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

Annual Report

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This report, for which the directors (the "Directors") of China Information Technology Development Limited (the "Company" or "CITD") 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 website of the Stock Exchange at http://www.hkexnews.hk for at least 7 days from the date of its posting.

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Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Hon. Li Sai Wing, *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 *(Chairman)*
Mr. Wong Hoi Kuen
Dr. Chen Shengrong

REMUNERATION COMMITTEE

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

AUDIT COMMITTEE

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

AUDITOR

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Conyers Dill & Pearman

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

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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STOCK CODE

8178

COMPANY WEBSITE

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Chairman's Statement

Dear Shareholders,

I am pleased to present the annual results of China Information Technology Development Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2023 (the "Year").

FINANCIAL SUMMARY

During the Year, the Group recorded a revenue of approximately HK$49,228,000, representing a decrease of approximately 17.0% from approximately HK$59,324,000 in the year ended 31 December 2023 (the "Corresponding Year"). The gross profit for the Year amounted to approximately HK$22,568,000, which represented a gross profit margin of approximately 45.8% (2022: approximately 29.3%), an increase compared to the Corresponding Year. The increase in gross profit margin is mainly due to the Group had been focusing on provision of IT services during the Year.

Loss for the Year attributable to the equity owners of the Company was approximately HK$20,876,000 (2022: loss of approximately HK$82,548,000). The decrease in loss is mainly due to (i) decrease in fair value loss on the investment properties from approximately HK$49,393,000 in 2022 to approximately HK$5,536,000 in 2023; (ii) gain on disposal of a subsidiary of approximately HK$7,156,000 during the Year; and (iii) decrease in finance costs from approximately HK$11,545,000 in 2022 to approximately HK$5,589,000 in 2023. The Group's results are discussed in detail under the section headed "Management Discussion and Analysis" in this annual report.

REVIEW AND OUTLOOK

The Hong Kong Government has been proactive in developing Hong Kong into an international innovation and technology hub. The Chief Executive's Policy Address 2022 formulated a number of key policies to promote innovation and technology, including (i) formulating the Hong Kong Innovation and Technology ("I&T") Development Blueprint which clearly sets out future development for Hong Kong; (ii) actively attracting I&T talents around the globe to Hong Kong; (iii) enhancing I&T infrastructure facilities such as the development of the Hong Kong-Shenzhen I&T Park, San Tin Technopole in the Northern Metropolis and the expansion of Science Park and Cyberport; (iv) earmarking HK$10 billion for the provision of more comprehensive support for research and development in life and health technology; and (v) enhancing support for start-ups.

Alongside with the supportive measures of the Hong Kong Government, it was encouraging to see various places around the world like United Arab Emirates ("UAE") etc are proactive to attract overseas investments on IT especially artificial intelligence ("AI") developments. For example, it is expected that IT spending across the banking, financial services and insurance and energy verticals will account for a major share (43%) of the overall IT spending in the UAE by 2024. AI, specifically, is forecast to play a role to contribute almost 14% of the its national GDP by 2030 ($96 billion), and the annual growth in the AI contribution to the UAE economy is forecast to grow by 33.5% between 2018 and 2030. Abu Dhabi, for instance, has focused on digital asset native activities, introducing the world's first Distributed Ledger Technology (DLT) Foundations Regime, providing a framework in collaboration with industry participants to create a legal structure for blockchain foundations and decentralized autonomous organizations, allowing entities to set-up without bylaws, enabling a variety of governance methods, including token voting and the use of smart contracts. The Group envisioned that areas like UAE will become the focal point of technology space in the international arena.

Chairman's Statement

With the economic volatility in 2023, the Group has strategically taken a prudent approach while broadening the Company's income stream. The Group has demonstrated our determination to focus on strengthening our existing AI businesses. The Group has disposed two subsidiaries, which held a property located in Nansha District, Guangzhou and engaged in money lending business respectively, so that the Group could realize the investment and allocate its resources in the further exploration and development of AI and cloud technological products and/or investment projects with better prospects or higher growth potential that will best serve the interests of the Company and the Shareholders in the long run.

The ongoing transformation and innovation of the industry has driven us to reinforce our IT knowledges technologies including but not limited to AI, Web3.0, blockchain, big data etc, to cater the customer demand and enhance our business performance. The Group has therefore allied and collaborated with various experts in IT and other industries and looked for potential acquisitions for synergies without affecting too much of the Group's cashflow and resources. The Group had set up joint venture which engages in the ownership and management of an e-Commerce platform and its respective membership and reward points program, namely Petaverse which focuses on the sales and marketing of pets-related products in the real world and in the Metaverse. We had also partnered with another company listed on the Stock Exchange to explore tokenization of corporate bonds. Not only did it showcase the Group's strengths in blockchain and Digital Ownership Tokens (DOTs) and played a pivotal role in the development of tokenization, it also harnesses the benefits of tokenization and revolutionize the corporate bond landscape, while enhancing efficiency and accessibility in financial markets. It is believed that these strategic partnerships and collaborations allow us to explore the applications of our advanced AI technology in traditional products and services and also aligns with the Company's business plan of developing and refining our AI technology and business with diversified risk and reduced investment cost.

Upholding such business strategies, in 2023, the two major subsidiaries, Macro Systems Limited ("Macro Systems") and DataCube Research Centre Limited ("DataCube") had achieved encouraging business performance. DataCube's cooperation with a mass rapid transit company was one of the few testimonies of our successful AI technological developments.

Stepping into the year to come, with wars wreaking havoc around the world and interest rate is expected to remain high for extended time, the market sentiment and macro economy is anticipated to be uncertain. The Company shall continue to anchor the Group's leading position in the IT solutions industry in Hong Kong and establish the competitive edge for the Company, through selective acquisitions and strategic alliances that will further complement or synergize with its existing businesses while being cautious to the market conditions. With the hard work laid in 2023, the Group shall continue with the approach and is committed to making appropriate business and investment decisions as and when appropriate in light of the Company's business plan and the market conditions to create greater value to the Company and its Shareholders.

APPRECIATION

I would like to take this opportunity to extend my sincere gratitude to the shareholders of the Company ("Shareholders"), customers and business partners of the Group for their continuous support and trust and thank my fellow directors for their concerted effort and insights throughout the past years. We treasure the efforts from the Group's management team and the unwavering commitment of our staff. On behalf of the Board, I would like to express my sincere appreciation to our management team and staff for their dedication and commitment.

Wong King Shiu, Daniel
Chairman and Chief Executive Officer
China Information Technology Development Limited

Management Discussion and Analysis

THE BOARD'S RESPONSE TO THE QUALIFIED OPINION

The View of the Board and the Audit Committee on the Qualified Opinion

The auditor expressed a qualified opinion in the independent auditors' report on the Group's financial statements for the year ended 31 December 2023 (the "Independent Auditors' Report"). As stated in the "Basis for Qualified Opinion" section in the Independent Auditors' Report, the basis for the auditor to express a qualified opinion arose from the auditor not being able to obtain sufficient appropriate audit evidence or satisfactory management explanations to ascertain the nature of the technical knowhow license and servicing agreement (the "Subcontract Agreement") the Group entered into with a service provider for the development of technical knowhow upon which the Group would provide the relevant technical knowhow services to two customers pursuant to the technical knowhow license and servicing agreements (the "Servicing Agreements") the Group entered into with them.

The Board and the audit committee of the Board have reviewed and agreed with the qualified opinion on the Independent Auditors' Report (the "Audit Qualification"). Below sets out the view of the Board and the Audit Committee in relation to the Audit Qualification and the proposed plan to address the Audit Qualification.

Details of the basis of the Audit Qualification

The Group entered into the Servicing Agreements in November 2022 to provide technical knowhow and related services with contract sum of USD87 million and service period of 3 years.

During the year ended 31 December 2023, the Group received advances in the form of cryptocurrency amounting to Tether ("USDT") 12,028,000 and Binance USD ("BUSD") 62,000 (equivalent to approximately HK$94,299,000) from the two customers. The Group also engaged the service provider for the development of such technical knowhow and deposited to the service provider in the form of cryptocurrency amounting to USDT12,028,000 and BUSD62,000 (equivalent to approximately HK$94,299,000). During the year ended 31 December 2023, certain portion of the services were provided and delivered to the customers. The revenue of USD12,090,000 (equivalent to approximately HK$94,299,000) and costs of USD12,090,000 (equivalent to approximately HK$94,299,000) in the form of cryptocurrency (USDT12,028,000 and BUSD62,000) were recorded on a net basis since management considered the Group acts as an agent in these transactions. The two customers requested the consideration to be settled in cryptocurrency and the Company and the service provider agreed to such arrangement.

In November 2023, the management of the Group has decided to terminate the Servicing Agreements and the Subcontract Agreement. The Group had been in discussion with a public transport company on collaboration and obtained the tender in 2023 for provision of certain technology. The consideration for the tender project is in cash. Going forward, the Group would like to collaborate with reputable public transport companies to enhance the Group's reputation and generate value to the Group and its shareholders. In view of the foregoing and considering the payment settlement method and to utilize the resources of the Group more efficiently and effectively, the Group considered that the tender project was preferred and therefore terminated the Servicing Agreements and the Subcontract Agreement.

Management Discussion and Analysis

Management View And Position On the Audit Qualification

The Company considered that it has made its best endeavours to provide all the available information and documents for audit purpose in order for the auditor to understand the business rationale for entering into and terminating the Servicing Agreements and the Subcontract Agreement and to verify the transactions recorded during the year. Nevertheless, the Company was unable to provide all the information and documents requested by the auditor. The information and documents requested mainly includes the business plan for the projects, budgets, profit analysis, test trials and system details of the technical knowhow, the Servicing Agreements, the Subcontract Agreement and the corporate approvals for entering thereto, correspondence with the customers at negotiation stage of the Servicing Agreements, throughout implementation of the projects and at termination, analysis including manpower plan and potential loss for termination of the Servicing Agreements and Subcontract Agreement, the correspondence between the Company and the service provider and the correspondence between the service provider and the Company's customers.

The Company was unable to provide the budgets, manpower plan and profit analysis for its engagements with its customers and the service provider as well as the test trials and system details of the technical knowhow and the correspondence between the service provider and the Company's customers. The service provider provided the technical knowhow services to the two customers directly and so the Company was unable to provide the test trials and system details of the technical knowhow and the requested correspondence.

The Company was unable to provide the other requested documents due to deficiencies in internal control and has implemented certain remedial measures to address the deficiencies and avoid re-occurrence of the same. Details of the remedial measures are set out in the section headed "Principal Risks, Internal Control Deficiencies and Remedial Measures Implemented" in the corporate governance report of this annual report.

In preparation of the Group's financial statements for the year ended 31 December 2023, the management took into consideration the following factors in arriving at its position:

1. the discussion between the Group and the two customers regarding the Servicing Agreements, the entering into of the agreements, the services provided and the payment thereof;

2. the discussion between the Group and the service provider regarding the Subcontract Agreement, the entering into of the agreement, the services provided thereunder and the payment thereof; and

3. the interviews and meetings conducted by the auditor with the customers and the service provider in relation to their business relationship and projects with Datacube.

Audit Committee's View on the Audit Qualification

The audit committee of the Company discussed with the auditor and enquired management of their position and basis of assessment. The audit committee reviewed the audit modifications and understood that the auditor was unable to obtain all the requested audit evidence to verify the nature of the transactions. The audit committee also reviewed and understood the position of the management and agreed with the view of the management's position and basis.

Management Discussion and Analysis

Impact On The Company's Financial Position And Plan To Address the Audit Qualification

The board and the audit committee understand, after discussion with the auditor, that the Audit Qualification will continue to exist in the Company's consolidated financial statements for the year ending 31 December 2024 for its comparative figures on the consolidated statement of profit or loss for the year ended 31 December 2023 and will be fully removed in the Company's financial statements for the year ending 31 December 2025. Considering the reasons for the Audit Qualification, the Company has reviewed its internal control and implemented certain remedial measures to address the deficiencies. Further details of the deficiencies and remedial measures implemented are set out in the section headed "Principal Risks, Internal Control Deficiencies and Remedial Measures Implemented" in the corporate governance report of this annual report. The implementation of the internal control remedial measures will assist the Company to provide the required audit evidence and support to the auditor for the audit of the financial statements of the Group in the future and avoid re-occurrence of the reasons causing the Audit Qualification.

BUSINESS OVERVIEW

During the year ended 31 December 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 Year, 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 AI self-developed by the Group through the collaborations.

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 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 extraordinary general meeting ("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.

Management Discussion and Analysis

Memorandum of Understanding with Autostereoscopic 3D Limited

On 10 March 2023, the Company entered into a non-legally binding Memorandum of Understanding (the "MOU") with Autostereoscopic 3D Limited (the "3DT"). The MOU 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 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. As at the date of this report, the Company had been fully utilized as intended to (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 had been 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.

Management Discussion and Analysis

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 an 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.

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 would be documented using Distributed Ledger Technology (in place of paper) and would be implemented using Digital Ownership Token ("DOT") standard.

The Company's Bonds would be one of the first Bond Security Token that would 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 ("Beauty Intentions"), 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 Beauty Intentions and the latter 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 Beauty Intentions' obligations under the Sale and Purchase Agreement, upon Completion, the Company shall procure Giant Prestige Investment Limited (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 above 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.

Management Discussion and Analysis

Establishment of a Joint Venture Company – Petaverse

On 15 June 2023, the Group has entered into a shareholders and cooperation agreement (the "JV 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 JV 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 JV Agreement and the Joint Venture are set in the announcement dated 15 June 2023.

Disposal of 100% Interests in a subsidiary engaged in Money Lending business

On 15 November 2023, Pleasant Impact Limited as the purchaser ("Pleasant Impact") and the Company as Vendor entered in a Disposal Agreement in relation to sale of Value Creation Finance Limited (engaging in money lending business) and its Sale Loans by the Company to Pleasant Impact. Pursuant to the Disposal Agreement, Pleasant Impact has agreed to acquire and the Vendor has agreed to sell the Sale Share and the Sale Loans for a cash consideration of HK$24,500,000 ("Disposal of Money Lending Business"). The Disposal of Money Lending Business has been completed on 20 November 2023.

In view of the volatile economic environment and with the aim to focus on core business of the Company, the Disposal of Money Lending Business provided a good opportunity for the Group to streamline the Group's structure to focus on its core business, limit the exposure of loan defaults, further enhance the financial position of the Group and better utilise the Group's financial resources.

Details of the Disposal Agreement and the Disposal of Money Lending Business are set forth in the announcement dated 15 November 2023.

Macro Systems

During the Year, Macro Systems Limited 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, Macr° 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 Year, DataCube Research Centre Limited 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.

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 has been collaborating 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 Year, Macro Systems recorded a revenue of approximately HK$29,994,000, representing an increase of 29.3% as compared to the revenue of approximately HK$23,204,000 in 2022. The increase in revenue of Macro Systems was mainly attributable to increase in number of projects during the Year.

DataCube contributed a revenue of approximately HK$5,499,000 representing a decrease of 57.3% as compared to the revenue of approximately HK$12,878,000 in 2022. During the Year, DataCube focused on the cooperation with the mass rapid transit company; and hence the number of other projects decreased. The Group shall continue to allocate resources in developing the technologies and services provided by Macro Systems and DataCube as our core business of the Group.

Money Lending Business (Discontinued Operation)

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

During the Year, Value Creation Finance had not entered into any new loan agreements as the Company has intended to wind down its money lending business when the current loan receivable are collected in order to focus on other businesses of the Group.

As at the date of disposing the Company's money lending business on 20 November 2023, Value Creation Finance's four clients comprise of individual and corporate clients in Hong Kong, all of which are independent of and not connected to the Company and its connected persons.All the loan receivables of approximately HK$28,558,000 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 Year, the Group has implemented effective credit control procedures and there were no delinquent loans.

Management Discussion and Analysis

In November 2023, the Group has disposed 100% interest in Value Creation Finance and it has ceased to be subsidiaries of the Company and the financial information of the Value Creation Finance ceased to be consolidated into the accounts of the Group. The Group has ceased engaging in money lending business thereafter.

During the Year, the segment's revenue was approximately HK$2,860,000 (2022: HK$3,633,000).

FUTURE PROSPECT

The global economy including Hong Kong and Mainland China is anticipated to continue recover on a slow post-pandemic path in the 2024. The prospects remain highly uncertain driven by the adverse impact of high market interest rate environment and the geopolitical tensions.

Meanwhile, digital transformation is pursued in almost every sector, AI involvement is becoming inevitable in our lives. Ranking as one of the largest industries in the world, the information and communication technology ("ICT") market has been forecasted to reach a size of almost US$6 trillion by 2023. The AI market will grow to a US$190 billion industry by 2025 with global spending on cognitive and AI systems reaching over US$57 billion in 2022. Among the various global economies, the UAE has stolen the spot light in the industry. In a bid to reduce dependence on oil revenue and grow the private sector, UAE government initiatives set out to build a competitive knowledge economy and establish an open, efficient, effective, and globally integrated business environment. The UAE government is taking several steps to prompt the development of the knowledge-based economy. The UAE government has established a number of free trade zones such as Dubai Internet City and Dubai Silicon Oasis that specialize in the ICT industry and act as industry clusters for high technology and innovation. These free zones are areas within the UAE that permit foreign ownership and are dedicated to a specific industry, making them business hubs. In view of this huge potential market, the Group has started to cooperate with business partner in Dubai. The Group shall continue to explore different potential markets to broaden our business footprints.

On the other hand, to dovetail with future business developments and keep pace with the advanced technological development, it would be neither cost-effective nor pragmatic to inject and involve in every research or development of new IT innovations. In 2023, the Group had made determined step to cease its money lending business and focus on our existing business. The Group has started in 2023 and shall continue to dedicate its effort for potential acquisitions and strategic alliances selectively that will further complement or synergise with its existing business. Through these cooperations, it will create enormous momentum to the Group's IT solutions business as it will pave way for a swift integration of the technological know-how between the Group and other business partners.

Moving forward, the Group will stay vigilant of the uncertainties and challenges ahead and strive to cement and expand its AI and other IT businesses with prudent risk management in 2024. With the vision to consolidate the Group's leading position in the IT solutions industry in Hong Kong, the Group is also committed to nurturing a healthy and strong corporate culture to enhance the Group's cohesiveness and work together with our staff towards this shared vision.

Management Discussion and Analysis

FINANCIAL REVIEW

Continuing Operations

Revenue

The Group's revenue for 2023 amounted to approximately HK$49,228,000, decreased by 17.0% from approximately HK$59,324,000 in 2022. The decrease in revenue is mainly due to the decrease in the revenue from DataCube as the management would like to focus on the projects with the mass rapid transit company during the Year.

Cost of sales and services

The Group had a total cost of sales and services of approximately HK$26,660,000 in 2023, which decreased by 36.4%, compared with approximately HK$41,923,000 in 2022. The decrease is mainly due to less trading of computer hardware and software as the Group had mainly focused on provision of IT services during the Year.

Gross profit

The gross profit of the Group in 2023 amounted to approximately HK$22,568,000 which increased by approximately HK$5,167,000, compared with approximately HK$17,401,000 in 2022. The increase is mainly due to the recovery of the economy in the first half quarter in 2023 and the Group focused on provision of IT services for the Year.

Other income and gains

During the financial year ended 31 December 2023, the Group generated other income and gains of approximately HK$914,000 (2022: approximately HK$1,555,000). The decrease in other income is mainly due to the government grants under the Employment Support Scheme of approximately HK$759,000 during 2022.

Selling and distribution expenses

The Group's selling and distribution expenses in 2023 amounted to approximately HK$8,990,000, which decreased by HK$9,216,000, compared with approximately HK$18,206,000 in 2022. The decrease was due to decrease in the research and development expenses for smart retail cloud platform and network security of IoT cloud platform from approximately HK$17,224,000 in 2022 to approximately HK$8,256,000 in 2023.

Administrative expenses

Administrative expenses of the Group in 2023 were approximately HK$38,979,000, increased by 38.6%, compared to approximately HK$28,124,000 in 2022. Since the economy has resumed normalcy in the first half of 2023, the management resumed business meetings and travels. Besides, the increment is also due to the increase in advertising and promotion 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.

Management Discussion and Analysis

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

As at 31 December 2023, the Group held an investment portfolio comprising of marketable securities that are listed in Hong Kong and outside Hong Kong. The fair value gain from the portfolio amounted to approximately HK$29,000 (2022: loss of approximately HK$3,019,000).

Change in fair value of investment properties

As at 31 December 2023, the fair value of investment properties decreased by approximately HK$5,536,000 (2022: approximately HK$49,393,000).

Finance costs

Finance costs of the Group for 2023 were approximately HK$5,589,000, a decrease of approximately HK$5,956,000, comparing to approximately HK$11,545,000 in 2022. The decrease in finance costs is mainly due to the promissory note was disposed together with a subsidiary during the year.

Loss attributable to owners

The Group's loss attributable to owners of the Company was approximately HK$20,876,000 for 2023 as compared to approximately HK$82,548,000 in 2022. The decrease in loss is mainly due to (i) decrease in fair value loss on the investment properties from approximately HK$49,393,000 in 2022 to approximately HK$5,536,000 in 2023; (ii) gain on disposal of a subsidiary of approximately HK$7,156,000 during the Year; and (iii) decrease in finance costs from approximately HK$11,545,000 in 2022 to approximately HK$5,589,000 in 2023.

FINANCIAL POSITION

Liquidity and financial resources

As at 31 December 2023, cash and bank balances held by the Group decreased from approximately HK$13,877,000 as of 31 December 2022 to approximately HK$11,595,000.

As at 31 December 2023, the Group's total borrowings amounted approximately HK$65,033,000 (2022: approximately HK$136,960,000). The gearing ratio (calculated as total borrowings over total equity) of the Group was 0.25 (2022: 0.50).

For the year ended 31 December 2023, the Group had capital expenditure of approximately HK$638,000 (2022: approximately HK$54,000) for addition of property, plant and equipment, and approximately HK$nil for further construction works of investment properties (2022: HK$52,494,000 for addition of investment properties by acquisition of a subsidiary and further construction works).

Significant Investments, Material Acquisitions and Disposals of Subsidiaries

On 28 August 2019, the Group acquired 19% equity interest in Guangzhou Dehuang Investment Company Limited*（廣州市德煌投資有限公司）("Dehuang") and loan receivables with principal amount of RMB51,199,000, at a consideration of RMB66,341,000 which is satisfied by issuance of promissory notes to the vendor. The principal activities of Dehuang is provision of business services and its principal assets are the one parcel of land and five (2021: four) buildings for data centre and office (including the land beneath) owned by Dehuang and located in South of Shinan Highway, Nansha District, Guangzhou.

As at 31 December 2022, it was measured at fair value of approximately HK$32,173,000.

On 3 March 2023, and independent third party (the "Purchaser") and Gorgeous Ocean Global Limited, a direct wholly-owned subsidiary of the Company, (the "Vendor"), entered into an agreement (the "Disposal Agreement"), pursuant to which, the Vendor has conditionally agreed to sell the entire issued share capital of Rosy Ridge Investments Limited (the "Target Company") and its subsidiaries (collectively referred to as the "Target Group") and to assign the loans receivables from the Target Group of approximately HK$35,200,000 and Dehuang of approximately HK$7,415,000 (the "Sale Loan") to the Purchaser, and the Purchaser has conditionally agreed to acquire the entire issued share capital of the Target Company and take up the assignment of the Sale Loan at the consideration of HK$28,000,000. Details of the disposal is set out on page 136 of the annual report and Note 40(b) in the consolidated financial statements. The disposal completed during the year ended 31 December 2023 and Dehuang ceased to be a significant investment of the Group.

On 15 November 2023, Pleasant Impact as purchaser and the Company as vendor entered into a disposal agreement (the "Disposal Agreement 2") to dispose Rosy Time Investments Limited and its subsidiaries. Pursuant to the Disposal Agreement 2, Pleasant Impact has agreed to acquire and the Vendor has agreed to sell the sale share and the sale loans for a cash consideration of HK$24,500,000. Details of the disposal is set out on page 135 of the annual report and Note 40(a) in the consolidated financial statements.

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

Capital structure

As at 31 December 2023 and as at the date of this report, there are a total of 61,765,237 issued shares of the Company of par value of HK$0.1 each.

The details of the changes in capital structure of the Company during the year are set out in Note 38 to the consolidated financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Foreign Exchange Rates Risk

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

Liquidity Risk

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

Price Risk

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

EMPLOYEES AND REMUNERATION POLICIES

There were a total of 61 employees in the Group as of 31 December 2023 (2022: 59 employees). Total expenses on employee benefits amounted to approximately HK$21,744,000 of which HK$931,000 is related to equity-settled share-based payment for the year ended 31 December 2023 (2022: approximately HK$21,411,000 of which HK$1,100,000 is related to equity-settled share-based payment). The management believes the remuneration packages offered by the Group to its employees are competitive.

The Remuneration Committee of the Company recommends the level of remuneration for Directors, subject to approval by the Board. The primary goal of the remuneration policy with regard to the remuneration packages of the Group's executive Directors is to enable the Group to retain and motivate executive Directors by linking their compensation with performance as measured against corporate objectives achieved. In order to determine the level of remuneration paid to the members of the Board, market rates and factors such as time commitment, responsibilities of directors and the Group's performance are taken into account. As part of the remuneration package, Board members may be granted a certain number of share options under share incentive schemes adopted by the Company from time to time. Such securities may be granted upon the recommendation of the Remuneration Committee and will be subject to approval by the Board or the Shareholders (if necessary).

The Group has formulated its emolument policy which sets out the basis for the remuneration of the employees and the remuneration structure of employees that comprises of basic wage, allowances, benefits and others, and grants employees share options as appropriate based on the assessment of individual performance. The Company has made contributions to, among others, social insurance on behalf of its employees in PRC in accordance with the relevant laws and regulations requirements of the PRC. The emoluments payable to employees of the Group are determined based on their responsibilities, qualifications, experiences and the role taken as well as the industry practices. Other benefits to the employees of the Group include, among other things, share options. Details of the shares options granted are set out in the section headed "Share Option Scheme" in this annual report.

REDEMPTION, PURCHASE OR CANCELLATION OF THE COMPANY'S REDEEMABLE SECURITIES

Neither the Company nor any of its subsidiaries has redeemed, purchased or cancelled any of the Company's redeemable securities during the Year.

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

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER REPORTING PERIOD

Establishment of a Joint Venture Company

In January 2024, the Group has entered into an agreement ("JV2 Agreement") with Kilimanjaro Energy Group, Marvion Inc., and two individuals whereby the parties agreed to establish a joint venture company ("JV2 Company") to drive sustainable positive change in the environmental, social, and governance (ESG) sector. It is intended that the JV2 Company will engage in tokenization on the blockchain natively and at source carbon credits issued in the UAE and to build, manage and operate a decentralized carbon credit exchange licensed in Abu Dhabi (the "JV2 Business").

Details of the JV2 Agreement and the JV2 Company are set in the announcement dated 30 January 2024.

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

Biographical Information of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. WONG King Shiu, Daniel, aged 64, has been appointed as the chairman of the Board and chief executive officer of the Company with effect from 25 November 2019. He was the authorised representative and the process agent of the Company from 12 November 2020 to 31 March 2021. He has over 13 years of experience in natural resources industry and served as an executive director in a various natural resources company which is listed in Hong Kong. He also has extensive experience in the management and development of natural resources projects in China. He was an independent non-executive director of Huisheng International Holdings Limited (Stock Code: 1340) from 7 June 2016 to 30 June 2022. He was also an executive director of China Baoli Technologies Holdings Limited (Stock Code: 164) from 13 January 2012 to 3 October 2019. He was also a former executive director of China Oil And Gas Group Limited ("China Oil And Gas Group") (Stock Code: 603) from January 2002 to 30 August 2006. Mr. Daniel Wong joined the Group on 16 August 2017.

Mr. CHANG Ki Sum Clark, aged 38, has been appointed as executive director of the Company with effect from 31 March 2021. He is currently compliance officer, one of the authorized representatives and the process agents of the Company. He is responsible overall financial management matters of the Group. He was the company secretary of the Company from 18 June 2019 to 31 March 2021. He has been appointed as company secretary of Bay Area Gold Group Limited (In Liquidation), a company listed on the Hong Kong Stock Exchange (Stock Code: 1194), with effect from 22 July 2022 and he has ceased to be its company secretary on 31 August 2022. Mr. Chang is a member of The Hong Kong Institute of Certified Public Accountants. He has over 10 years of experience in auditing, accounting and company secretarial matters. He has obtained his bachelor degree of business administration in accountancy from the City University of Hong Kong in 2009. He is the founder and the managing director of Clark Chang & Co CPA Limited since December 2017.

NON-EXECUTIVE DIRECTOR

Hon. LI Sai Wing, *JP, MH*, aged 40, has been appointed as Non-Executive Director with effect from 26 October 2022. Hon. Li has obtained his bachelor degree of administrative management from Jinan University and master degree of public administration from Sun Yat-Sen University. He is currently a member of the Legislative Council (New Territories South East) of Hong Kong since 2021.

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

Biographical Information of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. HUNG Hing Man, aged 53, is the chairman of audit committee and nomination committee of the Company. He holds a master's degree in Business Administration from the University of Western Sydney. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong and the Society of Chinese Accountants and Auditors. Mr. Hung is currently a proprietor of a certified public accountants firm. He has extensive working experience in corporate finance, accounting, auditing and taxation sectors. Mr. Hung joined the Group on 24 April 2015. Mr. Hung is also an independent non-executive director of Heng Tai Consumables Group Limited (Stock Code: 197) since 20 February 2017. He was an independent non-executive Director of Town Health International Medical Group Limited (Stock Code: 3886) from 10 February 2023 to 12 January 2024.

Mr. WONG Hoi Kuen, aged 63, is the chairman of the remuneration committee of the Company and the member of the audit committee and nomination committee of the Company. He is a practising certified public accountant in Hong Kong and a chartered accountant in the United Kingdom. He is a fellow member of The Hong Kong Institute of Certified Public Accountants, The Association of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales. Mr. Wong joined the Group on 16 August 2017. Mr. Wong is an independent non-executive director, members of audit committee and nomination committee of Elife Holdings Limited (Stock Code: 223) since 9 May 2011. Mr. Wong is also the company secretary of China Infrastructure Investment Limited (Stock Code: 600) since 1 August 2023, the trading of securities of which are suspended on the Main Board of the Stock Exchange.

Dr. CHEN Shengrong, aged 42, is a member of the audit committee, remuneration committee and nomination committee of the Company. She obtained a doctorate degree in Business Administration from the Pacific States University of the USA in 2011. She was an audit manager with Baker Tilly China Certified Public Accountants and had been the vice general manager of New Times Securities Company Limited in charge of risk control. From August 2014 to December 2016, Dr. Chen served as the vice president of finance of Skyslink New Energy Asset Management Limited. From January 2017 to February 2021, she served as the vice president of Sky Cloud Green Data Technology Co., Ltd.(天之雲綠色數據技術有限責任公司). She is currently serving as general manager in China Ageing Welfare Development Co., Ltd. Dr. Chen has extensive experience in internal control of enterprises, risk control in investment businesses, project risk evaluation and assets restructuring management. Dr. Chen joined the Group on 30 January 2015.

SENIOR MANAGEMENT

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

Directors' Report

The Directors are pleased to present their report and the audited consolidated financial statements of China Information Technology Development Limited and its subsidiaries for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 43 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including the results of the Group, the financial position of the Group and a discussion of the principal risks and uncertainties facing the Group as well as indication of likely future developments in the Group's businesses and other relevant information, can be found in the "Management Discussion and Analysis" set out on pages 6 to 21 and the Chairman's Statement as set out on pages 4 to 5 of this report. Such discussion forms part of this Directors' Report.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2023 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 65 to 69.

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

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2023.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 143. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTIONS

Details of movement in the share capital and share options of the Company during the year are set out in note 38 and note 39 to the consolidated financial statements respectively.

EQUITY-LINKED AGREEMENTS

Save for the old share option scheme adopted by the Company on 2 August 2012 ("2012 Share Option Scheme") and the existing share option scheme adopted by the Company on 15 May 2023 (the "2023 Share Option Scheme") as disclosed in the section headed "Share Options Scheme" of this Directors' Report, the Company has not entered into any equity-linked agreement for the year ended 31 December 2023.

Directors' Report

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 42 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company had no reserve available for distribution to shareholders (including share premium account, foreign currency translation reserve and retained earnings). Under the Companies Law, Cap 22 (Law 38 of 1961, as consolidated and revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its articles of association and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business, in accordance with the Company's Articles of Association, dividends shall be distributed out of the retained profits or other reserves, including the share premium account, of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 35.2% of the total sales for the year and sales to the largest customer included therein amounted to 21.5%. Purchases from the Group's five largest suppliers accounted for 53.9% of the total purchases for the year ended 31 December 2023 and purchase from the largest supplier included therein amounted to 22.6%.

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

Directors' Report

DIRECTORS

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

Executive Directors:

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

Non-Executive Director:

Hon. Li Sai Wing, *JP, MH*

Independent non-executive Directors:

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

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

CONFIRMATION OF INDEPENDENCE

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 22 to 23 of the annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board of Directors with reference to Directors' duties, responsibilities and performance and the results of the Group as well as the recommendation of the remuneration committee of the Company (the "Remuneration Committee"). Further details of the Directors' remuneration and the five highest paid individuals are set out in the Note 11 to the consolidated financial statements on pages 108 to 110 of the annual report.

PERMITTED INDEMNITY OF DIRECTORS

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

DIRECTORS' MATERIAL INTERESTS IN TRANSACTION, ARRANGEMENT AND CONTRACTS

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

MANAGEMENT CONTRACTS

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

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDER

There is no transactions, arrangements and contract of significance to the business of the Group between the Company , or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries during the Reporting Period. During the Year, no transactions, arrangements and contract of significance for the provision of services to the Group by a controlling shareholder or any of its subsidiaries was made.

Directors' Report

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

As at 31 December 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	603,550	—	0.98%
			615,000 *(Note b)*	0.99%
CHANG Ki Sum Clark	Beneficial owner	—	614,374	0.99%
Non-Executive Director				
LI Sai Wing, *JP, MH*	Beneficial owner	—	200,000	0.32%
Independent Non-Executive Directors				
HUNG Hing Man	Beneficial owner	—	34,000 *(Note c)*	0.07%
WONG Hoi Kuen	Beneficial owner	—	34,000 *(Note c)*	0.07%
CHEN Shengrong	Beneficial owner	—	34,000 *(Note c)*	0.07%

Notes:

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

Directors' Report

EMOLUMENT POLICY

The employees' remuneration depends on their particular duties and their performance. The Company conducts employee performance review annually to evaluate and adjust the employees' remuneration. The Company enters into individual employment agreements with the employees, with terms covering, among other things, positions, salaries, working hours, annual leave and other benefits. The Group has the 2023 Share Option Scheme in place to enable the Board to grant share options to selected Eligible Persons as incentives or rewards for their contribution or potential contribution to the growth and development of the Group. For details in relation to the 2023 Share Option Scheme and the 2012 Share Option Scheme, please refer to the paragraph headed "Share Option Scheme" from pages 29 to 36 of this annual report.

The emoluments of Directors are determined based on the skill, knowledge, duties and responsibilities. Each Director and senior management are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees), as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the Directors waived any emoluments for the year ended 31 December 2023.

SHARE OPTION SCHEME

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 2012 Share Option Scheme as at 1 January 2023 and during the financial year ended 31 December 2023. The outstanding share options under the 2012 Share Option Scheme would continue to be exercisable. Subsequent to the Year, 120,000 share options were lapsed in February 2024. 3,982,775 share options are outstanding and so a total of 3,982,775 shares are available for issue, which represents 6.45% of the issued shares of the Company as at the date of this report. The scheme mandate limit of the 2012 Share Option Scheme was refreshed by way of ordinary resolution in the EGM held on 5 November 2021. Prior to the expiry of the 2012 Share Option Scheme, the Company was able to grant 34,314,132 share options under the 2012 Share Option Scheme under the refreshed mandate limit, being 10% of the total number of shares in issue on 5 November 2021.

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 on 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.

Remaining life of the 2012 Share Option Scheme

The 2012 Share Option Scheme was valid and effective for a period of ten years from 2 August 2012 until its expiry on 1 August 2022. The outstanding share options granted under the 2012 Share Option Scheme remain valid until its expiry, being 10 years from the date of grant and being 12 May 2031 in respect of the share options granted in May 2021 and 15 June 2032 in respect of the share options granted in June 2022.

During the year, movements of the options which have been granted under the 2012 Share Option Scheme are set out below:

					Number of share options					
Name	Title	Exercise price *(HK$)*	Date of Grant	Vesting period	Balance as at 1 January 2023	Granted	Lapsed	Cancelled	Exercised	Outstanding as at 31 December 2023
SUBSTANTIAL SHAREHOLDER										
ZHANG Rong	Substantial Shareholder	2.19	13/5/2021	N/A	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	N/A	343,000	—	—	—	—	343,000
CHANG Ki Sum Clark	ED	2.19	13/5/2021	N/A	267,374	—	—	—	—	267,374
		1.40	16/6/2022	N/A	73,000	—	—	—	—	73,000
HUNG Hing Man	Independent non-executive Director ("INED")	1.40	16/6/2022	N/A	34,000	—	—	—	—	34,000
WONG Hoi Kuen	INED	1.40	16/6/2022	N/A	34,000	—	—	—	—	34,000
CHEN Shengrong	INED	1.40	16/6/2022	N/A	34,000	—	—	—	—	34,000
	Sub-total:				**785,374**	**–**	**–**	**–**	**–**	**785,374**
EMPLOYEES										
Batch A[1]		2.19	13/5/2021	N/A	324,428	—	(55,936)	—	—	268,492
Batch B[1]		2.19	13/5/2021	N/A	246,118	—	(61,530)	—	—	184,588
Batch C[1]		2.19	13/5/2021	N/A	1,246,255	—	—	—	—	1,246,255
Batch D[1]		1.40	16/6/2022	N/A	245,000	—	—	—	—	245,000
Batch E[1]		1.40	16/6/2022	N/A	430,000	—	—	—	—	430,000
Batch F[1]		1.40	16/6/2022	N/A	343,000	—	—	—	—	343,000
	Sub-total:				**2,834,801**	**–**	**(117,466)**	**–**	**–**	**2,717,335**
CONSULTANTS										
WEI Qi	AI consultant	2.19	13/5/2021	N/A	237,168	—	—	—	—	237,168
WEI Guokang	Data center construction Consultant	2.19	13/5/2021	N/A	237,168	—	—	—	—	237,168
HUANG Jiehuan	Consultant (Algorithm)	1.40	16/6/2022	N/A	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. The Company is entitled to offer 6,176,523 share options under the scheme mandate and 617,652 share options under the service provider sublimit upon the adoption of the share option scheme. As at the date of this report, 1,568,000 share options have been granted under the 2023 Share Option Scheme. As at the end of the Year and as at the date of this report, the Company is entitled to offer up to a total of 4,608,523 share options under the scheme mandate, 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. During the Year, 30,000 share options were lapsed in October 2023. During the Year, 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. 1,538,000 shares may be issued in respect of options granted under the 2023 Share Option Scheme of the Company during the Year, which represents approximately 2.60% of the weighted average number of issued ordinary shares in the Company during the Year.

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 Year ended 31 December 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	Vesting period	Number of share options: Balance as at 1 January 2023	Granted	Lapsed	Cancelled	Exercised	Outstanding as at 31 December 2023
DIRECTOR										
WONG King Shiu, Daniel	ED, Chairman and Chief Executive Director	3.42	10/8/2023	10 August 2024	0	272,000	–	–	–	272,000
CHANG Ki Sum Clark	ED	3.42	10/8/2023	10 August 2024	0	274,000	–	–	–	274,000
LI Sai Wing, *JP, MH*	Non-executive Director	3.42	10/8/2023	10 August 2024	0	200,000	–	–	–	200,000
	Sub-total:				**0**	**746,000**	**–**	**–**	**–**	**746,000**
EMPLOYEES										
Batch A[1]		3.42	10/8/2023	10 August 2024	0	210,000	(30,000)	–	–	180,000
Batch B[1]		3.42	10/8/2023	10 August 2024	0	612,000	–	–	–	612,000
	Sub-total:				**0**	**822,000**	**–**	**–**	**–**	**792,000**
	TOTAL:				**0**	**1,568,000**	**(30,000)**	**–**	**–**	**1,538,000**

Note 1:

Batch	**Number of Options Granted to each employee**	**Number of Employees**
A	0 to 50,000	6 (1 of the 6 employees resigned and the options granted have been lapsed)
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 exercise period from 10 August 2024 to 9 August 2033, both day inclusive. There is no performance target attached to the options.

Note 3:

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

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

At 31 December 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	15,027,499 *(Registered shareholder)*	24.33%
		25,730 *(underlying interest)*	0.04%
	Through controlled corporation	3,008,800 *(Registered shareholder)* *(Note b)*	4.87%
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 3,008,800 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 Beauty Intentions and Beauty Intentions 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 31 December 2023, no person, other than the Directors of the Company, whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares and Debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PRINCIPAL RISKS AND UNCERTAINTIES

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

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

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

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 December 2023, none of the Directors had an interest in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business that need to be disclosed pursuant to the GEM Listing Rules.

RELATIONSHIP WITH STAKEHOLDERS

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

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

DONATIONS

The Group did not make any charitable donations during the year ended 31 December 2023.

TAX RELIEF

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

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

The Company's corporate governance report is set out on pages 41 to 60.

AUDITORS

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

SUBSEQUENT EVENTS

Subsequent events are set out in the "Management Discussion and Analysis" on page 21 in this annual report.

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

ON BEHALF OF THE BOARD

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

Hong Kong
25 March 2024

Corporate Governance Report

INTRODUCTION

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

The Company has complied with the code provisions (the "Code Provision(s)") of the Corporate Governance Code as set out in Appendix C1 of the GEM Listing Rules (the "Code") for the year ended 31 December 2023, except for the following:

Code Provision C.2.1

Chairman and Chief Executive Officer

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

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

CULTURE AND VALUES

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

Integrity and code of conduct

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

Commitment

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

Corporate Governance Report

BOARD OF DIRECTORS

Board Composition and its Responsibilities

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

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

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

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

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

Board Independence

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

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

1. Three out of the six Directors are independent non-executive Directors, which meets the requirements of the GEM Listing Rules that the Board must have at least three independent non-executive Directors and must appoint independent non-executive Directors representing at least one-third of the Board.

2. The Nomination and Remuneration Committees will assess the independence, qualification and time commitment of a candidate who is nominated to be a new independent non-executive director before appointment and also the continued independence of existing independent non-executive Directors and their time commitments annually. On an annual basis, all independent non-executive Directors are required to confirm in writing their compliance of independence requirements pursuant to Rule 5.09 of the GEM Listing Rules, and to disclose the number and nature of offices held by them in public companies or organisations and other significant commitments.

3. The Nomination and Remuneration Committee will conduct the performance evaluation of the independent non-executive Directors annually to assess their contributions.

4. External independent professional advice is available as and when required by individual Directors.

5. No equity-based remuneration with performance-related elements will be granted to independent non-executive Directors.

6. A Director (including independent non-executive Director) who has a material interest in a contract, arrangement or other proposal shall not vote or be counted in the quorum on any Board resolution approving the same.

7. The Chairman of the Board meets with independent non-executive Director annually without the presence of the executive Directors and non-executive Directors.

8. The independent non-executive directors of the Company who served the Company for more than nine years, his/her further appointment should be subject to a separate resolution to be approved by shareholders pursuant to the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the director's securities transactions (the "Code of Conduct") on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has made specific enquiry of all Directors regarding any non-compliance with the Code of Conduct during the year, and they all confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct throughout the year ended 31 December 2023.

TRAINING, INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

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

During the year, each Director is briefed and updated from time to time to ensure that he is fully aware of his responsibilities under the GEM Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group. During the year ended 31 December 2023, all Directors participated in continuing professional development regarding their duties and responsibilities as a director of a listed company which included reading newspapers, journals and updates and/or attending training courses and/or seminars relevant to the Group's businesses to their duties and responsibilities as directors of a listed company. The Directors were provided with monthly updates on the Group's business and financial matters. All Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

Directors' participation in continuous professional development for the year ended 31 December 2023 are set out in the table below:

	Participation in continuous professional development
Executive Directors	
Mr. Wong King Shiu, Daniel	√
Mr. Chang Ki Sum, Clark	√
Non-Executive Director	
Hon. Li Sai Wing, *JP, MH*	√
Independent Non-executive Directors	
Mr.Hung Hing Man	√
Mr. Wong Hoi Kuen	√
Dr. Chen Shengrong	√

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

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

BOARD MEETING

During the year of 2023, the board held totally 14 board meetings and 4 general meetings. The attendance of each Director are set out below:

Name of Director	Attendance/ Number of board meetings held	Attendance/ Number of general meetings held
Executive Directors:		
Mr. Wong King Shiu, Daniel *(Chairman and Chief Executive Officer)*	14/14	4/4
Mr. Chang Ki Sum Clark	14/14	4/4
Non-Executive Director:		
Hon. Li Sai Wing, *JP, MH*	14/14	3/4

Name of Director	Attendance/ Number of board meetings held	Attendance/ Number of general meetings held
Independent non-executive Directors:		
Mr. Hung Hing Man	14/14	4/4
Mr. Wong Hoi Kuen	14/14	4/4
Dr. Chen Shengrong	14/14	4/4

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

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

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

NON-EXECUTIVE DIRECTORS

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

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

Each of Mr. Hung Hing Man and Dr. Chen Shengrong has served the Company for more than 9 years respectively. Pursuant to Appendix C1 to the GEM Listing Rules, if an independent non-executive director has served for more than 9 years, his/her further appointment should be subject to a separate resolution to be approved by shareholders of the Company.

The Board is of the opinion that Mr. Hung Hing Man and Dr. Chen Shengrong maintain their independence even they have served the Board for more than 9 years, and believes that their valuable knowledge and experience continue to generate significant contribution to the Board, the Company and the Shareholders as a whole.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

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

INSURANCE ON DIRECTORS' AND OFFICERS' LIABILITIES

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

CORPORATE GOVERNANCE FUNCTION

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

(a) To develop and review the Company's policies and practices on corporate governance and make recommendation to the Board;

(b) To review and monitor the training and continuous professional development of Directors and senior management;

(c) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) To develop, review and monitor the code of conduct applicable to employees and Directors; and

(e) To review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

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

REMUNERATION COMMITTEE

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

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

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

During the year of 2023, 3 Remuneration Committee meetings were held. The attendance of each member is set out below:

Name of Director	**Attendance Number of meetings held**
Mr. Wong Hoi Kuen *(Committee Chairman)*	3/3
Mr. Hung Hing Man	3/3
Dr. Chen Shengrong	3/3

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

- reviewed and recommended matters relating to grant of share options under the 2023 share option scheme to directors and employees of the Company, such as vesting period and performance targets of the share options;
- reviewed and recommended the grant of share options to the respective Directors on 10 August 2023;
- reviewed terms of reference of Remuneration Committee;
- reviewed and determined the policy for the remuneration of Directors and senior management;
- reviewed and recommended the remuneration package of the Directors and senior management; and
- reviewed and approved the terms of executive Directors' service contracts.

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

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

In relation to the grant of share options under the Share Option Scheme on 10 August 2023, the Remuneration Committee viewed that the executive Directors are responsible for overseeing the operation of the Company as well as providing leadership for the Company to put forward the business strategy and work towards the business goals of the Company. The Remuneration Committee is of the view that a vesting period of 12 months is appropriate considering that the grant of share options serve as rewards for the grantees' past contribution to the Group and as incentives for the grantees to continuously contribute to the operation, development and long-term growth of the group which align with the purpose of the 2023 Share Option Scheme.

There is also no performance target attached to the share options. The 2023 Share Option Scheme aims to provide incentives or rewards for their contribution or potential contribution to the Group. The options granted will give the Grantees an opportunity to have their own shares of the Company, which will help motivate the Grantees in improving their performance and efficiency. The Grantees and number of Options to be granted are determined based on the work performance and potential of the Grantees.

In view of the aforementioned, the Remuneration Committee considered the grant of the share options aligned with the purpose of the 2023 Share Option Scheme.

Further details of the remuneration of the Directors and the five highest paid individuals are set out in note 11 to the financial statements.

NOMINATION OF DIRECTORS

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

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

BOARD DIVERSITY

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

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

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

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

Measurable Objectives

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

1. at least one third of the Directors shall be independent non-executive Directors;

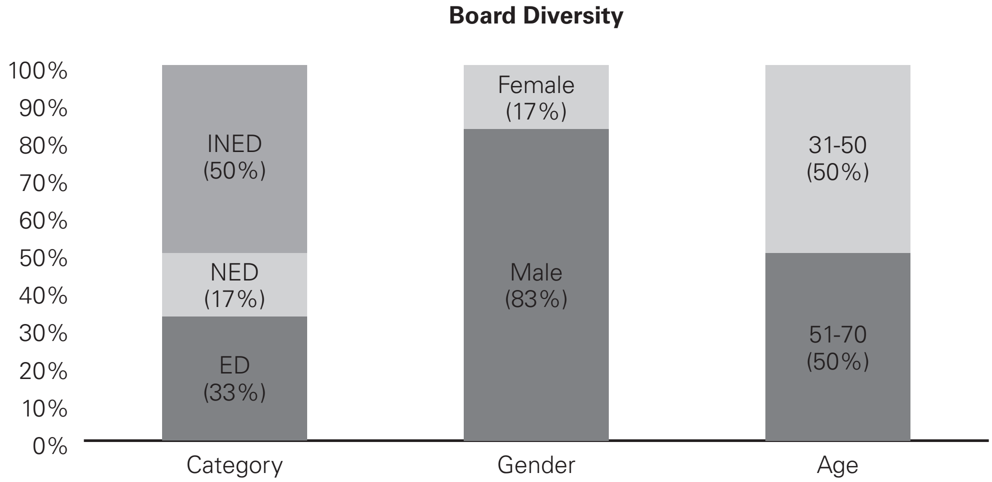
2. at least one Director is female; and

3. at least one Director shall have obtained accounting or other professional qualifications.

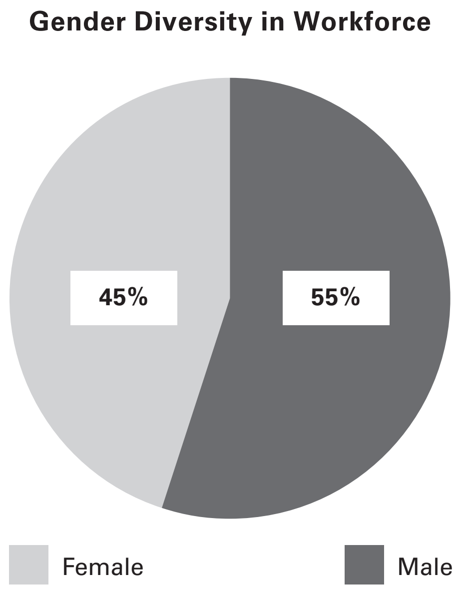
During the year ended 31 December 2023, all the measurable objectives have been fulfilled.

Progress:

The Board and the Nomination Committee believe that the diversity of the Board is sufficient given that there are Directors from different industries and with different experience, skills and knowledge. As at 31 December 2023, the analysis of the Board diversity is set out as follows:



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



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

NOMINATION COMMITTEE

The Company established a Nomination Committee with written terms of reference in compliance with Rule 5.36A and Code Provisions B.3.1 to B.3.4 of Appendix C1 of the GEM Listing Rules.

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

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

During the year of 2023, 2 Nomination Committee meetings were held. The attendance of each member is set out below:

Name of Director	**Attendance/ Number of meetings held**
Mr. Hung Hing Man *(Committee Chairman)*	2/2
Mr. Wong Hoi Kuen	2/2
Dr. Chen Shengrong	2/2

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

- reviewed the Board Diversity Policy;
- reviewed the structure, size and composition of the Board according to the board diversity objectives and the development of the Company and the market situation;
- accessed the independence of independent non-executive Directors;
- made recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer of the Company; and
- reviewed the terms of reference of Nomination Committee.

AUDIT COMMITTEE

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

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

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

During the year of 2023, 4 Audit Committee meetings were held. The attendance of each member is set out below:

Name of Director	**Attendance/ Number of meetings held**
Mr. Hung Hing Man *(Committee Chairman)*	4/4
Mr. Wong Hoi Kuen	4/4
Dr. Chen Shengrong	4/4

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

- reviewed the annual report and the annual results announcement of the Company for the year ended 31 December 2022;
- reviewed the first quarterly report and results announcement of the Company for the three months ended 31 March 2023;
- reviewed the interim report and the interim results announcement of the Company for the six months ended 30 June 2023;
- reviewed the third quarterly report and results announcement of the Company for the nine months ended 30 September 2023;
- reviewed and discussed with the management the risk management and internal control systems of the Group;
- reviewed and discussed with the management the effectiveness of the internal audit of the Company;

- reviewed and discussed with the management the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting functions;
- reviewed the terms of reference of Audit Committee;
- developed and reviewed the code of conduct and the manuals applicable to employees and Directors;
- recommended to the Board, for approval by shareholders of the Company, the re-appointment of auditors of the Company; and
- discussed with the auditors about the audit plan.

FINANCIAL REPORTING

With the assistance of the accounting department and the sufficient explanation and information provided by the management of the Company, the Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 December 2023 and confirm that the financial statements contained herein give a true and fair view of the results and state of affairs of the Group for the year under review. The Directors consider that the financial statements have been prepared in conformity with the statutory requirements including the Hong Kong Companies Ordinances and the Listing Rules and the applicable accounting standards including the International Financial Reporting Standards, Hong Kong Financial Reporting Standards. These statutory requirements and applicable accounting standards have been consistently used and applied and reasonable judgements and estimates are properly made. The Board aims to present a clear and balanced assessments of the Group's performance in the annual, interim and quarterly reports to the shareholders, and make appropriate disclosure and announcements in a timely manner.

The Directors' responsibilities for the consolidated financial statements and the responsibilities of the external auditors to the shareholders are set out on pages 63 and 64.

During the year of 2023, the Board was not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

AUDITORS' REMUNERATION

The Audit Committee is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year ended 31 December 2023, the remuneration paid or payable to the external auditors of the Company, ZHONGHUI ANDA CPA Limited, in respect of the audit and non-audit services were as follows:

Services rendered	**Fees paid/ payable** (HK$'000)
Audit services	1,050
Non-audit services	590

SUFFICIENCY OF PUBLIC FLOAT

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

Our risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

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

Risk management report and internal control report are submitted to the Audit Committee and the Board at least once a year. The Board, through the Audit Committee, had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the GEM Listing Rules.

Risk Management Process

In addition to the Board's oversight responsibilities, the Company has developed a risk management process to identify, evaluate and manage significant risks and to resolve material internal control defects. Senior management of the Group is responsible for the annual risk reporting process. Independent professional advisor meets with members of the senior management to review and assess risks and discuss solutions to address material internal control defects, including any changes relevant to a given year. Risks are compiled, ratings are assigned and mitigation plans are documented. The risk assessment is reviewed by certain members of the senior management and presented to the Audit Committee and the Board for their review.

Risks are evaluated by the Board and the Group's senior management based on (i) the severity of the impact of the risk on the Company's business operation and financial results; and (ii) the probability that the risk will occur.

Based on the risk evaluation, the Company will manage the risks as follows:

- Risk elimination – the Group's senior management may identify and implement certain changes or controls that in effect eliminate the risk entirely.

- Risk mitigation – the Group's senior management may implement a risk mitigation plan designed to reduce the likelihood, velocity or severity of the risk to an acceptable level.

- Risk retention – the Group's senior management may decide that the risk rating is low enough that the risk is acceptable for the Company and that no action is required. The risk would continue to be monitored as part of the risk management program to ensure the level of risk does not increase to an unacceptable level.

Significant Risks of the Company

Certain significant risks identified during the reporting period and the relevant risk mitigation plans are shown as below:

1. Market competition and innovation risk

The Internet and technology industries are highly competitive with rapid product updates and replacements, and the development of AI-related technologies is progressing rapidly. The development of technologies brings evolutional changes to the existing business models and brings in more new players into the market. The existing market competition landscape may face major changes. Therefore, how to promote innovative and sustainable social values through innovation in technology, product and business model is one of the key challenges of the Company.

The Company attaches great importance to innovation and stays on top of the developments of the industry and user needs, keeps up with the technological development through innovation in frontier technology, and constantly improves the Company's products and services. By attracting and cultivating key talents and increasing investment in scientific research, the Company continuously improves its technology and innovation abilities and brings more cutting-edge technological benefits to the Company's business and products. The Company also continuously optimizes its resource allocation, enhances its core products and business, strengthens its product development and technical capabilities, explores innovative business models, develops products that meet the expectations of both domestic and international markets, continuously improves user experience, promotes sustainable and high-quality development of its businesses and increases its market competitiveness. The Company collaborates with its partners to jointly innovate, enhance service capabilities, and support the ecosystem in order to achieve product service growth and continuous iterative innovation, and create value for users and the society.

2. Global macroeconomic risks

The uncertainty of the global economic trend leads to changes in global markets. In the face of global economic changes, the Company adjusts its business development strategy accordingly, actively seeks and expands business development opportunities, and creates value for its shareholders. The Company also continuously improves its operational efficiency to confront uncertainties arising from the external environment.

3. Regulatory and compliance risk

As the Company continuously expands its businesses, the Company must abide by and comply with the relevant applicable laws and regulations in different jurisdictions, including but not limited to laws and regulations relating to privacy and data protection and labour protection and continue to pay attention to changes in industry laws and regulations. In addition, changes in international circumstances may affect the development of global policies and regulations and impact the development of various industries across different regions. The Company has taken practical steps to devote substantial resources in various areas to ensure the Company's compliance with regulatory requirements. The Company has engaged external professional consultants, kept abreast of the changes to relevant laws and regulations, adjusted strategies accordingly, taken appropriate actions or measures, improved internal training and the understanding of the laws and regulations, and enhanced the corresponding management system and policies to ensure that the Company is in compliance with such applicable laws and regulations.

Principal Risks, Internal Control Deficiencies and Remedial Measures Implemented

The management of the Company has reviewed the Company's risk management and internal control system. The review covers the overall management control, sales, receipts and receivables and human resource and payroll and compliance management of the Group. It was identified that for certain projects, budgeted staff cost should be reviewed periodically and performance measurement should be put in place. A timesheet system should be in place for staff to fill in timesheets to calculate their actual time spent on a project, so that the actual staff cost can be complied for performance review and profit analysis. It will also assist the Group to produce more accurate budgets and provide more accurate information for the sales department to set the sale price.

Further, in view of the Audit Qualification and taking into account the reasons for the Audit Qualification set out in the section headed "Details of the basis of the Audit Qualification" in the Management Discussion and Analysis section of this annual report, the Company will only, to the extent possible, be engaged in projects that the Company has the capacity and technical capability to provide the required services and avoid being engaged in subcontract arrangement. For future projects of the Company of over HK$2million, the relevant business unit will be required to have detail planning from the negotiation stage, such as budgeting, manpower analysis, records of correspondence with counter parties and to provide progress reports to the directors of the Company on regular basis.

During 2021 and 2022, the Company had failed to announce the major transactions and advance to entity and to issue circular and seek Shareholders' approval for the major transactions regarding (i) construction contract on investment properties held by a subsidiary (ii) supplement agreements to extend loans; and (iii) lease of property held by a subsidiary as detailed in the announcement of the Company dated 21 October 2022 and the circular dated 15 February 2023. Such constituted a breach of the GEM Listing Rules. The non-compliance was due to the management's misunderstanding and misinterpretation of Chapters 17 and 19 of the GEM Listing Rules and the non-compliance was inadvertent and unintentional.

During the year, the Company has taken the incident seriously and took the following actions to prevent similar events from re-occurring and to ensure the applicable GEM Listing Rules requirements will be complied with going forward:

Remedial Action No.	Remedial Action	Implementation Date/ Timeline
1.	the Company published the Announcement to inform the public of the transactions disclosed therein	21 October 2022
2.	an EGM to be convened for the Shareholders to consider, and if thought fit, rectify the entering into of the Construction Contract, the Supplemental Agreements and the Lease	1 March 2023
3.	the Company will arrange for training for its employees, including the Directors, the senior management, the business operation and finance departments, to strengthen their familiarity with the GEM Listing Rules and enhance their awareness of compliance with the relevant internal control procedures relating to the Group's notifiable transactions and advance to entity	29 March 2023
4.	the Company will provide detailed guidelines relating to notifiable transactions and advance to entity under the GEM Listing Rules for all the Directors as well as senior management in order to strengthen and reinforce their existing knowledge relating to notifiable transactions and advance to entity as well as their ability to identify potential issues at early stage	Implemented
5.	the Company will set up a reporting guideline such that the staff should evaluate the proposed transactions and report to the relevant personnel if the proposed transactions may constitute notifiable transactions and/or advance to entity and/or in case they are in doubt prior to the entering into of those transactions. The relevant personnel shall further assess the proposed transactions and comply with their reporting obligations as well as submit to the Board for approval	Implemented
6.	the Company will seek advice of external professional advisers from time to time with respect to the continual compliance with the GEM Listing Rules prior to entering into any notifiable transactions or advance to entity	N/A
7.	the Company will also implement the above measures at the subsidiary level to ensure prompt reporting of any proposed transaction(s) or event(s) where the transactions may constitute notifiable transactions or advance to entity	Implemented

Save as disclosed above, the Board considers the Group's risk management and internal control systems were effective during the year. The risk management and internal control systems of the Group are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Whistleblowing Policy

The Board adopted a whistleblowing policy (the "Whistleblowing Policy") in June 2022. The purpose of the Whistleblowing Policy is to (i) foster a culture of compliance, ethical behaviour and good corporate governance across the Group; and (ii) promote the importance of ethical behaviour and encourages the reporting of misconduct, unlawful and unethical behavior. The nature, status and the results of the complaints received under the Whistleblowing Policy are reported to the chairman of the Audit Committee of the Group. No incident of fraud or misconduct that have material effect on the Group's financial statements or overall operations for the year ended 31 December 2023 has been discovered. The Whistleblowing Policy is reviewed annually by the Audit Committee to ensure its effectiveness.

Anti-corruption Policy

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

COMPANY SECRETARY

As at 31 December 2023, the Company Secretary of the Company, Ms. Lam Mei Wai Michelle, fulfilled the requirement under Rules 5.14 and 5.15 of the GEM Listing Rules. As an employee of the Company, the Company Secretary supports and reports directly to the Chairman of Board, ensures good information flow within the Board and the board committees while board policies and procedures are followed; advises the Board on governance matters, facilitates induction and monitors the training and continuous professional development of directors. She has attained not less than fifteen hours of relevant professional training during the year. Her biography is set out in the "Biographical Information of Directors and Senior Management" section of this annual report.

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

INSIDE INFORMATION

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

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

DIVIDEND POLICY

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

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

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

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

SHAREHOLDERS' RIGHTS

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

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

During the Year, there was no significant change in the Company's constitutional documents which is available on the websites of the Company and the Stock Exchange.

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

ENQUIRIES TO THE BOARD

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

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

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

Independent Auditor's Report

中汇
ZHONGHUI

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

Qualified Opinion

We have audited the consolidated financial statements of China Information Technology Development Limited (the "Company") and its subsidiaries (collectively refer to as the "Group") set out on pages 65 to 142, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its consolidated financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

The Group entered into technical knowhow license and servicing agreements with two customers to provide technical knowhow and related services with contract sum of United States Dollar ("USD") 87 million and service period of 3 years. During the year ended 31 December 2023, the Group received advances in the form of cryptocurrency amounting to Tether ("USDT") 12,028,000 and Binance USD ("BUSD") 62,000 (equivalent to approximately HK$94,299,000) from these two customers. The Group also engaged a service provider for the development of such technical knowhow and deposited to the service provider in the form of cryptocurrency amounting to USDT12,028,000 and BUSD62,000 (equivalent to approximately HK$94,299,000).

During the year ended 31 December 2023, a certain portion of the services were provided and delivered to the customers. The revenue of USD12,090,000 (equivalent to approximately HK$94,299,000) and costs of USD12,090,000 (equivalent to approximately HK$94,299,000) in the form of cryptocurrency (USDT12,028,000 and BUSD62,000) were recorded on a net basis since management considered the Group is an agency in these transactions.

In November 2023, the management of the Group has decided to terminate these technical knowhow license and servicing agreements.

The Group has not maintained sufficient documentations on the above transactions. We were unable to obtain sufficient appropriate audit evidence or satisfactory management explanations to ascertain the nature of the above transactions. Any adjustment to this figure might have a consequential effect on the consolidated financial performance for the year ended 31 December 2023.

Independent Auditor's Report

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

Key Audit Matters

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

Investment properties

Refer to note 16 to the consolidated financial statements.

The Group measured its investment properties at fair value with the changes in fair value recognised in the consolidated profit or loss. This fair value measurement is significant to our audit because the balance of investment properties of approximately HK$244,259,000 as at 31 December 2023 and change in fair value of investment properties of approximately HK$5,536,000 for the year ended 31 December 2023 are material to the consolidated financial statements. In addition, the Group's fair value measurement involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

– Assessing the competence, independence and integrity of the external valuer engaged by the Group;

– Obtaining the external valuation report and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;

– Checking key assumptions and input data in the valuation model to supporting evidence;

– Checking arithmetical accuracy of the valuation model; and

– Assessing the disclosure of the fair value measurement in the consolidated financial statements.

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

Independent Auditor's Report

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about the revenue and costs (recorded on a net basis) of certain transactions. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

Responsibilities of Directors for the Consolidated Financial Statements

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

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

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

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:
https://www.hkicpa.org.hk/en/Standards-setting/Standards/Our-views/auditre
This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Fong Tak Ching
Audit Engagement Director
Practising Certificate Number P06353
Hong Kong, 25 March 2024

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000 (Restated)
Continuing operations			
REVENUE	6&7	**49,228**	59,324
Cost of sales and services		**(26,660)**	(41,923)
Gross profit		**22,568**	17,401
Bank and other interest income		**2,558**	7,272
Other income and gains	8	**914**	1,555
Selling and distribution expenses		**(8,990)**	(18,206)
Administrative expenses		**(38,979)**	(28,124)
Gain on initial recognition of bond	35	**3,826**	–
Gain on disposal of a subsidiary	40(b)	**7,156**	–
Gain on early settlement of loan receivables		**–**	30
Loss of early redemption of promissory notes		**–**	(2,052)
Equity-settled share-based payment expenses		**(931)**	(1,172)
Fair value gain/(loss) on investments at fair value through profit or loss		**29**	(3,019)
Change in fair value of investment properties		**(5,536)**	(49,393)
Finance costs	9	**(5,589)**	(11,545)
LOSS BEFORE TAX	10	**(22,974)**	(87,253)
Income tax credit	12	**80**	1,388
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(22,894)**	(85,865)
Discontinued operation			
(Loss)/profit for the year from discontinued operation	14	**(1,879)**	253
LOSS FOR THE YEAR		**(24,773)**	(85,612)

Consolidated Statement of Profit or Loss *(Continued)*

For the year ended 31 December 2023

	Note	2023 HK$'000	2022 HK$'000 (Restated)
Attributable to:			
Owners of the Company			
Loss from continuing operations		**(20,876)**	(82,548)
(Loss)/profit from discontinued operation		**(1,879)**	253
Loss attributable to owners of the Company		**(22,755)**	(82,295)
Non-controlling interests			
Loss from continuing operations		**(2,018)**	(3,317)
(Loss)/profit from discontinued operation		**–**	–
Loss attributable to non-controlling interests		**(2,018)**	(3,317)
		(24,773)	(85,612)
(LOSS)/EARNINGS PER SHARE	*15*		
From continuing and discontinued operations			
– basic		**HK(38.6) cents**	HK(170.5) cents
– diluted		**HK(38.6) cents**	HK(170.5) cents
From continuing operations			
– basic		**HK(35.4) cents**	HK(171.0) cents
– diluted		**HK(35.4) cents**	HK(171.0) cents
From discontinued operation			
– basic		**HK(3.2) cents**	HK0.5 cents
– diluted		**HK(3.2) cents**	HK0.5 cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
LOSS FOR THE YEAR	**(24,773)**	(85,612)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**(5,377)**	(20,379)
Exchange differences reclassified to profit or loss on disposal of subsidiaries	**(385)**	–
Items that will not be reclassified to profit or loss:		
Change in fair value of equity investments at fair value through other comprehensive income	**(6,953)**	2,724
Income tax on items that will not be reclassified to profit or loss	**–**	(837)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX	**(12,715)**	(18,492)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(37,488)**	(104,104)
Attributable to:		
Owners of the Company	**(35,499)**	(100,871)
Non-controlling interests	**(1,989)**	(3,233)
	(37,488)	(104,104)

Consolidated Statement of Financial Position

At 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS			
Investment properties	*16*	**244,259**	256,671
Property, plant and equipment	*17*	**1,052**	1,185
Goodwill	*18*	**6,504**	6,504
Right-of-use assets	*19*	**2,938**	4,886
Other intangible assets	*20*	**2,555**	3,861
Equity investments at fair value through other comprehensive income	*21*	**10,900**	43,025
Prepayments, deposits and other receivables	*22*	**1,202**	11,062
Deferred tax assets	*23*	**5,522**	5,456
Total non-current assets		**274,932**	332,650
CURRENT ASSETS			
Inventories	*24*	**121**	55
Trade receivables	*25*	**15,584**	18,398
Prepayments, deposits and other receivables	*22*	**47,094**	11,754
Loan receivables	*26*	**–**	90,644
Investments at fair value through profit or loss	*27*	**558**	1,394
Current tax assets		**–**	12
Bank and cash balances	*28*	**11,595**	13,877
Total current assets		**74,952**	136,134
CURRENT LIABILITIES			
Trade payables	*29*	**3,455**	10,302
Contract liabilities	*30*	**1,566**	10,752
Other payables and accruals	*31*	**15,825**	13,510
Bank and other loans	*32*	**43,498**	54,035
Promissory note payables	*33*	**–**	66,288
Lease liabilities	*34*	**2,219**	2,233
Total current liabilities		**66,563**	157,120
NET CURRENT ASSETS/(LIABILITIES)		**8,389**	(20,986)
TOTAL ASSETS LESS CURRENT LIABILITIES		**283,321**	311,664

Consolidated Statement of Financial Position *(Continued)*

At 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
NON-CURRENT LIABILITIES			
Bonds	*35*	**4,547**	–
Lease liabilities	*34*	**811**	2,691
Loan from a shareholder	*36*	**–**	3,323
Bank and other loans	*32*	**16,988**	13,314
Amount due to a director	*37*	**–**	700
Deferred tax liabilities	*23*	**35**	4,895
Contract liabilities	*30*	**–**	10,550
Total non-current liabilities		**22,381**	35,473
NET ASSETS		**260,940**	276,191
CAPITAL AND RESERVES			
Share capital	*38*	**6,177**	5,147
Reserves	*42*	**264,582**	278,874
Equity attributable to owners of the Company		**270,759**	284,021
Non-controlling interests		**(9,819)**	(7,830)
TOTAL EQUITY		**260,940**	276,191

Approved by the Board of Directors on 25 March 2024

Wong King Shiu, Daniel
Director

Chang Ki Sum, Clark
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Notes	Attributable to owners of the Company							Non-controlling interests HK$'000	Total equity HK$'000
		Share Capital HK$'000	Share premium account HK$'000 *(note 42(a)(i))*	Share-based payment reserve HK$'000 *(note 42(a)(iii))*	Foreign currency translation reserve HK$'000 *(note 42(a)(ii))*	Investment revaluation reserve HK$'000 *(note 42(a)(iv))*	Retained earnings HK$'000	Total HK$'000		
At 1 January 2022		3,431	135,041*	2,892*	12,856*	15,421*	189,218*	358,859	(4,597)	354,262
Loss for the year		–	–	–	–	–	(82,295)	(82,295)	(3,317)	(85,612)
Other comprehensive (loss)/income for the year:										
– Exchange differences on translation of foreign operations		–	–	–	(20,463)	–	–	(20,463)	84	(20,379)
– Change in fair value of equity investments at fair value through other comprehensive income		–	–	–	–	2,724	–	2,724	–	2,724
– Income tax on items that will not be reclassified to profit or loss		–	–	–	–	(837)	–	(837)	–	(837)
Total comprehensive (loss)/income for the year		–	–	–	(20,463)	1,887	(82,295)	(100,871)	(3,233)	(104,104)
Issue of shares under rights issue (net of expenses on issue of shares)	38	1,716	23,145	–	–	–	–	24,861	–	24,861
Equity-settled share-based payment	39	–	–	1,172	–	–	–	1,172	–	1,172
At 31 December 2022 and 1 January 2023		**5,147**	**158,186***	**4,064***	**(7,607)***	**17,308***	**106,923***	**284,021**	**(7,830)**	**276,191**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**(22,755)**	**(22,755)**	**(2,018)**	**(24,773)**
Other comprehensive (loss)/income for the year:										
– Exchange differences reclassified to profit or loss on disposal of subsidiaries		**–**	**–**	**–**	**(385)**	**–**	**–**	**(385)**	**–**	**(385)**
– Exchange differences on translation of foreign operations		**–**	**–**	**–**	**(5,406)**	**–**	**–**	**(5,406)**	**29**	**(5,377)**
– Change in fair value of equity investments at fair value through other comprehensive income		**–**	**–**	**–**	**–**	**(6,953)**	**–**	**(6,953)**	**–**	**(6,953)**
Total comprehensive loss for the year		**–**	**–**	**–**	**(5,791)**	**(6,953)**	**(22,755)**	**(35,499)**	**(1,989)**	**(37,488)**
Disposal of subsidiaries		**–**	**–**	**–**	**–**	**(13,457)**	**13,457**	**–**	**–**	**–**
Issue of shares under placing, net of shares issue costs	38	**765**	**13,540**	**–**	**–**	**–**	**–**	**14,305**	**–**	**14,305**
Issue of shares under share swap	38	**265**	**6,736**	**–**	**–**	**–**	**–**	**7,001**	**–**	**7,001**
Lapsed of share options		**–**	**–**	**(181)**	**–**	**–**	**181**	**–**	**–**	**–**
Equity-settled share-based payment	39	**–**	**–**	**931**	**–**	**–**	**–**	**931**	**–**	**931**
At 31 December 2023		**6,177**	**178,462***	**4,814***	**(13,398)***	**(3,102)***	**97,806***	**270,759**	**(9,819)**	**260,940**

Note:

* These reserve accounts comprise the consolidated reserve of approximately HK$264,582,000 (2022: approximately HK$278,874,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	2023 HK$'000	2022 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax from continuing operations	**(22,974)**	(87,253)
(Loss)/profit before tax from discontinued operation	**(1,604)**	261
Loss before tax	**(24,578)**	(86,992)
Adjustments for:		
Equity-settled share-base payment expenses	**931**	1,172
Finance costs	**5,592**	11,548
Bank and other interest income	**(2,563)**	(7,272)
Change in fair value of investment properties	**5,536**	49,393
Fair value (gain)/loss on investments at fair value through profit or loss	**(29)**	3,019
Dividends received from investments at fair value through profit or loss	**–**	(15)
Depreciation of property, plant and equipment	**746**	1,454
Depreciation of right-of-use assets	**2,454**	2,541
Amortisation of other intangible assets	**866**	866
Gain on early settlement of loan receivables	**–**	(30)
Loss on early redemption of promissory notes	**–**	2,052
Written off of property, plant and equipment	**13**	–
Gain on disposal of property, plant and equipment	**(80)**	–
Gain on initial recognition of bond	**(3,826)**	–
Gain on disposal of a subsidiary	**(7,156)**	–
Loss on disposal of discontinued operation	**4,308**	–
Operating loss before working capital change	**(17,786)**	(22,264)
Change in inventories	**(66)**	1,222
Change in trade receivables	**2,814**	(4,369)
Change in loan receivables	**1,746**	2,983
Change in prepayments, deposits and other receivables	**20,304**	(1,670)
Change in investments at fair value through profit or loss	**865**	13,263
Change in trade payables	**(6,847)**	3,906
Change in other payables and accruals	**1,560**	(14,605)
Change in contract liabilities	**(19,736)**	16,961
Cash used in from operations	**(17,146)**	(4,573)
Tax paid	**(14)**	(119)
Loan interest paid	**(2,237)**	(2,205)
Net cash used in operating activities	**(19,397)**	(6,897)

	2023 HK$'000	2022 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(638)**	(54)
Proceeds from disposal of property, plant and equipment	**80**	–
Payments for construction works of investment properties	**–**	(52,494)
Repayment of loan receivables	**–**	830
Bank interest received	**31**	11
Dividends received from investments at fair value through profit or loss	**–**	15
Proceeds of disposal of subsidiaries	**6,556**	–
Net cash generated from/(used in) investing activities	**6,029**	(51,692)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance from independent third parties	**4,247**	13,094
Repayment of lease liabilities	**(2,400)**	(2,633)
Lease interest paid	**(208)**	(160)
Proceeds from issue of shares (net of expenses on issue of shares)	**14,305**	24,861
Proceeds from issue of bond	**8,252**	–
Repayment of promissory notes	**–**	(11,000)
Repayment of amount advance from a director	**(700)**	(676)
Repayment of amount advance from a shareholder	**(3,000)**	–
Bank loan raised	**–**	56,536
Repayment of bank and other loans	**(9,049)**	(14,418)
Net cash generated from financing activities	**11,447**	65,604
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(1,921)**	7,015
Cash and cash equivalents at beginning of year	**13,877**	6,714
Effect of foreign exchange rate changes	**(361)**	148
CASH AND CASH EQUIVALENTS AT END OF YEAR	**11,595**	13,877
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances other than time deposits	**11,595**	13,877

1. GENERAL INFORMATION

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

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

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 43 to the consolidated financial statements.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current and prior years.

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

3. MATERIAL ACCOUNTING POLICIES

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

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

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors of the Company to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note 4 to these consolidated financial statements.

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

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

Consolidation

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

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

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

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

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

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

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

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

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Business combination and goodwill

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

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

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

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

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

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

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Discontinued operations

A discontinued operation is a component of the Group, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss and other comprehensive income, which comprises:

– The post-tax profit or loss of the discontinued operation; and

– The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

Foreign currency translation

(a) Functional and presentation currency

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

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

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

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

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

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

(c) Translation on consolidation

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

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

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

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

Investment properties

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

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

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

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

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

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

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

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

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

Leases

The Group as lessor

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

The Group as lessee

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

Land and buildings	Over the lease term of 1 year to 3 years

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as lessee *(Continued)*

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

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

Intangible assets

Customer relationships

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

Money lending license

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

Inventories

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

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Recognition and derecognition of financial instruments

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

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

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

Financial assets

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

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

— Financial assets at amortised cost;

— Equity investments at fair value through other comprehensive income; and

— Investments at fair value through profit or loss.

(i) Financial assets at amortised cost

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

— the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

— the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

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

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

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

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

(iii) Investments at fair value through profit or loss

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

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

Loss allowances for expected credit losses

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

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

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

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Loss allowances for expected credit losses *(Continued)*

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

Cash and cash equivalents

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

Financial liabilities and equity instruments

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

Borrowings, promissory note and bonds

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

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

Trade and other payables

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

Equity instruments

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

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers

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

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

— the customer simultaneously receives and consumes the benefits provided by the Group's performance;

— the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

— the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

Other revenue

Interest income is recognised using the effective interest method.

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

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

Government grants

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

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Employee benefits

(a) Employee leave entitlements

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

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

(b) Pension obligations

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

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

(c) Termination benefits

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

Share-based payments

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

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

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

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

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

Borrowing costs

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

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

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

Taxation

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

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

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

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

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

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

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

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

Segment reporting

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

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

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Related parties

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

(a) A person or a close member of that person's family is related to the Group if that person:

 (i) has control or joint control over the Group;

 (ii) has significant influence over the Group; or

 (iii) is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Group if any of the following conditions applies:

 (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

 (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

 (iii) Both entities are joint ventures of the same third party.

 (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

 (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

 (vi) The entity is controlled or jointly controlled by a person identified in (a).

 (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

 (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Impairment of assets

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

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

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

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

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

Provisions and contingent liabilities

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

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

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Events after the reporting period

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

4. KEY ESTIMATES AND CRITICAL JUDGEMENTS

Key sources of estimation uncertainty

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

(a) Fair values of investment properties

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

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

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

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

Key sources of estimation uncertainty *(Continued)*

(c) Fair value of equity investments at fair value through other comprehensive income

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

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

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

(e) Income taxes

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

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

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

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

Key sources of estimation uncertainty *(Continued)*

(g) Impairment of goodwill

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

(h) Deferred tax assets

As at 31 December 2023, a deferred tax asset of approximately HK$5,910,000 (2022: approximately HK$5,973,000) in relation to unused tax losses has been recognised in the consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of approximately HK$190,418,000 (2022: approximately HK$163,163,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Critical judgements in applying accounting policies

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

Deferred tax for investment properties

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

5. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

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

(b) Price risk

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

At 31 December 2023, if the share prices of the investments at fair value through profit or loss increase/decrease by 10%, loss after tax for the year would have been approximately HK$47,000 (2022: approximately HK$116,000) lower/higher, arising as a result of the fair value gain/loss of the investments. If the share process of the equity investments at fair value through other comprehensive income increase/decrease by 10%, other comprehensive loss for the year would have been approximately HK$85,000 lower/higher, arising as a result of the fair value gain/loss of the investments.

(c) Credit risk

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

The Group has no significant concentrations of credit risk.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

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

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

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

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

— internal credit rating;

— actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

— actual or expected significant changes in the operating results of the borrower;

— significant increases in credit risk on other financial instruments of the same borrower;

— significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and

— significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

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

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

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

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

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

(d) Liquidity risk

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

	Less than 1 year HK$'000	**Between 1 and 2 years HK$'000**	**Between 2 and 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
At 31 December 2023					
Trade payables	**3,455**	**–**	**–**	**–**	**3,455**
Other payables and accruals	**15,257**	**–**	**–**	**–**	**15,257**
Bank and other loans	**43,498**	**11,817**	**8,992**	**–**	**64,307**
Lease liabilities	**2,322**	**822**	**–**	**–**	**3,144**
Bonds	**–**	**–**	**–**	**24,750**	**24,750**
	64,532	**12,639**	**8,992**	**24,750**	**110,913**
At 31 December 2022					
Trade payables	10,302	—	—	—	10,302
Other payables and accruals	13,042	—	—	—	13,042
Bank and other loans	54,035	9,701	5,973	—	69,709
Promissory note payables	71,889	—	—	—	71,889
Lease liabilities	2,435	1,977	821	—	5,233
Loan from a shareholder	—	3,413	—	—	3,413
Amount due to a director	—	700	—	—	700
	151,703	15,791	6,794	—	174,288

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Interest rate risk

At 31 December 2023, the Group's other loan of approximately HK$5,209,000 (2022: approximately HK$4,503,000), loan from a shareholder of nil (2022: approximately HK$3,323,000), promissory note payables of nil (2022: approximately HK$66,288,000) and bonds of approximately HK$4,547,000 bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

At 31 December 2023, the Group's exposure to interest-rate risk arises from its bank balances of approximately HK$11,595,000 (2022: approximately HK$13,870,000) and bank loan of approximately HK$43,460,000 (2022: approximately HK$53,144,000). These bank balances and bank loan bear interests at variable rates varied with the then prevailing market condition.

At 31 December 2023, if interest rates at that date had been 50 basis points lower with all other variables held constant, the Group's loss after tax for the year would have been approximately HK$215,000 (2022: approximately HK$260,000) lower (2022: lower), arising mainly as a result of lower interest expenses on bank loans. If interest rates had been 50 basis points higher, with all other variables held constant, the Group's loss after tax for the year would have been approximately HK$159,000 (2022: approximately HK$196,000) higher (2022: higher), arising mainly as a result of higher interest expenses on bank loans.

(f) Categories of financial instruments

	2023 **HK$'000**	2022 HK$'000
Financial assets:		
Equity investments at fair value through other comprehensive income	**10,900**	43,025
Investments at fair value through profit or loss — Mandatorily measured	**558**	1,394
Financial assets at amortised cost (including bank and cash balances)	**74,631**	126,977
Financial liabilities:		
Financial liabilities at amortised costs	**83,745**	161,004

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(g) Fair values

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

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

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

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

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

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

(a) Disclosures of level in fair value hierarchy

	Fair value measurements using:			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
At 31 December 2023				
Recurring fair value measurements:				
Investments at fair value through profit or loss				
— Listed equity securities in Hong Kong	**55**	**–**	**–**	**55**
— Listed equity securities outside Hong Kong	**503**	**–**	**–**	**503**
Equity investments at fair value through other comprehensive income				
— Listed equity securities outside Hong Kong	**1,023**	**–**	**–**	**1,023**
— Private equity investment	**–**	**–**	**9,877**	**9,877**
Investment properties Commercial — PRC	**–**	**–**	**244,259**	**244,259**
Total recurring fair value measurement	**1,581**	**–**	**254,136**	**255,717**

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(g) Fair values *(Continued)*

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

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

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

At 31 December 2023

Description	**Equity investments at fair value through other comprehensive income HK$'000**	**Investment properties HK$'000**	**Total HK$'000**
At beginning of year	**43,025**	**256,671**	**299,696**
Total losses recognised in			
— consolidated profit or loss#	**–**	**(5,536)**	**(5,536)**
— other comprehensive income	**(975)**	**–**	**(975)**
Disposals of subsidiaries *(note 40(b))*	**(32,311)**	**–**	**(32,311)**
Exchange realignment	**138**	**(6,876)**	**(6,738)**
At end of year	**9,877**	**244,259**	**254,136**
# Include gains or losses for assets held at end of reporting period	**–**	**(5,536)**	**(5,536)**

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(g) Fair values *(Continued)*

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

At 31 December 2022

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

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

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

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

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

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(g) Fair values *(Continued)*

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

As at 31 December 2023

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value HK$'000
Investment properties	Direct income approach	Monthly rental income	RMB40-122 per square meter	Increase	244,259
		Monthly market rent	RMB102 per square meter	Increase	
		Term yield rate	3.25%	Decrease	
		Reversionary yield rate	3.50%	Decrease	
Private equity investments classified as equity investments at fair value through other comprehensive income	Discounted cash flow	Weighted average cost of capital	13.11%	Decrease	9,877
		Discount for lack of marketability	20.5%	Decrease	

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(g) Fair values *(Continued)*

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

At 31 December 2022

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value HK$'000
Investment properties	Direct income approach	Monthly rental income	RMB72-122 per square meter	Increase	256,671
		Monthly market rent	RMB89 per square meter	Increase	
		Term yield rate	3.00%	Decrease	
		Reversionary yield rate	3.25%	Decrease	
Private equity investments classified as equity 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	

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

6. 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 (discontinued operation);

— Securities trading ("Securities investments"); and

— rental of properties.

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

The accounting policies of the operating segments are the same as those described in note 3 to the consolidated financial statements. Segment profits or losses do not include bank and other interest income, finance costs as well as head office and corporate expenses. Segment assets do not include other unallocated head office and corporate assets. Segment liabilities do not include other loans, current tax liabilities and other unallocated head office and corporate liabilities.

	Continuing operations								Discontinued operation			
	IT solutions and maintenance		Securities investments		Rental of properties		Total		Money lending		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	HK$'000	**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	**38,043**	48,066	**–**	–	**11,185**	11,258	**49,228**	59,324	**2,860**	3,633	**52,088**	62,957
Segment (loss)/profit	**(13,762)**	(31,595)	**1**	(3,131)	**4,560**	(40,904)	**(9,201)**	(75,630)	**(1,606)**	264	**(10,807)**	(75,366)
Reconciliation:												
Bank and other interest income							**2,558**	7,272	**5**	–	**2,563**	7,272
Corporate and other unallocated expenses and gains							**(10,742)**	(7,350)	**–**	–	**(10,742)**	(7,350)
Finance costs							**(5,589)**	(11,545)	**(3)**	(3)	**(5,592)**	(11,548)
(Loss)/profit before tax							**(22,974)**	(87,253)	**(1,604)**	261	**(24,578)**	(86,992)

6. OPERATING SEGMENT INFORMATION *(Continued)*

	Continuing operations								Discontinued operation			
	IT solutions and maintenance		Securities investments		Rental of properties		Total		Money lending		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets:	**44,226**	134,124	**615**	1,454	**258,152**	269,002	**302,993**	404,580	**–**	31,610	**302,993**	436,190
Reconciliation:												
Corporate and other unallocated assets											**46,891**	32,594
Total assets											**349,884**	468,784
Segment liabilities:	**(21,750)**	(114,864)	**(38)**	(891)	**(52,571)**	(59,927)	**(74,359)**	(175,682)	**–**	(113)	**(74,359)**	(175,795)
Reconciliation:												
Corporate and other unallocated liabilities											**(14,585)**	(16,798)
Total liabilities											**(88,944)**	(192,593)
Other segment information:												
Depreciation on:												
Segment assets	**982**	1,240	**–**	–	**3**	1	**985**	1,241	**112**	125	**1,097**	1,366
Corporate and other unallocated assets											**2,103**	2,629
											3,200	3,995
Amortisation of other intangible assets on:												
Segment assets	**866**	866	**–**	–	**–**	–	**866**	866	**–**	–	**866**	866
Income tax credit/(charge)							**80**	1,388	**(275)**	(8)	**(195)**	1,380
Capital expenditure on:												
Segment assets	**50**	38	**–**	–	**–**	52,504	**50**	52,542	**–**	–	**50**	52,542
Corporate and other unallocated assets											**588**	6
											638	52,548

6. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

	Revenue		Non-current assets	
	2023	2022	**2023**	2022
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000
Hong Kong	**38,800**	51,531	**12,870**	25,913
PRC except Hong Kong	**13,288**	11,426	**245,053**	257,669
	52,088	62,957	**257,923**	283,582
Discontinued operation	**(2,860)**	(3,633)	**–**	–
Consolidated total	**49,228**	59,324	**257,923**	283,582

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

Information about major customers

The Group had transaction with one (2022: one) external customer of the rental properties segment and no (2022: two) external customer of the IT solution and maintenance segment during the year ended 31 December 2023 who contributed over 10% of the Group's total revenue for the year. A summary of revenue earned from each of these major external customers is set out below:

	2023	2022
	HK$'000	HK$'000
Customer 1	**11,185**	11,258
Customer 2	**N/A**	11,738
Customer 3	**N/A**	9,718

7. REVENUE

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

7. REVENUE *(Continued)*

	2023 **HK$'000**	2022 HK$'000
Sale of computer hardware and software	**17,324**	14,728
Provision of technical support and maintenance services	**20,719**	33,338
Provision of property management services	**5,532**	5,329
Revenue from contracts with customers	**43,575**	53,395
Rental income	**5,653**	5,929
Loan interest income	**2,860**	3,633
Total revenue	**52,088**	62,957
Representing:		
Continuing operations	**49,228**	59,324
Discontinued operation *(note 14)*	**2,860**	3,633
	52,088	62,957

Disaggregation of revenue from contracts with customers:

	2023 **HK$'000**	2022 HK$'000
Geographical markets		
Hong Kong	**35,940**	47,898
PRC except Hong Kong	**7,635**	5,497
Total	**43,575**	53,395
Major products/services		
Sale of computer hardware and software	**17,324**	14,728
Provision of technical support and maintenance services	**20,719**	33,338
Provision of property management services	**5,532**	5,329
Total	**43,575**	53,395
Timing of revenue recognition		
At a point in time	**17,324**	14,728
Over time	**26,251**	38,667
Total	**43,575**	53,395

7. REVENUE *(Continued)*

Sale of computer hardware and software

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

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

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

Provision of services

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

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

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

Provision of property management services

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

8. OTHER INCOME AND GAINS

	Notes	2023 HK$'000	2022 HK$'000
Dividend income		—	15
Government grant	(i)	—	759
Gain on disposal of property, plant and equipment		**80**	—
Income from agency services	(ii)	—	—
Others		**834**	781
		914	1,555
Representing:			
Continuing operations		**914**	1,555
Discontinued operation		–	–
		914	1,555

Notes:

(i) During the year, the Group received government grants of nil (2022: HK$759,000) under the Employment Support Scheme provided by the Hong Kong government.

(ii) During the year, the Group provided agency services in relation to technical knowhow services to certain customers. The revenue of approximately USD12,090,000 (equivalent to approximately HK$94,299,000) and costs of approximately USD12,090,000 (equivalent to approximately HK$94,299,000) in the form of cryptocurrency (USDT12,028,000 and BUSD62,000) were recorded on a net basis.

9. FINANCE COSTS

An analysis of finance costs is as follows:

	2023	2022
	HK$'000	HK$'000
Interest on other loans	**581**	344
Interest on bank loans	**1,883**	2,241
Interest on bonds	**121**	—
Lease interest	**208**	160
Imputed interest on promissory notes	**2,799**	8,803
	5,592	11,548
Representing:		
Continuing operations	**5,589**	11,545
Discontinued operation *(note 14)*	**3**	3
	5,592	11,548

10. LOSS BEFORE TAX

The Group's loss before tax from continuing operations is arrived at after charging:

	2023	2022
	HK$'000	HK$'000
		(Restated)
Cost of inventories sold	**21,391**	38,842
Cost of services provided	**5,269**	3,081
Depreciation of property, plant and equipment	**746**	1,453
Depreciation of right-of-use assets	**2,342**	2,417
Amortisation of other intangible assets	**866**	866
Expenses related to short-term leases	**506**	608
Auditors' remuneration	**1,050**	850
Employee benefit expense (including directors' remuneration — note 11):		
Salaries, allowances and benefits in kind	**19,518**	19,024
Pension schemes contribution	**1,295**	1,287
Equity-settled share-based payment expenses	**931**	1,100
	21,744	21,411
Equity-settled share-based payment to consultants	**—**	72
Foreign exchange differences, net	**241**	556
Research and development expenses	**8,256**	17,224

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

(a) Directors' emoluments

	Note	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension schemes contribution HK$'000	Equity-settled share-based payment HK$'000	Remuneration paid or receivable in respect of accepting office as director (Note (ii)) HK$'000	As management (Note (iii)) HK$'000	Total HK$'000
Year ended 31 December 2023								
Executive directors:								
Mr. Wong King Shiu, Daniel		160	840	18	165	–	–	1,183
Mr. Chang Ki Sum, Clark		160	500	18	166	–	–	844
		320	1,340	36	331	–	–	2,027
Independent non-executive directors:								
Dr. Chen Shengrong		160	–	–	–	–	–	160
Mr. Hung Hing Man		160	–	–	–	–	–	160
Mr. Wong Hoi Kuen		160	–	–	–	–	–	160
		480	–	–	–	–	–	480
Non-executive director:								
Hon Li Sai Wing, *JP, MH*	*(i)*	240	–	–	122	–	–	362
Total		1,040	1,340	36	453	–	–	2,869

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

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

Note:

(i) Appointed on 26 October 2022.

(ii) The amounts represented emoluments paid or receivable in respect of a person's services as a director, whether of the Company.

(iii) The amounts represented emoluments paid or receivable in respect of a person's other services in connection with the management of the affairs of the Company and included salaries, discretionary bonuses, employer's contributions to retirement benefit schemes and housing allowance.

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

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

The five highest paid individuals in the Group during the year included two (2022: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2022: three) individuals are set out below:

	2023	2022
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,328**	2,201
Pension schemes contribution	**36**	36
Equity settled share-based payment	**43**	—
	2,407	2,237

Their emoluments were within the following band:

	Number of individuals	
	2023	2022
Nil — HK$1,000,000	**3**	3

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

12. INCOME TAX CREDIT

	2023	2022
	HK$'000	HK$'000
Current tax — Hong Kong	**275**	8
Deferred tax credit *(note 23)*	**(80)**	(1,388)
	195	(1,380)
Representing:		
Continuing operations	**(80)**	(1,388)
Discontinued operation *(note 14)*	**275**	8
	195	(1,380)

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the year ended 31 December 2023 (2022: 16.5%).

12. INCOME TAX CREDIT *(Continued)*

No provision for PRC corporate income tax was required since the Group had no assessable profit for the year ended 31 December 2023 and 31 December 2022.

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

	2023 **HK$'000**	2022 HK$'000 (Restated)
Loss before tax from continuing operations	**(22,974)**	(87,253)
Tax calculated at domestic tax rates applicable to profit or loss in the respective countries	**(3,851)**	(18,875)
Tax effect of income that is not taxable	**(5,049)**	(189)
Tax effect of expenses that are not deductible	**5,075**	13,478
Tax effect of temporary differences not recognised	**(2,769)**	(1,334)
Tax effect of tax losses not recognised	**6,520**	5,578
Tax effect of utilisation of tax losses not previously recognised	**(6)**	(46)
Tax credit for the year	**(80)**	(1,388)

13. DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the years ended 31 December 2023 and 2022.

14. DISCONTINUED OPERATION

The Group's discontinued operation for the year ended 31 December 2023 represented the money lending segment operated by Rosy Time Investments Limited and Value Creation Finance Limited (collectively referred to as the "Rosy Time Group").

Pursuant to an agreement dated 15 November 2023 entered into between the Company and an independent third party (the "Purchaser"), the Company disposed of 100% interest in a wholly-owned subsidiaries, Rosy Time Investments Limited ("Rosy Time") at a consideration of HK$24,500,000 ("Transaction"). Rosy Time held 100% interest in Value Creation Finance Limited, which was engaged in the money lending business during the year. The Transaction was completed on 20 November 2023 and the Group ceased its money lending business.

The respective (loss)/profit for the years ended 31 December 2023 and 2022 from Rosy Time Group is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated as the discontinued operation.

14. DISCONTINUED OPERATION *(Continued)*

(a) The (loss)/profit for the year from the discontinued operation is analysed as follows:

	2023 **HK$'000**	2022 HK$'000
Profit of discontinued operation	**2,429**	253
Loss on disposal of discontinued operation *(note 40(a))*	**(4,308)**	–
	(1,879)	253

The results of the discontinued operation for the period from 1 January 2023 to 20 November 2023, which have been included in the consolidated statement of profit or loss, are as follows:

	Period from 1 January 2023 to 20 November 2023 **HK$'000**	Year ended 31 December 2022 HK$'000
Interest revenue	**2,860**	3,633
Bank and other interest income	**5**	–
Administrative expenses	**(158)**	(3,369)
Finance costs	**(3)**	(3)
Profit before tax	**2,704**	261
Income tax expense	**(275)**	(8)
Profit for the year	**2,429**	253
Loss on disposal of discontinued operation *(note 40(a))*	**(4,308)**	–
(Loss)/profit for the year from discontinued operation	**(1,879)**	253

During the year, the Rosy Time Group received approximately HK$960,000 (2022: approximately HK$5,264,000) in respect of operating activities, no payment (2022: no payment) in respect of investing activities and paid approximately HK$1,643,000 (2022: approximately HK$7,482,000) in respect of financing activities.

No tax charge or credit arose on loss on disposal of the discontinued operation.

(b) Profit before tax from discontinued operation

The Group's profit before tax from discontinued operation is arrived at after charging:

	2023 **HK$'000**	2022 HK$'000
Depreciation of property, plant and equipment	**–**	1
Depreciation of right-of-use assets	**112**	124
Expenses related to short-term leases	**3**	–

15. (LOSS)/EARNINGS PER SHARE

a) From continuing and discontinued operations

Basic loss per share

The calculation of basic loss (2022: loss) per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$22,755,000 (2022: loss of approximately HK$82,295,000) and the weighted average number of ordinary shares of 59,047,916 (2022: 48,266,268) in issue during the year.

Diluted loss per share

The diluted loss per share is the same as the basic loss per share as the computation of diluted loss per share does not assume the exercise of the Company's share options since their exercise would result in an anti-dilutive effect on loss per share for the years ended 31 December 2023 and 2022.

b) From continuing operations

Basic loss per share

The calculation of basic loss (2022: loss) per share from continuing operations attributable to owners of the Company is based on the loss for the year from continuing operations attributable to owners of the Company of approximately HK$20,876,000 (2022: loss of approximately HK$82,548,000) and the denominator used is the same as that detailed above for basic loss per share.

Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the year ended 31 December 2023 and 2022.

c) From discontinued operation

Basic (loss)/earnings per share

Basic loss (2022: earnings) per share from the discontinued operation is HK3.2 cents per share (2022: HK0.5 cents per share) and diluted loss per share from the discontinued operation is HK3.2 cents per share, based on the loss for the year from discontinued operation attributable to the owners of the Company of approximately HK$1,879,000 (2022: profit of approximately HK$253,000) and the denominators used are the same as those detailed above for both basic and diluted (loss)/earnings per share.

Diluted (loss)/earnings per share

The effects of all potential ordinary shares are anti-dilutive for the year ended 31 December 2023 and 2022.

16. INVESTMENT PROPERTIES

	2023	2022
	HK$'000	HK$'000
At 1 January	**256,671**	273,607
Additions	**—**	52,494
Fair value loss	**(5,536)**	(49,393)
Exchange differences	**(6,876)**	(20,037)
At 31 December	**244,259**	256,671

Investment properties were revalued at 31 December 2023 by direct income approach (2022: direct income approach) by Roma Appraisals Limited, an independent firm of chartered surveyors.

At 31 December 2023, the carrying amount of investment properties of approximately HK$244,259,000 (2022: approximately HK$256,671,000) pledged as security for the Group's bank loans amounted to approximately HK$43,460,000 (2022: approximately HK$53,144,000).

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

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

	2023	2022
	HK$'000	HK$'000
Less than 1 year	**5,196**	5,184
Between 1 and 2 years	**5,352**	5,339
Between 2 and 3 years	**5,512**	5,500
Between 3 and 4 years	**5,677**	5,665
Between 4 and 5 years	**5,848**	5,835
Over 5 years	**86,878**	95,292
	114,463	122,815

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST:				
At 1 January 2022	2,364	2,972	3,499	8,835
Exchange realignment	–	(70)	(36)	(106)
Additions	–	54	–	54
At 31 December 2022 and 1 January 2023	**2,364**	**2,956**	**3,463**	**8,783**
Exchange realignment	**–**	**(23)**	**(11)**	**(34)**
Additions	**–**	**63**	**575**	**638**
Disposal/written off	**–**	**(22)**	**(743)**	**(765)**
Disposal of subsidiaries *(note 40(a) and (b))*	**(78)**	**(305)**	**–**	**(383)**
At 31 December 2023	**2,286**	**2,669**	**3,284**	**8,239**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS:				
At 1 January 2022	1,546	1,866	2,805	6,217
Exchange realignment	–	(40)	(33)	(73)
Provided during the year	449	547	458	1,454
At 31 December 2022 and 1 January 2023	**1,995**	**2,373**	**3,230**	**7,598**
Exchange realignment	**–**	**(17)**	**(10)**	**(27)**
Provided during the year	**221**	**286**	**239**	**746**
Disposal/written off	**–**	**(9)**	**(743)**	**(752)**
Disposal of subsidiaries *(note 40(a) and (b))*	**(78)**	**(300)**	**–**	**(378)**
At 31 December 2023	**2,138**	**2,333**	**2,716**	**7,187**
CARRYING AMOUNTS:				
At 31 December 2023	**148**	**336**	**568**	**1,052**
At 31 December 2022	369	583	233	1,185

18. GOODWILL

	2023 **HK$'000**	2022 HK$'000
Cost		
At 1 January and 31 December	**6,504**	6,504
Carrying amount:		
At 31 December	**6,504**	6,504

The carrying amount of goodwill had been allocated as follows:	**2023** **HK$'000**	2022 HK$'000
IT solutions and maintenance	**6,504**	6,504

The recoverable amount of this CGUs are determined by reference to the value-in-use approach, which are based on discounted cash flow based on the financial budgets approved by the management covering a 5-year period, and the discount rate of approximately 14.18% to 14.40% (2022: approximately 14.10% to 14.60%) that reflects current market assessment of the time value of money and the risks specific to the CGUs. Cash flows beyond 5-year period have been extrapolated using a steady 2% (2022: 3%) annual growth rate.

19. RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2023	2022
	HK$'000	HK$'000
At 31 December:		
Right-of-use assets		
— Land and buildings	**2,938**	4,886

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

— Less than 1 year	**2,322**	2,435
— Between 1 and 2 years	**822**	1,977
— Between 2 and 5 years	**–**	821
	3,144	5,233
For the year ended 31 December:		
Depreciation charge of right-of-use assets		
— Land and buildings	**2,454**	2,541
Lease interests	**208**	160
Expenses related to short-term leases	**509**	608
Total cash outflow for leases	**3,117**	3,401
Additions to right-of-use assets	**504**	6,099
Lease commitments of short-term leases	**258**	700

The Group leases various land and buildings. Lease agreements are typically made for fixed periods of 1 to 3 years (2022: 1 to 3 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

20. OTHER INTANGIBLE ASSETS

	Customer relationships HK$'000 *(note (a))*	Money lending license HK$'000 *(note (b))*	Total HK$'000
COST:			
At 1 January 2022, 31 December 2022, and 1 January 2023	8,242	440	8,682
Disposal of subsidiaries *(note 40(a))*	—	(440)	(440)
At 31 December 2023	8,242	—	8,242
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS:			
At 1 January 2022	3,955	—	3,955
Provided during the year	866	—	866
At 31 December 2022 and 1 January 2023	4,821	—	4,821
Provided during the year	866	—	866
At 31 December 2023	5,687	—	5,687
CARRYING AMOUNTS:			
At 31 December 2023	**2,555**	**—**	**2,555**
At 31 December 2022	3,421	440	3,861

Notes:

(a) The average remaining amortisation period of the customer relationship is 3 years (2022: 4 years).

(b) The money lending license was disposed through disposal of subsidiaries during the year.

21. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Notes	**2023** **HK$'000**	2022 HK$'000
Unlisted equity investments, at fair value			
– Guangzhou Dehuang Investment Company Limited ("Dehuang")	*(a)*	**–**	32,173
– Global Engine Group Holding Limited ("Global Engine")	*(b)*	**9,877**	10,852
Listed equity securities outside Hong Kong	*(c)*	**1,023**	–
		10,900	43,025

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

Notes:

(a) On 28 August 2019, the Group acquired 19% equity interest of Dehuang(廣州市德煌投資有限公司), which is incorporated in the PRC and loan receivables with principal amount of RMB51,199,000, at a consideration of RMB66,341,000 which is satisfied by issuance of promissory notes to the vendor. The principal activities of it is provision of business services. The principal assets of Dehuang are the one parcels of land and five buildings for data centre and office (including the land beneath) owned by Dehuang and located in South of Shinan Highway, Nansha District, Guangzhou(廣州市南沙區市南公路南側). As at 31 December 2022, it was measured at fair value of approximately HK$32,173,000, representing 6.86% of the Group's total assets. The Group's investment in Dehuang was disposed of through disposal of subsidiaries (as detailed in note 40(b)) during the year ended 31 December 2023.

(b) On 1 April 2021, the Group acquired 10% equity interest of Global Engine Group Holding Limited ("Global Engine"), a company incorporated in the British Virgin Islands with limited liability, at a consideration of HK$10,000,000 which is satisfied by issuance of 20,000,000 new shares at consideration share price of HK$0.5 per share. Global Engine is an investment holding company and its directly wholly-owned subsidiary is an integrated solutions provider in information and communication technologies, system integration and other technical consultation services in Hong Kong and Asia Pacific region. During the year, the Company did not receive any (2022: HK$nil) dividend from Global Engine. As at 31 December 2023, it was measured at fair value of approximately HK$9,877,000 (2022: approximately HK$10,852,000).

(c) On 25 October 2022, the Company entered into a share swap agreement (the "Share Swap Agreement") with Bonanza Goldfields Corp. ("Bonanza"). In accordance with the terms of the Share Swap Agreement, the Company has alloted and issued 2,652,038 shares 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, 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.

21. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

(c) (Continued)

The BONZ Shares (subsequently know as MVNC Shares) are traded in the over-the-counter markets in the United States. As at 31 December 2023, they were measured at fair value of approximately HK$1,023,000.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2023 HK$'000	2022 HK$'000
Prepayments		**844**	18,758
Deposits and other receivables	(a) (b)	**47,452**	4,058
		48,296	22,816
Analysed as:			
Non-current portion			
Prepayments		**615**	10,475
Deposits and other receivables		**587**	587
		1,202	11,062
Current portion			
Prepayments		**229**	8,283
Deposits and other receivables	(a)	**955**	3,471
Consideration receivables from disposal of subsidiaries	(b)	**45,910**	–
		47,094	11,754
		48,296	22,816

Notes:

(a) As at 31 December 2023, included in other receivables of nil (2022: approximately HK$2,455,000) is due from a former non-controlling shareholder of a subsidiary who will repay mortgage loan on behalf of the subsidiary.

(b) (i) As at 31 December 2023, included in other receivables of approximately HK$21,410,000 is receivables from the purchasers of Rosy Ridge Investments Limited.

(ii) As at 31 December 2023, included in other receivables of approximately HK$24,500,000 is receivables from the purchasers of Rosy Time Investments Limited.

23. DEFERRED TAX

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

	Revaluation of equity investments at fair value through other comprehensive income HK$'000	Other intangible assets HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2022	(4,377)	(709)	4,728	(358)
Credit to consolidated profit or loss	–	143	1,245	1,388
Charge to other comprehensive income	(837)	–	–	(837)
Exchange realignment	368	–	–	368
At 31 December 2022 and 1 January 2023	**(4,846)**	**(566)**	**5,973**	**561**
Credit/(charge) to consolidated profit or loss	**–**	**143**	**(63)**	**80**
Disposal of subsidiaries *(note 40(b))*	**4,868**	**–**	**–**	**4,868**
Exchange realignment	**(22)**	**–**	**–**	**(22)**
At 31 December 2023	**–**	**(423)**	**5,910**	**5,487**

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

	2023 HK$'000	2022 HK$'000
Deferred tax assets	**5,522**	5,456
Deferred tax liabilities	**(35)**	(4,895)
	5,487	561

The Group has tax losses arising in Hong Kong of approximately HK$202,240,000 (2022: approximately HK$180,819,000) that are available indefinitely and in Mainland China of approximately HK$23,989,000 (2022: approximately HK$18,534,000) that are available for a maximum of five years, for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of tax losses of approximately HK$190,418,000 (2022: approximately HK$163,163,000) as they have arisen in certain subsidiaries that have been loss-making for some time and it is considered not probable that taxable profits will be available against which tax losses can be utilised.

23. DEFERRED TAX *(Continued)*

As at 31 December 2023, the Group has deductible temporary differences of approximately HK$16,477,000 (2022: approximately HK$15,488,000) not recognised as deferred tax assets as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At the end of the reporting period, there is no temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised (2022: nil).

24. INVENTORIES

	2023 **HK$'000**	2022 HK$'000
Finished goods and merchandises	**121**	55

25. TRADE RECEIVABLES

	2023 **HK$'000**	2022 HK$'000
Trade receivables	**15,584**	18,398

Notes:

(a) The Group has granted credit terms to its customers within 30 to 90 days (2022: ranging from 30 to 90 days). The Group seeks to maintain strict control over its outstanding balances by imposing 2% (2022: 2%) monthly interest charge upon them and requesting payment in advances from certain customers. Overdue balances are reviewed by the directors. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

(b) The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2023 **HK$'000**	2022 HK$'000
Within 1 month	**13,326**	7,574
1 to 2 months	**587**	81
2 to 3 months	**187**	746
Over 3 months	**1,484**	9,997
	15,584	18,398

25. TRADE RECEIVABLES *(Continued)*

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

	Neither past due nor impaired	Less than 1 month past due	1 to 3 months past due	Over 3 months to 1 year past due	Over 1 year past due	Total
At 31 December 2023						
Weighted average expected loss rate	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
Receivable amount (HK$'000)	**13,316**	**597**	**216**	**131**	**1,324**	**15,584**
Loss allowance (HK$'000)	**–**	**–**	**–**	**–**	**–**	**–**
At 31 December 2022						
Weighted average expected loss rate	0%	0%	0%	0%	0%	0%
Receivable amount (HK$'000)	7,558	81	799	9,960	—	18,398
Loss allowance (HK$'000)	—	—	—	—	—	—

26. LOAN RECEIVABLES

	2023 HK$'000	2022 HK$'000
Loan receivables (note 40(a) and (b))	**–**	90,644

Notes:

(a) As at 31 December 2022, loan receivables of approximately HK$30,304,000 carried at fixed effective interest at 12% per annum respectively and with the terms ranging from 9 months to 6 years. The loan receivables were disposed of through disposal of subsidiaries (as detailed in note 40(a)) during the year ended 31 December 2023.

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

The loan receivables were disposed of through disposal of subsidiaries (as detailed in note 40(b)) during the year ended 31 December 2023.

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

The loan receivables were assigned to an independent third party through disposal of subsidiaries (as detailed in note 40(b)) during the year ended 31 December 2023.

27. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 **HK$'000**	2022 HK$'000
Listed equity securities, at fair value		
— in Hong Kong	**55**	1,330
— outside Hong Kong	**503**	64
	558	1,394

The investments included above as at 31 December 2023 and 2022 represent investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate.

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

28. BANK AND CASH BALANCES

	2023 **HK$'000**	2022 HK$'000
Bank and cash balances	**11,595**	13,877

As at 31 December 2023, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$1,011,000 (2022: approximately HK$2,130,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

29. TRADE PAYABLES

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

	2023 **HK$'000**	2022 HK$'000
Within 1 month	**881**	346
1 to 2 months	**644**	234
2 to 3 months	**492**	86
Over 3 months	**1,438**	9,636
	3,455	10,302

30. CONTRACT LIABILITIES

Disclosures of revenue-related items:

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000	As at 1 January 2022 HK$'000
Contract liabilities — sale of computer hardware and software	**233**	2,564	3,205
Contract liabilities — provision of technical support and maintenance services	**1,333**	18,738	1,136
Total contract liabilities	**1,566**	21,302	4,341
Contract receivables (included in trade receivables)	**3,202**	11,371	9,584

	2023 HK$'000	2022 HK$'000
Analysed as:		
Non-current liabilities	**–**	10,550
Current liabilities	**1,566**	10,752
	1,566	21,302

	2023 HK$'000	2022 HK$'000
Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:		
— 2023	**–**	10,752
— 2024	**1,566**	6,063
— 2025	**–**	4,487
	1,566	21,302

Year ended 31 December	**2023 HK$'000**	2022 HK$'000
Revenue recognised in the year that was included in contract liabilities at beginning of year	**6,290**	4,341

30. CONTRACT LIABILITIES *(Continued)*

Significant changes in contract liabilities during the year:

	2023 HK$'000	2022 HK$'000
Increase due to operations in the year	**18,512**	65,027
Transfer of contract liabilities to revenue	**(38,248)**	(48,066)

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

31. OTHER PAYABLES AND ACCRUALS

	2023 HK$'000	2022 HK$'000
Accruals	**6,587**	5,297
Other payables	**6,831**	5,848
Rental deposit received	**1,839**	1,897
VAT payables	**568**	468
	15,825	13,510

32. BANK AND OTHER LOANS

	Notes	2023 HK$'000	2022 HK$'000
Bank loans:			
Mortgage loan	*(i)*	**43,460**	53,144
Other loans:			
Margin loans	*(ii)*	**38**	891
Loans from independent third parties	*(iii)*	**16,988**	13,314
		17,026	14,205
		60,486	67,349
Analysed as:			
Non-current liabilities		**16,988**	13,314
Current liabilities		**43,498**	54,035
		60,486	67,349

32. BANK AND OTHER LOANS *(Continued)*

The borrowings are repayable as follows:

	2023 HK$'000	2022 HK$'000
On demand or within one year	**43,498**	54,035
In the second year	**11,817**	9,702
In the third to fifth years, inclusive	**5,171**	3,612
	60,486	67,349
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(43,498)**	(54,035)
Amount due for settlement after 12 months	**16,988**	13,314

Notes:

(i) The mortgage loan has terms of 8 years until 2030 with a repayable on demand clause exercisable by a bank. The average interest rate was 3.75% (2022: 4.15%).

The mortgage loan is secured by a charge over the Group's investment properties with fair value of approximately HK$244,259,000 (2022: approximately HK$256,671,000) and by the rights to receive the rental fees of the Group's investment properties, and guaranteed by the Company and an equity investment of the Company.

(ii) As at 31 December 2023, the margin loans are secured by the Group's equity securities listed in Hong Kong with fair value of approximately HK$55,000 (2022: approximately HK$1,330,000) and repayable on demand. As at 31 December 2023, the loan is charged at a fixed interest rate of 9.125% (2022: 8.875%) per annum.

(iii) Loan from an independent third party amounted to approximately HK$3,301,000 (2022: approximately HK$3,612,000) is interest bearing at 15% per annum, unsecured and repayable on 28 July 2027.

Loan from an independent third party amounted to approximately HK$495,000 is interest bearing at 13.8% per annum, unsecured and repayable on 31 July 2028.

Loan from an independent third party amounted to approximately HK$275,000 is interest bearing at 13.8% per annum, unsecured and repayable on 19 September 2028.

Loan from an independent third party amounted to approximately HK$1,100,000 is interest bearing at 13.8% per annum, unsecured and repayable on 18 December 2028.

Loan from an independent third party amounted to approximately HK$10,332,000 (2022: approximately HK$9,702,000) is interest free, unsecured and repayable on 1 January 2024. On 31 December 2023, the Group entered into a supplemental agreement with the independent third party, pursuant to which the repayment date of the loan was extended to 1 January 2025.

Loan from an independent third party amounted to approximately HK$1,485,000 is interest free, unsecured and repayable on 1 January 2025.

33. PROMISSORY NOTE PAYABLES

	HK$'000
At 1 January 2022	**71,415**
Imputed interest	**8,803**
Loss on early redemption	**2,052**
Repayment of promissory note	**(11,000)**
Exchange realignment	**(4,982)**
At 31 December 2022 and 1 January 2023	**66,288**
Imputed interest	**2,799**
Disposal of subsidiaries *(note 40(b))*	**(69,352)**
Exchange realignment	**265**
At 31 December 2023	**–**

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

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

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

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

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

33. PROMISSORY NOTE PAYABLES *(Continued)*

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

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

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

The PN was disposed through disposal of subsidiaries during the year ended 31 December 2023.

34. LEASE LIABILITIES

	Lease payments		**Present value of lease payments**	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**2,322**	2,435	**2,219**	2,233
In the second to fifth years, inclusive	**822**	2,798	**811**	2,691
	3,144	5,233		
Less: Future finance charges	**(114)**	(309)		
Present value of lease liabilities	**3,030**	4,924	**3,030**	4,924
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(2,219)**	(2,233)
Amount due for settlement after 12 months			**811**	2,691

At 31 December 2023, the average effective borrowing rate was 5.125% to 5.25% (2022: 5.125% to 5.25%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

35. Bonds

	2023 **HK$'000**	2022 HK$'000
Non-current		
Bonds	**4,547**	–

The Group announced a completion of the zero coupon bond issuance on 12 July 2023. The total amount of the bonds is HK$100 million. The bonds will be documented using Distributed Ledger Technology (in place of paper) and will be implemented using Digital Ownership Token standard.

Bonds with HK$24.75 million has been purchased by a third party, with approximately 66.66% discount on face value. The Group received approximately HK$8,252,000 from the bond subscription. The bonds are offered at a discount with an effective yield to maturity of 3.73% per annum, and shall mature on 27 June 2053.

The initial fair value of the bonds is approximately HK$4,426,000. The Group recorded a gain on initial recognition of bonds of approximately HK$3,826,000 in the consolidated statement of profit or loss for the year ended 31 December 2023.

36. 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% and due for repayment on 1 January 2024. The loan was fully repaid during the year.

37. 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 was fully repaid during the year.

38. SHARE CAPITAL

	Number of shares		**Share capital**	
	2023	2022	**2023** **HK$'000**	2022 HK$'000
Authorised:				
Ordinary shares of HK$0.1 (2022: HK$0.1) each				
At the beginning and at the end of the year	**12,000,000,000**	12,000,000,000	**1,200,000**	1,200,000

38. SHARE CAPITAL *(Continued)*

		Number of shares		Share capital	
		2023	2022	**2023**	2022
	Notes			**HK$'000**	HK$'000
Issued and fully paid:					
Ordinary shares of HK$0.1 (2022: HK$0.1) each					
At the beginning of the year		**51,471,199**	343,141,329	**5,147**	3,431
Capital reorganisation	*(i)*	**—**	(463,240,794)	**—**	—
Placing of shares under general mandate	*(iv)*	**7,642,000**	—	**765**	—
Issue of share under share swap	*(iii)*	**2,652,038**	—	**265**	—
Issue of shares under rights issue	*(ii)*	**—**	171,570,664	**—**	1,716
At the end of the year		**61,765,237**	51,471,199	**6,177**	5,147

Notes:

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

(ii) On 5 January 2022, the Board of Directors proposed to conduct the rights issue (the "Rights Issue") on the basis of one (1) rights share ("Rights Share(s)") for every two (2) existing Shares held on the record date of 8 March 2022 at the subscription price of HK$0.15 per Rights Share, to raise up to approximately HK$25.74 million before expenses by way of issuing up to 171,570,664 Rights Shares. On 11 April 2022, the Rights Issue was completed and 171,570,664 Rights Shares were issued. The net proceeds of approximately HK$24,861,000 were raised from the Rights Issue.

(iii) 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 alloted 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.

(iv) 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, 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.

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

38. SHARE CAPITAL *(Continued)*

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

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

39. 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.

39. SHARE OPTION SCHEME *(Continued)*

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

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

Date of grant	**Vesting period**	**Exercise period**	**Exercise price** HK$
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*
10 August 2023	10 August 2024	10 August 2024–9 August 2033	3.42

* as adjusted

For options granted on 13 May 2021, 16 June 2022 and 10 August 2023, if the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group.

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

	2023		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 year	**4,220,246**	**1.88**	23,100,000	0.245
Adjusted as a result of rights issue	**—**	**—**	2,742,465	(0.026)
Granted during the year	**1,568,000**	**3.42**	16,360,000	0.14
Adjusted as a result of share consolidation	**—**	**—**	(37,982,219)	(0.0019)
Forfeited during the year	**(147,471)**	**2.44**	—	—
Outstanding at the end of the year	**5,640,775**	**2.29**	4,220,246	1.88

39. SHARE OPTION SCHEME *(Continued)*

The estimated fair values of the options granted on 13 May 2021, 16 June 2022 and 10 August 2023 are approximately HK$2,992,000, HK$1,172,000 and HK$2,695,000 respectively.

At the date of approval of these consolidated financial statements, the number of share options permitted to be granted under the Scheme was 4,608,523 (2022: 5,147,119), representing 7.46% (2022: 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:

	10 August 2023	16 June 2022	13 May 2021
Share price at the date of grant	**HK$3.23**	HK$0.140	HK$0.245
Exercise price	**HK$3.42**	HK$0.140	HK$0.245
Expected volatility	**76.59%**	65.11%	68.33%
Expected life	**10 years**	10 years	10 years
Risk free rate	**3.356%**	3.23%	1.2%
Expected dividend yield	**0%**	0%	0%
Expected Early Exercise Multiple	**2.2/2.8**	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.

The Group recognised share-based payment expenses of approximately HK$931,000 during the year ended 31 December 2023 (2022: approximately HK$1,172,000) in relation to the share options granted by the Company.

40. DISPOSAL OF SUBSIDIARIES

(a) Rosy Time Investments Limited and its subsidiary

As referred to in note 14 to the consolidated financial statements, on 20 November 2023 the Group discontinued its money lending business at the time of the disposal of its subsidiaries, Rosy Time Investments Limited and Value Creation Finance Limited.

Net assets at the date of disposal were as follows:

	HK$'000
Other intangible assets	**440**
Prepayments, deposit and other receivables	**38**
Loan receivables	**28,558**
Bank and cash balances	**22**
Current tax liabilities	**(249)**
Other payables and accruals	**(1)**
Net assets disposal of subsidiaries	**28,808**
Loss on disposal of subsidiaries	**(4,308)**
Total consideration – satisfied by receivables from disposal *(note 22(b))*	**24,500**
Net cash outflow arising on disposal:	
Cash consideration received	**–**
Cash and cash equivalents disposed of	**(22)**
	(22)

The consideration of HK$24,500,000, has not yet settled and was included in "Prepayments, deposits and other receivables" as at 31 December 2023.

(b) Rosy Ridge Investments Limited and its subsidiaries

On 3 March 2023, an independent third party (the "Purchaser") and Gorgeous Ocean Global Limited, a direct wholly-owned subsidiary of the Company, (the "Vendor"), entered into an agreement (the "Disposal Agreement"), pursuant to which, the Vendor has conditionally agreed to sell the entire issued share capital of Rosy Ridge Investments Limited (the "Rosy Ridge") and its subsidiaries (collectively referred to as the "Rosy Ridge Group") and to assign the loans receivables from Rosy Ridge Group and Dehuang Investment Company Limited (廣州市德煌投資有限公司) (the "Sale Loan") to the Purchaser, and the Purchaser has conditionally agreed to acquire the entire issued share capital of Rosy Ridge and take up the assignment of the Sale Loan at the consideration of HK$28,000,000.

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

40. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Rosy Ridge Investments Limited and its subsidiaries *(Continued)*

Net assets at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	5
Equity investment at fair value through other comprehensive income	32,311
Prepayments, deposits and other receivables	88
Loan receivables	55,561
Bank and cash balances	12
Other payables and accruals	(50)
Promissory notes	(69,352)
Deferred tax liabilities	(4,868)
Net assets disposal of subsidiaries	13,707
Release of foreign currency translation reserve	(385)
Loan receivable assigned to the purchaser	7,522
Gain on disposal of subsidiaries	7,156
	28,000
Satisfied by:	
Cash consideration received	6,590
Consideration receivables from disposal *(note 22(b))*	21,410
	28,000
Net cash inflow arising on disposal:	
Cash consideration received	6,590
Cash and cash equivalents disposed of	(12)
	6,578

Out of total consideration of HK$28,000,000, HK$6,590,000 was settled during the year ended 31 December 2023 whereas the remaining balance of HK$21,410,000 was included in "Prepayments, deposits and other receivables" as at 31 December 2023.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	–	–
Right-of-use assets	**2,585**	4,409
Equity investments at fair value through other comprehensive income	**1,023**	–
Prepayments, deposits and other receivables	**587**	587
Total non-current assets	**4,195**	4,996
CURRENT ASSETS		
Due from subsidiaries	**221,841**	214,914
Loan receivable	–	7,415
Prepayments, deposits and other receivables	**24,696**	206
Cash and bank balances	**6,463**	7,765
Total current assets	**253,000**	230,300
CURRENT LIABILITIES		
Other payables and accruals	**6,607**	6,198
Lease liabilities	**1,866**	1,771
Total current liabilities	**8,473**	7,969
NET CURRENT ASSETS	**244,527**	222,331
Total assets less current liabilities	**248,722**	227,327
NON-CURRENT LIABILITIES		
Lease liabilities	**807**	2,673
Amount due to a director	–	320
Bonds	**4,547**	–
Total non-current liabilities	**5,354**	2,993
NET ASSETS	**243,368**	224,334
CAPITAL AND RESERVES		
Share capital	**6,177**	5,147
Reserves	**237,191**	219,187
TOTAL EQUITY	**243,368**	224,334

42. RESERVES

(a) Group

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

(i) Share premium account

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

(ii) Foreign currency translation reserve

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

(iii) Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors, employees and consultants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3 to the consolidated financial statements.

(iv) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of equity investments at fair value through other comprehensive income held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 3 to the consolidated financial statements.

42. RESERVES *(Continued)*

(b) Company

	Share premium account HK$'000	Share-based payment reserve HK$'000	Investment revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2022	135,041	2,892	–	79,595	217,528
Total comprehensive loss for the year	–	–	–	(22,658)	(22,658)
Equity-settled share-base payment	–	1,172	–	–	1,172
Issue of shares under rights issue (net of expenses on issue of shares)	23,145	–	–	–	23,145
At 31 December 2022 and 1 January 2023	**158,186**	**4,064**	**–**	**56,937**	**219,187**
Profit for the year	**–**	**–**	**–**	**2,775**	**2,775**
Other comprehensive loss for the year:					
– Change in fair value of equity investments at fair value through other comprehensive income	**–**	**–**	**(5,978)**	**–**	**(5,978)**
Total comprehensive (loss)/income for the year	**–**	**–**	**(5,978)**	**2,775**	**(3,203)**
Lapsed of share option	**–**	**(181)**	**–**	**181**	**–**
Equity-settled share-base payment	**–**	**931**	**–**	**–**	**931**
Issue of shares under placing	**13,540**	**–**	**–**	**–**	**13,540**
Issue of shares under share swap	**6,736**	**–**	**–**	**–**	**6,736**
At 31 December 2023	**178,462**	**4,814**	**(5,978)**	**59,893**	**237,191**

43. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2023 and 2022 are as follows:

Company name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital/registered capital	Percentage of ownership interest		Principal activities
			2023	2022	
China Information Technology Development (Hong Kong) Limited	Hong Kong	HK$100	**100%**	100%	Office management
Macro Systems Limited	Hong Kong	HK$1,050,000	**84%**	84%	Provision of system integration and maintenance services in Hong Kong
Macro Systems (Guangzhou) Co., Ltd.**	PRC	HK$1,300,000	**84%**	84%	Provision of system integration and maintenance services in the PRC
DataCube Research Centre	Hong Kong	HK$100	**80%**	80%	Big data application
Logic Network Limited	Hong Kong	HK$10,000	**51%**	51%	Provision of telecommunications consultancy, cloud services, managed IT services, support consultancy and intelligent retail system services
Guangzhou Xinfeng Investment Consultancy Company Limited**	PRC	HK$101,400,000	**100%**	100%	Assets acquisition, management and consultancy services
Global Shine Investment Limited	Hong Kong	HK$1	**100%**	100%	Securities trading
Value Creation Finance Limited	Hong Kong	HK$10,000	**N/A#**	100%	Money lending
Guangzhou Deyong Technology Investment Co., Ltd**	PRC	*	**N/A#**	100%	Investment holding

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

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

** Wholly-foreign-owned enterprises.

\# Disposed during the year

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Non-cash transactions

As described in note 40 to the consolidated financial statements, during the year ended 31 December 2023, the Group disposed of the entire issued share capital of Rosy Time Investments Limited and Rosy Ridge at the considerations of HK$24,500,000 and HK$28,000,000, respectively, of which HK$45,910,000 were recorded in prepayments, deposits and other receivables.

(b) Changes in liabilities arising from financing activities

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

	Interest payable HK$'000	Promissory note payables HK$'000	Bonds HK$'000	Lease liabilities HK$'000	Bank and other loans HK$'000	Loan from a shareholder HK$'000	Amount due to a director HK$'000	Total liabilities from financing activities HK$'000
At 1 January 2022	–	71,415	–	1,458	12,791	3,233	1,376	90,273
Change in cash flows	–	(11,000)	–	(2,793)	55,212	–	(676)	40,743
Non-cash changes								
– imputed interest	–	8,803	–	–	–	–	–	8,803
– loss on early redemption of promissory notes	–	2,052	–	–	–	–	–	2,052
– interest charged	63	–	–	160	227	90	–	540
– additions of lease liabilities	–	–	–	6,099	–	–	–	6,099
– exchange differences	–	(4,982)	–	–	(881)	–	–	(5,863)
At 31 December 2022 and 1 January 2023	**63**	**66,288**	**–**	**4,924**	**67,349**	**3,323**	**700**	**142,647**
Change in cash flows	**(63)**	**–**	**8,252**	**(2,608)**	**(5,058)**	**(3,345)**	**(700)**	**(3,522)**
Non-cash changes								
– imputed interest	**–**	**2,799**	**121**	**–**	**–**	**–**	**–**	**2,920**
– gain on initial recognition of bonds	**–**	**–**	**(3,826)**	**–**	**–**	**–**	**–**	**(3,826)**
– loss on modification of lease liabilities	**–**	**–**	**–**	**2**	**–**	**–**	**–**	**2**
– interest charged	**–**	**–**	**–**	**208**	**–**	**22**	**–**	**230**
– additions of lease liabilities	**–**	**–**	**–**	**504**	**–**	**–**	**–**	**504**
– disposal of subsidiaries	**–**	**(69,352)**	**–**	**–**	**–**	**–**	**–**	**(69,352)**
– exchange differences	**–**	**265**	**–**	**–**	**(1,805)**	**–**	**–**	**(1,540)**
At 31 December 2023	**–**	**–**	**4,547**	**3,030**	**60,486**	**–**	**–**	**68,063**

45. EVENTS AFTER THE REPORTING PERIOD

(a) Acquisition of Autostereoscopic 3D Limited

On 19 September 2023, the Group and certain vendors (the "Vendors") entered into a sale and purchase agreement, pursuant to which, the Vendors have conditionally agreed to sell and the Group has conditionally agreed to acquire the entire issued share capital of Autostereoscopic 3D Limited (the "Target Company") and its subsidiaries (collectively refer to as the "Target Group"). 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)). Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the consolidated financial statements of the Company.

Meanwhile, to secure the Company's obligations under the sale and purchase agreement, upon completion, the Company shall procure Giant Prestige Investment Limited, (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 are set in the announcement dated 19 September 2023.

Up to the date of these consolidated financial statements, the acquisition has not yet completed.

(b) Establishment of joint venture company

In January 2024, the Group has entered into an agreement ("JV Agreement") with Kilimanjaro Energy Group, Marvion Inc., and two individuals whereby the parties agreed to establish a joint venture company ("JV Company") to drive sustainable positive change in the environmental, social, and governance (ESG) sector. It is intended that the JV Company will engage in tokenization on the blockchain natively and at source carbon credits issued in the UAE and to build, manage and operate a decentralized carbon credit exchange licensed in Abu Dhabi.

Details of the JV Agreement and the JV Company are set in the announcement dated 30 January 2024.

46. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 25 March 2024.

Five Year Financial Summary

31 December 2023

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

	Year ended 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Continuing operations					
REVENUE	**49,228**	59,324	61,426	38,508	52,535
Loss before tax	**(22,974)**	(87,253)	(90,825)	(11,839)	(82,670)
Income tax credit	**80**	1,388	139	424	299
Loss for the year from continuing operations	**(22,894)**	(85,865)	(90,686)	(11,415)	(82,371)
Discontinued operation					
(Loss)/profit for the year from discontinued operation	**(1,879)**	253	270	468	436
LOSS FOR THE YEAR	**(24,773)**	(85,612)	(90,416)	(10,947)	(81,935)
Attributable to:					
Owners of the Company	**(22,755)**	(82,295)	(90,326)	(9,758)	(80,850)
Non-controlling interests	**(2,018)**	(3,317)	(90)	(1,189)	(1,085)
	(24,773)	(85,612)	(90,416)	(10,947)	(81,935)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**349,884**	468,784	487,862	560,066	548,373
TOTAL LIABILITIES	**88,944**	(192,593)	(133,600)	(144,480)	(173,824)
NET ASSETS	**260,940**	276,191	354,262	415,586	374,549
Equity attributable to:					
Owners of the Company	**270,759**	284,021	358,859	419,811	376,297
Non-controlling interests	**(9,819)**	(7,830)	(4,597)	(4,225)	(1,748)
	260,940	276,191	354,262	415,586	374,549

Particulars of Property Interests

Particulars of property interests held by the Group as at 31 December 2023 are as follows:

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