)
Basic and diluted loss per share	8	HK(17.70) cents	HK(7.82) cents	HK(25.32) cents	HK(55.45) cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended 30 September 2023		Nine months ended 30 September 2023	
	(Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	(Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	(12,047)	(4,400)	(16,701)	(26,860)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF INCOME TAX				
– Exchange differences reclassified to profit or loss on disposal of a subsidiary	–	–	(1,211)	–
– Exchange differences on translation of foreign operations	(72)	(12,719)	(7,143)	(25,921)
– Change in fair value of equity investments at fair value through other comprehensive income	–	–	(1,875)	–
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(12,119)	(17,119)	(26,930)	(52,781)
ATTRIBUTABLE TO:				
Owners of the Company	(11,009)	(16,807)	(24,999)	(51,086)
Non-controlling interests	(1,110)	(312)	(1,931)	(1,695)
	(12,119)	(17,119)	(26,930)	(52,781)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

The unaudited condensed consolidated financial information is prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”).

The accounting policies and basis of preparation used in preparing the unaudited consolidated results are consistent with those used in the Company’s audited 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 HKFRSs; HKASs 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 and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

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.

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

Reporting segment information

	Nine months ended 30 September									
	IT solutions and maintenance		Money lending		Securities investments		Rental of properties		Total	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Segment revenue:										
Sales to external customers	44,294	42,332	2,421	2,751	-	-	4,441	8,786	51,156	53,869
Segment (loss)/profit	(13,482)	(23,650)	2,288	2,621	(409)	(2,403)	3,498	8,403	(8,105)	(15,029)
Reconciliation:										
Bank and other interest income									2,532	5,444
Unallocated gains									14,645	832
Corporate and other unallocated expenses									(21,354)	(9,612)
Finance costs									(4,429)	(8,505)
Loss before tax									(16,711)	(26,870)

4. Revenue, other income and gains

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

	Three months ended 30 September 2023 (Unaudited) HK\$'000		Nine months ended 30 September 2023 (Unaudited) HK\$'000	
	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Revenue				
Sale of computer hardware and software	3,909	2,965	15,522	10,719
Provision of technical support and maintenance services	4,701	12,470	28,772	31,613
Revenue from contracts with customers	8,610	15,435	44,294	42,332
Rental income	1,391	2,782	4,441	8,786
Loans interest income	790	917	2,421	2,751
	10,791	19,134	51,156	53,869
Disaggregation of revenue from contracts with customers:				
Geographical markets				
Hong Kong	8,610	15,435	44,078	42,185
PRC except Hong Kong	-	-	216	147
	8,610	15,435	44,294	42,332
Major products/services				
Sale of computer hardware and software	3,909	2,965	15,522	10,719
Provision of technical support and maintenance services	4,701	12,470	28,772	31,613
Total	8,610	15,435	44,294	42,332
Timing of revenue recognition				
At a point in time	3,909	2,965	15,522	10,719
Over time	4,701	12,470	28,772	31,613
Total	8,610	15,435	44,294	42,332
Other income and gains				
Bank and other interest income	9	1,804	2,532	5,444
Dividend income	-	15	-	15
Government grant	-	431	-	687
Others	11	-	46	976
	20	2,250	2,578	7,122

5. Finance costs

	Three months ended		Nine months ended	
	30 September		30 September	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank loan	450	595	1,418	1,401
Interest on bond	48	–	48	–
Interest on other loans	1	88	30	263
Lease interest	47	69	163	91
Imputed interest on promissory notes	–	2,145	2,770	6,750
	546	2,897	4,429	8,505

6. Loss before tax

Loss before tax was arrived at after charging the following:

	Three months ended		Nine months ended	
	30 September		30 September	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation of other intangible assets	227	216	660	649
Depreciation on property, plant and equipment	144	365	605	1,162
Depreciation on right-of-use assets	606	617	1,838	1,925
Directors' remuneration	602	530	1,802	1,590
Equity-settled share-based payments to employees	2,695	–	2,695	1,100
Equity-settled share-based payment to consultants	–	–	–	72
Research and development expenses	3,000	600	8,256	14,924

7. Income tax credit

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

The PRC corporate income tax provision in respect of operations in Mainland China is calculated at applicable tax rates on the estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations of the PRC, certain of the Company's subsidiaries enjoy income tax reduction by reason that these subsidiaries are certified as New and/or High Technology Enterprises in Mainland China.

No provision of the PRC corporate income tax has been made for the nine months ended 30 September 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 September 2023 (Unaudited) HK\$'000		Nine months ended 30 September 2023 (Unaudited) HK\$'000	
Loss for the period attributable to owners of the Company	10,933	4,026	14,718	25,054

	Three months ended 30 September 2023 (Unaudited)		Nine months ended 30 September 2023 (Unaudited)	
Weighted average number of ordinary shares for basic and diluted loss per share	61,765,237	51,471,199	58,132,189	45,186,559

For the nine months ended 30 September 2023 and 2022, 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 nine months ended 30 September 2023 and 2022.

9. Dividend

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

10. Reserves

	Attributable to owners of the Company Foreign							Total equity (Unaudited) HK\$'000	
	Share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Share-based payment reserve (Unaudited) HK\$'000	Foreign currency translation reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Investment revaluation reserve (Unaudited) HK\$'000	Total (Unaudited) HK\$'000		Non- controlling interests (Unaudited) HK\$'000
At 1 January 2022	3,431	135,041	2,892	12,856	189,218	15,421	358,859	(4,597)	354,262
Loss for the period	-	-	-	-	(25,054)	-	(25,054)	(1,806)	(26,860)
Other comprehensive (loss)/income	-	-	-	-	-	-	-	-	-
- Exchange differences on translation of foreign operations	-	-	-	(26,032)	-	-	(26,032)	111	(25,921)
Total comprehensive loss for the period	-	-	-	(26,032)	(25,054)	-	(51,086)	(1,695)	(52,781)
Equity-settled share-based payment	-	-	1,172	-	-	-	1,172	-	1,172
Issue of shares under rights issue	1,716	23,145	-	-	-	-	24,861	-	24,861
At 30 September 2022	5,147	158,186	4,064	(13,176)	164,164	15,421	333,806	(6,292)	327,514
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	-	-	-	-	(14,718)	-	(14,718)	(1,983)	(16,701)
Other comprehensive (loss)/income	-	-	-	-	-	-	-	-	-
- Exchange differences reclassified to profit or loss on disposal of a subsidiary	-	-	-	(1,211)	-	-	(1,211)	-	(1,211)
- Exchange differences on translation of foreign operations	-	-	-	(7,195)	-	(1,875)	(9,070)	52	(9,018)
Total comprehensive loss for the period	-	-	-	(8,406)	(14,718)	(1,875)	(24,999)	(1,931)	(26,930)
Lapsed of share options	-	-	(131)	-	131	-	-	-	-
Disposal of a subsidiary	-	-	-	-	13,457	(13,457)	-	-	-
Equity-settled share-based payment	-	-	2,695	-	-	-	2,695	-	2,695
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 September 2023	6,177	175,191	6,628	(16,013)	(105,793)	1,976	279,752	(9,761)	269,991

GENERAL INFORMATION

Directors' service contracts

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

Directors' interests in contracts

Save as disclosed in this report, 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 nine months ended 30 September 2023.

Directors' interests and short positions in shares and underlying shares

At 30 September 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%
		–	615,000 (Note b)	0.99%
CHANG Ki Sum Clark	Beneficial owner	–	614,374	0.99%
Non-Executive Director				
LI Sai Wing, MH, JP	Beneficial Owner	–	200,000	0.32%
Independent Non-Executive Directors				
HUNG Hing Man	Beneficial owner	–	34,000 (Note c)	0.06%
WONG Hoi Kuen	Beneficial owner	–	34,000 (Note c)	0.06%
CHEN Shengrong	Beneficial owner	–	34,000 (Note c)	0.06%

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 share).*
- (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 share).*

Save as disclosed above and in the section headed “Share options”, as at 30 September 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 sections “Directors’ interests and short positions in shares and underlying shares” and “Share options”, at no time during the nine months ended 30 September 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 minor children, 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 option schemes of the Company (including both exercised and outstanding share options) to each participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of share options in excess of this 1% limit shall be subject to the issuance of circular by the Company to seek the approval of the Shareholders in general meeting and/or subject to other requirements prescribed under the GEM Listing Rules.

Period within which the option may be exercised by the grantee

The Company granted share options under the 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 September 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	Balance as at 1 January 2023	Number of share options				Outstanding as at 30 September 2023
					Granted	Lapsed	Cancelled	Exercised	
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.

The Company had granted 1,568,000 share options under the 2023 Share Option Scheme on 10 August 2023 to certain directors and employees of the Company at an exercise price of HK\$3.42 per Share. Subsequent to the Period, 30,000 share options were lapsed in October 2023. During the Period, no options had been granted to service providers and the service provider sublimit has not been utilized.

As at the date of this report, 1,538,000 share options are outstanding and so 1,538,000 shares are available for issue, representing 2.49% of the issued shares.

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.

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

Name	Title	Exercise price (HK\$)	Date of Grant	Balance as at 1 January 2023	Number of share options				Outstanding as at 30 September 2023
					Granted	Lapsed	Cancelled	Exercised	
DIRECTOR									
WONG King Shiu, Daniel	Executive Director ("ED"), Chairman and Chief Executive Director	3.42	10/8/2023	0	272,000	—	—	—	272,000
CHANG Ki Sum Clark	ED	3.42	10/8/2023	0	274,000	—	—	—	274,000
LI Sai Wing, MH, JP	Non-executive Director	3.42	10/8/2023	0	200,000	—	—	—	200,000
Sub-total:				0	746,000	—	—	—	746,000
EMPLOYEES									
Batch A ¹		3.42	10/8/2023	0	210,000	—	—	—	210,000
Batch B ¹		3.42	10/8/2023	0	612,000	—	—	—	612,000
Sub-total:				0	822,000	—	—	—	822,000
TOTAL:				0	1,568,000	—	—	—	1,568,000

Note 1:

Batch	Number of Options Granted to each employee	Number of Employees
A	0 to 50,000	6
B	50,001 to 400,000	2

Note 2:

The options have an exercise period of ten years from date of grant. They have an vesting period from 10 August 2024 to 9 August 2033, both day inclusive.

Note 3:

The closing price of the shares immediately before the date on which the share options were granted (i.e. 9 October 2023) was HK\$3.42.

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

At 30 September 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	14,141,499 (Registered shareholder)	22.89%
		25,730 (underlying interest)	0.04%
	Through controlled corporation	2,540,800 (Registered shareholder) (Note b)	4.11%
Dr. Lee Ying Chiu Herbert ("Dr. Lee")	Through controlled corporation	2,652,038 (Registered shareholder) (Note c)	4.29%
		3,335,323 (Underlying interest) (Note d)	5.40%
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 e)	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 2,540,800 Shares are held by Corporate Advisory Limited ("Corporate Advisory"), which is wholly-owned by Mr. Zhang. 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) *The 2,652,038 Shares are held by Marvel Digital Group Limited (“Marvel Digital”) which is wholly-owned by Dr. Lee. Pursuant to the Division 7 and 8 of Part XV of the SFO, Dr. Lee is deemed to have an interest in all shares in which Marvel Digital has, or deemed to have an interest.*
- (d) *The 3,335,323 Shares are held by Marvion Group Limited (“Marvion Group”) of which Dr. Lee indirectly holds 52.34% of its shareholding.*

On 19 September 2023, Beauty Intentions Limited (a direct wholly-owned subsidiary of the Company) as Purchaser, the Company and Marvion Group (as one of the Vendors) entered into the Sale and Purchase Agreement pursuant to which the Vendors have conditionally agreed to sell to the Purchaser and the Purchaser has conditionally agreed to acquire the entire issued share capital of Autostereoscopic 3D Limited. The consideration for the Proposed Acquisition is HK\$100 million, which shall be settled by (i) the Promissory Notes in the aggregate principal amount of HK\$75,985,677.28; and (ii) the allotment and issue of a total of 11,117,742 Consideration Shares by the Company to the Vendors (or their nominee(s)). The Proposed Acquisition has yet to be completed upon approval by the Shareholders of the Company.

According to the Proposed Acquisition above, Dr. Lee is deemed to have an underlying interest in all shares in which Marvion Group has, or deemed to have an interest.

- (e) *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 September 2023, the Directors are not aware of any interests or short positions in shares and debentures or underlying shares of substantial shareholders of Company and other persons, which will have to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or which will be required to be recorded pursuant to Section 336 of the SFO.

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

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

Competing interests

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

Code Provision C.2.1 – Chairman and Chief Executive Officer

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

Mr. Wong King Shiu, Daniel (“Mr. Daniel 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. Daniel Wong to hold both positions as it helps maintain the continuity of the policies and the stability of the operations of the Company.

Non-executive Directors

The Board fulfilled the minimum requirement of appointing at least three independent non-executive Directors as required by the GEM Listing Rules. It met the requirement of having at least one of the independent non-executive Directors with appropriate professional qualifications or accounting or related financial management expertise. They have appropriate and sufficient experience and qualification to carry out their duties so as to fully represent the interests of the shareholders. None of the independent non-executive Directors is appointed for a specific term. In accordance with the articles of association of the Company, all non-executive Directors are subject to retirement by rotation at least once every three years. The Company considers that there are sufficient measures to ensure the corporate governance standard of the Company is not less exacting than the Code.

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 nine months ended 30 September 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 primary duties of the audit committee of the Company (the “Audit Committee”) include supervising the financial reporting procedure and reviewing the financial statements of the Group, examining and monitoring the internal control and risk management systems adopted by the Group and reviewing the relevant work of the Group’s external auditor.

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

The Group’s unaudited condensed consolidated financial statements for the nine months ended 30 September 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, the GEM Listing Rules and other legal requirements and adequate disclosures have been made.

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 nine months ended 30 September 2023 and as at the date of this report:

- (1) Hon. Li Sai Wing, *MH, JP*, 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 a 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.

Events after the Reporting Period

Save as disclosed in this report, there was no other significant non-financial event that may cause material effects in the results of the Company subsequent to the Period and as at the date of this report.

By Order of the Board
China Information Technology Development Limited
Wong King Shiu, Daniel
Executive Director

Hong Kong, 9 November 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, MH, JP as non-executive Director; Mr. Hung Hing Man, Mr. Wong Hoi Kuen and Dr. Chen Shengrong as independent non-executive Directors.