INTERNATIONAL BUSINESS DIGITAL TECH

INTERNATIONAL BUSINESS DIGITAL TECHNOLOGY LIMITED
國際商業數字技術有限公司

Stock code : 1782

2023
ANNUAL REPORT

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BOARD OF DIRECTORS

Executive Directors

Mr. Shi Zhimin *(Chief Executive Officer and Chairman)*

Non-executive Director

Mr. Guan Haiqing

Independent Non-executive Directors

Mr. Yeung Man Simon
Mr. Hu Jianjun
Ms. Ru Tingting

COMPANY SECRETARY

Mr. Chan Ngai Chi *(FCPA, FCCA, CFA)*

AUTHORISED REPRESENTATIVES

Mr. Shi Zhimin
Mr. Chan Ngai Chi *(FCPA, FCCA, CFA)*

AUDIT COMMITTEE

Mr. Yeung Man Simon *(Chairman)*
Mr. Hu Jianjun
Ms. Ru Tingting

REMUNERATION COMMITTEE

Mr. Hu Jianjun *(Chairman)*
Mr. Shi Zhimin
Mr. Yeung Man Simon
Ms. Ru Tingting

NOMINATION COMMITTEE

Ms. Ru Tingting *(Chairlady)*
Mr. Shi Zhimin
Mr. Yeung Man Simon
Mr. Hu Jianjun

INDEPENDENT AUDITOR

Ernst & Young

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Hong Kong

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Industrial and Commercial Bank of China
China Merchants Bank

In Hong Kong
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STOCK CODE

1782

Dear Shareholders,

On behalf of the Board of Directors (the "**Board**") of International Business Digital Technology Limited (the "**Company**"), I hereby present the audited consolidated annual results of the Company and its subsidiaries (collectively the "**Group**" or "**We**") for the year ended 31 December 2023 (the "**Year**").

In the wake of a highly challenging operating environment during the three-year COVID-19 period, our Group has embarked on a new chapter. We are diligently advancing the coding of several Central Bank Digital Currency ("**CBDC**") product modules and forging collaborative relationships with local ministries of finance, central banks, commercial banks, and other financial institutions across various regions and countries.

In addition, we have intensified efforts to enhance the integrated Application Performance Management ("**APM**") applications within our existing solutions. These strategic enhancements extend into new sectors, including energy, transportation, and fully connected factories.

China's resilient economy also favoured our recovery from the ebb. The Purchasing Managers' Index ("PMI"), a vital gauge of economic activity, rebounded. In February 2024, it stood at 49.1 percent, signalling a gradual recovery from the previous month. Notably, a PMI of 50.4 percent released in March 2024, indicated a going-on expansion. These figures underscore the bedrock strength of our economy.

In early March 2024, China government set a target of GDP growth rate of 5% for 2024. This commitment was outlined in the Government Work Report submitted to the Second Session of the 14th National People's Congress. Our nation's determination to achieve sustainable growth is commendable. As stewards of progress, we align our corporate goals with this national vision. Our strategies are geared toward contributing to this growth trajectory.

The currents of change propel us toward a future shaped by digitalization and telecommunication. These twin forces are not fleeting trends; they represent indispensable new quality productive forces. Digitalization and telecommunication are architects of transformation. They dismantle traditional boundaries, reconfigure business models, and ignite innovation across sectors. We recognizes their profound impact. They are not mere ripples but tides reshaping the landscape. We are not passive observers but active participants. By leveraging cutting-edge technology, seamless connectivity, and data-driven insights, we steer toward efficiency, elevate customer experiences, and fortify our overall competitiveness.

Last but not the least, as we embark on this transformative journey, I extend my gratitude to our dedicated team, shareholders, and valued partners. Together, we will navigate the challenges and seize the opportunities that lie ahead.

International Business Digital Technology Limited
Shi Zhimin
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 28 March 2024

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2023	2022	**CHANGE**
	RMB'000	RMB'000	%
Revenue	**120,205**	103,767	↑ 15.8%
Gross profit amount	**55,145**	48,052	↑ 14.8%
Gross profit margin (%)	**45.9%**	46.3%	
Loss for the year	**(47,313)**	(14,125)	
Net Loss margin (%)	**(39.4)%**	(13.6)%	
Loss attributable to owners	**(47,155)**	(11,929)	
Margin of Loss attributable to owners (%)	**(39.2)%**	(11.5)%	

	As at 31 December		
	2023	2022	**CHANGE**
	RMB'000	RMB'000	%
Cash and cash equivalents	**122,620**	171,366	↓ 28.5%
Total assets	**289,857**	329,372	↓ 12.0%
Total liabilities	**47,795**	39,997	↑ 19.5%
Total Equity	**242,062**	289,375	↓ 16.4%
Current ratio	**5.4**	8.2	
Quick ratio	**5.3**	8.1	
Debt to equity ratio *(Note)*	**4.1%**	3.5%	

Note: Total interest-bearing borrowings divided by total equity and multiplied by 100%.

BUSINESS REVIEW

This Group is a pioneering enterprise in the field of digital technology in China. It possesses multiple core digital and information technologies and has earned industry accolade over years of experience in software development. The management's latest strategy is to build upon the Group's existing business while continuously to explore the expansion into broader and more promising development opportunities by leveraging its technological and experiential advantages. Currently, the business of the Group consists of two sectors. The first sector is a new business market under exploration for the CBDC network system by utilizing cutting-edge digital technology. The second sector is to provide APM products and service solutions to telecommunication operators and large enterprises in China.

The CBDC business under exploration is to provide the target customers with integrated systems, including primarily: (1) software development services; (2) technical services; and (3) sales of hardware.

The business of providing APM products and service solutions for telecommunication operators and large enterprises includes (1) integrated APM system solutions; (2) software development services; (3) technical services; and (4) sales of embedded hardware and standard APM software.

In 2023, the Group's revenue increased by approximately 15.8% as compared with last year, mainly from APM business. Meanwhile, the Group kicked off the development of CBDC business.

CBDC Business

In 2023, the Group acquired a number of software copyrights, which was the essential element to the further development of the CBDC system and solution products. Technical personnel are synthesising and revamping in order to generate several CBDC product modules.

The Group is liaising with departments such as the respective local ministry of finance and central bank, commercial banks and other financial institutions in various regions and countries, in an effort to establish collaborative working relations, while some others are in progress on negotiating cooperations, all such moves are paving the way for materializing our projects.

APM Business

In terms of APM business, the Group increased its investment in emerging business directions. The information technology industry is experiencing a significant trend of updates and upgrades. With the PRC central government promoting the integration of the digital economy and the real economy, it is a promising prospect for the field which the Group engages. The digital economy is characterized by information networks, data resources, information technology, and integrated applications. Through technological innovation, the Group strengthened the integrated application and promotion of existing solutions, achieving significant results in strategic industries such as energy, transportation, and fully connected factories.

FUTURE PROSPECTS/OUTLOOK

China's investment in high-tech industries in the first two months of 2024 rose 9.4 percent year-on-year, with investment in high-tech manufacturing growing by 10 percent and high-tech services rising by 7.8 percent, based on the data from the National Bureau of Statistics, underscoring the nation's ramped-up efforts in propelling new quality productive forces.

China will formulate plans to develop emerging industries including big data and Artificial Intelligence ("**Artificial Intelligence**" or "**AI**") and continue striving to achieve self-sufficiency in technology, according to the Government Work Report submitted to the Second Session of the 14th National People's Congress in early March 2024. China also set a GDP growth rate of 5% for 2024 in the same Government Work Report. Digitalization and telecommunication are two indispensable new quality productive forces.

CBDC Business

CBDC stands for the Central Bank Digital Currencies, representing the digital form of the lawful currency of a sovereign state. CBDC are becoming the primary force in reforging the global financial landscape. According to survey data from the Bank for International Settlements, approximately 90% of the central banks in the world are currently promoting CBDC plans to address current challenges and facilitate the digital economy. The GDP of those countries accounted for over 95% globally, and the CBDC of over 50 countries are in the R&D stage, pilot stage, or formal promoting stage. In this historical process, we will fully leverage our technical and innovative advantages and deeply collaborate with the central banks in various countries to jointly propel the construction of CBDC, dawning a new era of the digital economy.

CBDC are of significant value to the development of the economy and finance for a country and are the most significant upgrade and transformation to the global financial infrastructure.

1. Improvement in payment system: CBDC can provide a more effective and secure payment system. CBDC can implement instant clearing and settlement, reducing intermediary stages, accelerating transactions, lowering transaction costs, and improving the reliability of the payment system.

2. Finance inclusivity: CBDC can provide financial services for people without bank accounts, facilitating the finance inclusivity. Through CBDC, the public can directly hold the digital currencies issued by the central bank, without relying on traditional bank accounts, which lowered the barrier of financial service and enabled more people to engage in the financial system.

3. Regulation and compliance: the issuance of CBDC is controlled by the central bank, which can enhance the regulation and compliance of currency issuance and circulation, and improve the security and stability of the financial system.

4. Monetary policy tool: CBDC can become a new type of monetary policy tool for the central bank. The central bank can implement monetary policies by adjusting parameters such as the issuance and interest rates of CBDC, which can affect economic activities and inflation levels more accurately. That helped the central bank to formulate more scientific and effective monetary policies.

5. Technological innovation and competitiveness: the issuance of CBDC has promoted the innovation and development of FinTech. The launch of the CBDC has encouraged research and application in fields such as smart contracts and payment technology, which is beneficial to the country's competitiveness and innovation ability in the field of financial technology.

These reforms and upgrades in CBDC place the Group in a favorable period of opportunity. The CBDC solution that the Group intends to develop includes a new generation of digital financial system with technologies such as distributed ledger technology, digital encryption, smart contracts, digital identity authentication, centralization and decentralization, and cross-border payment technology. The Group plans to develop a CBDC system to be provided to the central banks of various countries which contains a number of modules including: issuance module, wallet module, authentication module, transaction processing module, completion of the recording of CBDC transaction process and enquiry system, regulatory and compliance module, data analysis and reporting module, etc. On top of the base configuration of the Group's CBDC solution, tailormade and all-encompassing solutions are also available, which can provide CBDC services covering the entire process. These solutions fit into this CBDC reforms and upgrades.

The Group plans to expand the CBDC products and services to a number of countries. Our goal is to make our CBDC products and services available globally to provide better digital financial services to local users.

APM Business

The Board expects the APM business to have a steady growth in revenue for coming years. The innovation of products and technologies will continue to bring new business opportunities to the Group, further enhancing the Group's leading advantages and breakthroughs in niche segments, including smart mines, smart factories, smart transportation, smart cities, autonomous driving and smart healthcare. In the home market, we will deeply explore application scenarios for smart homes, achieving a dual growth in quantity and quality while enhancing user perception and satisfaction. The Group is committed to overcoming challenges posed by the complex external environment and seizing the opportunity presented by the deepening digital transformation of the entire society and the vigorous development of the digital economy, and the Group actively participated in the national big data strategy. In terms of the vertical industry ecosystem and innovative application scenarios of AI technology, the orders are expected to maintain a rapid growth momentum in coming years.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2023 amounted to approximately RMB120.2 million, representing an increase of approximately RMB16.4 million or 15.8% as compared with approximately RMB103.8 million for the year ended 31 December 2022. The increase was mainly attributable to the combined effect of: (i) the increase in revenue generated from provision of integrated APM system solutions of approximately RMB4.1 million; (ii) the increase in revenue generated from provision of software development services of approximately RMB23.3 million; (iii) the increase in revenue generated from provision of technical services of approximately RMB1.0 million; and (iv) the decrease in revenue generated from sales of embedded hardware and standard APM software of approximately RMB11.9 million.

The following analysis sets forth a breakdown of the Group's revenue by service type for the years ended 31 December 2022 and 2023 respectively:

Integrated APM system solutions

This segment provides integrated APM system solutions by tailor-making our APM products to allow our customers to better manage and monitor their applications and networks. The Group has recorded an increase in the revenue generated from integrated APM system solutions of approximately 9.2% from approximately RMB44.6 million for the year ended 31 December 2022 to approximately RMB48.7 million for the year ended 31 December 2023. The increase was mainly because the Group's and customers' operations were gradually returning to normal in the post-COVID-19 period, and the time to deliver system solutions shortened and the project completion accelerated.

The demands for integrated APM system solutions are mainly from: (i) various new mobile applications in the market, such as video applications, instant messaging applications, games applications and e-Bank applications etc.; (ii) relocation from traditional applications like websites, email system, enterprise resources planning and customer relation management system etc. to newly-built cloud platform; and (iii) the digital experience management brought by the rapid increase in the number of Internet of Things (IOT) household users equipped with smart home applications and internet TV/video applications. Those new web applications, newly-built cloud platform and the home application of the IoT require the customers to have stable network with excellent performance to realize its commercial purposes.

Software development services

The Group's software development services typically involve developing customized supporting software for upgrade and expansion of the APM products which are already integrated with our customers' systems and networks. Our revenue derived from the provision of software development services has increased by approximately 83.9% from approximately RMB27.7 million for the year ended 31 December 2022 to approximately RMB51.0 million for the year ended 31 December 2023. Such increase was due to increased customer demand for the 5G private network project software development services provided by the company.

Technical services

This segment provides operational support, system maintenance, network analysis and optimization of full-chain of internet application and research study of specific topics on application and network performance. Our revenue derived from the provision of technical services has increased by approximately 6.4% from approximately RMB14.1 million for the year ended 31 December 2022 to approximately RMB15.0 million for the year ended 31 December 2023. Such increase was primarily because the Group's and customers' operations were gradually returning to normal in the post-COVID-19 period, and the project completion was accelerated.

Sales of embedded hardware and standard APM software

We have from time to time sold embedded hardware and standard APM software to customers who do not require tailor-making services. Our revenue generated from the sales of embedded hardware and standard APM software has decreased by approximately 68.4% from approximately RMB17.4 million for the year ended 31 December 2022 to approximately RMB5.5 million for the year ended 31 December 2023. Such decrease was primarily due to the combined effect of the increasing customers' purchases of full system integration solutions and their decreasing purchases of embedded hardware and standard software correspondingly.

Gross profit and gross profit margin

The Group's gross profit has increased by approximately 14.8% from approximately RMB48.1 million for the year ended 31 December 2022 to approximately RMB55.1 million for the year ended 31 December 2023, mainly due to the increase in overall business volume, especially software development services. The Group's gross profit margin was recorded at approximately 46.3% and approximately 45.9% for the years ended 31 December 2022 and 2023, respectively. Such slight decrease reflected that the Group's APM business was generally stable.

Other income and gains

The Group recorded other income and gains of approximately RMB12.7 million and approximately RMB9.3 million for the years ended 31 December 2022 and 2023, respectively. Such decrease was mainly due to the decrease in the exchange gain of approximately RMB6.1 million, partly offset by the increase in government grants by approximately RMB1.4 million and increase in interest income by approximately RMB1.5 million.

Selling and distribution expenses

The Group's selling and distribution expenses has increased by approximately 105.6% from approximately RMB14.2 million for the year ended 31 December 2022 to approximately RMB29.2 million for the year ended 31 December 2023. Such increase was primarily due to our enlarged marketing activities in post COVID-19 era in China and the need of further business developments for our software development services and technical services into a new business market of the CBDC network system, in an attempt to expand the Group's clientele and diversify its sources of income.

Research and development costs

The Group's R&D costs has increased by approximately 6.3% from approximately RMB36.6 million for the year ended 31 December 2022 to approximately RMB38.9 million for the year ended 31 December 2023. The increase was mainly attributable to the increase of R&D staff costs as a result of the increase in headcounts in relation to 5G related business and AI research team in order to improve its competitiveness.

Administrative expenses

The Group's administrative expenses has increased by approximately 78.2% from approximately RMB24.3 million for the year ended 31 December 2022 to approximately RMB43.3 million for the year ended 31 December 2023. The increase was mainly attributable to the need of further business developments for our software development services and technical services into a new business market of the CBDC network system, in an attempt to expand the Group's clientele and diversify its sources of income.

Loss attributable to the owners of the Company

Due to the foregoing reasons, the Group recorded a loss attributable to the owners of the Company of approximately RMB47.2 million for the year ended 31 December 2023 as compared to a loss attributable to the owners of the Company of approximate RMB11.9 million for the year ended 31 December 2022.

LIQUIDITY AND FINANCIAL RESOURCES

For the year ended 31 December 2023, the Group's cash and cash equivalents, together with available credit facilities and expected cash flow from operations, were sufficient to satisfy the current operational requirements and the capital expenditures of the Group.

The Group's net current assets decreased from approximately RMB275.2 million as at 31 December 2022 to approximately RMB209.0 million as at 31 December 2023. Our cash and cash equivalents were approximately RMB122.6 million as at 31 December 2023 (as at 31 December 2022: approximately RMB171.4 million).

The Group's current ratio, calculated based on current assets over current liabilities, decreased from 8.2 as at 31 December 2022 to 5.4 as at 31 December 2023. The Group's debt to equity ratio increased from 3.5% as at 31 December 2022 to 4.1% as at 31 December 2023. The calculation of debt-equity ratio is based on the total interest-bearing borrowings divided by total equity and multiplied by 100%.

The decrease in current ratio and the increase in debt to equity ratio was primarily due to the resources used in further business developments for our software development services and technical services into a new business market of the CBDC network system, in an attempt to expand the Group's clientele and diversify its sources of income.

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policy and thus maintained a healthy liquidity position for the year ended 31 December 2023. To manage the liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group's main operations are in China with most of its transactions being settled in RMB. Certain portion of the Group's cash and bank deposits are denominated in Hong Kong dollars ("**HK$**") and US dollars ("**US$**"). The balance of cash and cash equivalents of approximately RMB122.6 million as at 31 December 2023 included HK$69.5 million (equivalent to approximately RMB63.0 million) and US$74,000 (equivalent to approximately RMB0.5 million) held in licenced banks in Hong Kong and Mainland China. The Group did not experience any impact or difficulties in liquidity on its operations resulting from currency exchange and no hedging transaction or forward contract arrangement was made by the Group during the year ended 31 December 2023. In this respect, the management of the Company will closely monitor foreign exchange risk to ensure that appropriate measures are implemented in a timely and effective manner.

CAPITAL STRUCTURE

There was no change in the capital structure of the Company during the year ended 31 December 2023. The capital structure of the Group mainly consists of shareholders' equity, which includes share capital and reserves, and bank borrowings. As at 31 December 2023, the Company's issued share capital comprises only 762,000,000 ordinary shares of HK$0.01 each and amounted to HK$7,620,000 (equivalent to RMB6,686,000). Total shareholders' equity of the Company amounted to approximately RMB242.6 million as at 31 December 2023 (as at 31 December 2022: approximately RMB289.8 million).

As at 31 December 2023, the Group's interest-bearing bank borrowings which were repayable within one year amounted to RMB10.0 million (as at 31 December 2022: RMB10.0 million). There is no material seasonality of borrowing requirements for the Group. The interest rates of the Group's total interest-bearing bank borrowings were denominated in RMB and fixed at approximately 2.25% per annum during the year ended 31 December 2023.

USE OF PROCEEDS

On 20 June 2022, the Company completed a rights issue (the "**Rights Issue**") to raise net proceeds of approximately HK$138.0 million (equivalent to approximately RMB118.0 million) by issuing additional 254,000,000 Rights Shares at the subscription price of HK$0.55 per Rights Share. For further information, please refer to the announcements of the Company dated 21 April 2022 and 17 June 2022 respectively, as well as the prospectus of the Company containing details of the Rights Issue dated 26 May 2022 (the "**Rights Issue Prospectus**").

As disclosed in the Right Issue Prospectus, the Company initially intended to apply approximately HK$117.7 million (equivalent to approximately RMB100.6 million) of the net proceeds towards the investment in and upgrade of big data and AI analysis technologies to expand its existing APM business (the "**Initial Intended Use**"). As discussed in the announcement of the Company dated 16 August 2023 (the "**Announcement**"), the Board considered that the Initial Intended Use will not be sufficiently profitable to the Group. After due and careful consideration of the current business and development needs of the Group, the Board had resolved that the Initial Intended Use shall be changed to the investment in or upgrade of digital technologies (including but not limited to CBDC, big data, AI and their related technologies) to expand the businesses of all its existing business segments. For further details, please refer to the Announcement.

The following table sets out the details of the said net proceeds that were utilised and unutilised as of 31 December 2023 with reference to the revised intended utilisation of net proceeds in accordance with the Announcement (the "**Change in Use of Proceeds**"):

Intended use of proceeds		Original intended utilisation of net proceeds (unutilised as at 31 December 2022) RMB million	Net proceeds utilised up to 30 June 2023 RMB million	Intended utilisation of net proceeds as revised in the Announcement RMB million	Net proceeds utilised from 1 July 2023 to 31 December 2023 RMB million	Unutilised net proceeds as at 31 December 2023 RMB million	Expected timeline for utilising unutilised net proceeds (Note 1)
(a)	Investment in and upgrade of big data and AI analysis technologies to expand its existing APM business	100.6	17.4	– (Note 2)	– (Note 2)	– (Note 2)	
(b)	Investment in and upgrade of digital technologies (including but not limited to CBDC, big data, AI and their related technologies) to expand the businesses of all its existing business segments	–	–	83.2	37.4	45.8	The unutilised amount of approximately RMB45.8 million of which will be utilised during the year ending 31 December 2024
(c)	General corporate and working capital purposes	17.4	3.0	14.4	5.0	9.4	The unutilised amount of approximately RMB9.4 million of which will be utilised during the year ending 31 December 2024
Total		**118.0**	**20.4**	**97.6**	**42.4**	**55.2**	

Notes:

1. The expected timeline for utilising the unutilised net proceeds is based on the best estimation of the Board assuming there are not any unforeseeable circumstances. It may be subject to change based on the current and future development of market conditions.

2. Due to the change in use of proceeds in accordance with the Announcement, the unutilised net proceeds for item (a) shall be reallocated to item (b) in this table.

The Board considers that the Initial Intended Use will not be sufficiently profitable to the Group. After due and careful consideration of the current business and development needs of the Group, the Board is of the view that the Change in Use of Proceeds is to provide with the Group with more flexibility, including to develop cutting-edge digital technologies such as smart contract and privacy computing in new business market of the CBDC network system. Save for the aforementioned changes, there is no change in other intended use of net proceeds from the Rights Issue.

The Board considers that the Change in Use of Proceeds (i) will not have any material adverse impact on the existing business and operations of the Group; (ii) is fair and reasonable as this will allow the Group to deploy its financial resources more effectively to better enhance the profitability of the Group; (iii) is in line with the business strategies of the Group; and (iv) is in the interests of the Group and the Shareholders as whole.

CAPITAL EXPENDITURES

For the year ended 31 December 2023, the Group's capital expenditures amounted to approximately RMB18.8 million (2022: RMB0.7 million), mainly comprising approximately RMB15.9 million for the purchase of a number of software copyrights and approximately RMB2.9 million for purchase of other fixed assets.

MATERIAL COMMITMENTS OR CONTINGENT LIABILITIES

As at 31 December 2023, the future lease payments for the Groups' non-cancellable lease contracts are RMB0.2 million (2022: RMB0.2 million) due within one year.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (final dividend for the year ended 31 December 2022: nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 30 November 2016 (the "**2016 Prospectus**") and the Rights Issue Prospectus, the Group did not have other substantial future plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

For the year ended 31 December 2023, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

SIGNIFICANT INVESTMENTS AND ACQUISITION OF CAPITAL ASSETS

For the year ended 31 December 2023, the Group did not hold any significant investments nor made any significant acquisition of capital assets.

CHARGE ON THE GROUP'S ASSETS

As at 31 December 2023, apart from bank deposits amounting to RMB4.2 million that were pledged to banks mainly in relation to a short term bank loan and RMB0.9 million were pledged in relation to a letter of guarantee (31 December 2022: RMB4.2 million in relation to a short term bank loan, RMB0.3 million in relation to the guarantee), no other Group's assets were charged to any financial institutions.

EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As of 31 December 2023, the Group had 305 employees (2022: 299). The staff costs including Directors' emoluments were approximately RMB88.4 million for the year ended 31 December 2023 (2022: approximately RMB69.1 million).

The employees' compensation of the Group includes basic salary, bonuses, cash subsidies and pension scheme contributions. The Group determines employees' compensation based on each employee's performance, qualifications, position and seniority.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operates in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. The subsidiary operating in Chinese Mainland is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the central pension scheme.

No contributions under the above pension schemes are available to be forfeited by employer to reduce the contribution payable in future years.

The Company adopted a share option scheme (the "**Share Option Scheme**") on 21 November 2016 to provide incentives and rewards to eligible persons for their contribution to, and continuing efforts to promote the interest of the Group.

The Company recognizes the importance of keeping the Directors updated with the latest information of duties and obligations of a director of a company whose shares are listed on the Stock Exchange and the general regulatory and environmental requirements for such listed company. To meet this goal, the Group is committed to our employees' continuing education and development.

The Group provides various training programs to the employees, such as corporate culture training and initial training for new employees with a view to improving staff knowledge in a number of important areas of our services, on a quarterly basis. Internal training programs of our Group are also dynamic and tailored in accordance with the particular stage of the Group's development.

PRINCIPAL RISKS AND UNCERTAINTIES

– A substantial amount of our revenue is derived from the contracts entered into with the subsidiaries of China's largest telecom group and any decrease or loss of business from them could adversely and substantially affect our business, results of operations and financial conditions.

  Leveraging on the Group's position as a leading provider of APM products and services in China's telecommunications industry, the Group is now expanding business to China's second and third largest telecom groups and the broadcasting and television industry. Given that the network architectures and technologies of China's telecom groups are quite similar, the Company's products and services can meet their needs. The Group has also promote our new SaaS cloud platform products to small and medium-sized enterprise customers. The Group is also actively promoting the diversification of customers which will effectively reduce the risk.

– We may be exposed to payment delays and/or defaults by our customers, particularly our largest customer, the China's largest telecom group, which would adversely affect our cash flow or financial results.

  The Group has established a special team to follow up with the payment status of the customer contracts, to strictly review the terms and conditions of the contracts and to avoid and reduce the delay in payment or delinquency.

– We rely on staff in our R&D department to maintain and enhance our products and services. Failure to retain staff in our R&D department would materially and adversely affect our business, financial conditions and results of operations.

The Group has provided competitive compensation and benefits to retain the outstanding employees in our R&D department. Meanwhile, the Group has strengthened the training of our new staff in order to avoid the impact of employee turnover on our business operations. The Group has also actively considered the Share Option Scheme to increase R&D staff loyalty and to reduce employee turnover.

– Our revenue is mainly derived from one-time projects and any decrease in the number of projects would affect our operations and financial results.

  The Group is vigorously promoting products to other telecom operators and the broadcasting and television industry to increase the number of projects and to heighten the proportion of the services that can be renewed each year in these projects. The cloud-based SaaS application performance management system will provide a large number of small and medium-sized enterprise customers with long-term and sustainable services, which will effectively reduce the Group's dependence on the revenue derived from one-time projects.

– Our business may be subject to seasonal effects, and any disruption of business during the peak seasons could adversely affect our liquidity and results of operations.

  The Group actively expands our customer base, including small and medium-sized enterprises and overseas markets, to lessen the seasonal impact of a single industry and strengthen our contract/order management to avoid the impact of the excessive concentration of business in a quarter on the Group's cash flow and performance.

– We may be subject to foreign exchange risk stemming from the Group's holding of Hong Kong dollars in licenced banks in Hong Kong and Mainland China.

  The Group did not experience any impact or difficulties in liquidity on its operations resulting from currency exchange and no hedging transaction or forward contract arrangement was made by the Group during the year ended 31 December 2023. In this respect, the management of the Company will closely monitor foreign exchange risk to ensure that appropriate measures are implemented in a timely and effective manner.

KEY FINANCIAL AND BUSINESS PERFORMANCE INDICATORS

The key financial and business performance indicators comprise profitability growth and return on equity. Details of the Group's profitability growth are shown in the paragraph headed "Net (loss)/profit for the year" in this section of this annual report.

The Group's return on equity, calculated based on (loss)/profit for the year over total equity decreased from 1.9% for the year ended 31 December 2022 to -4.9% for the year ended 31 December 2023. The decrease was primarily due to the decrease in net profit of the Group

EXECUTIVE DIRECTORS

Mr. Shi Zhimin ("**Mr. Shi**"), aged 42, is the Chairman (the "**Chairman**"), the Chief Executive Officer and an executive Director of the Company. Mr. Shi was appointed as Executive Director on 16 March 2022 and he is primarily responsible for the overall management and strategic development of the Group. He obtained a bachelor's degree in business administration from China University of Geosciences in 2004 and has extensive management experience in listed companies. During the period from July 2009 to October 2015, Mr. Shi was the general manager of Shenzhen Ruice Technology Company Limited* (深圳市瑞測科技有限公司), which engages in (i) technology development, sales and on-site maintenance of test instruments, meters, electronic equipment and mechanical equipment parts, chemical products (excluding dangerous goods), optoelectronic materials, insulation materials, rubber and plastic materials, heat shrinkable materials; (ii) information consulting; and (iii) import and export business. During the period from 6 April 2016 to 6 November 2017, Mr. Shi was the chairman of Guangdong Boxin Investment Holding Company Limited* (廣東博信投資控股股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (600083.SH) and engages in the business of intelligent hardware and its derivative products, leasing and sales of heavy machinery and equipment, and commodity trading. Mr. Shi has been the general manager and legal representative of Shenzhen Qianhai Xuanzhuo Investment Management Company Limited (深圳前海烜卓投資管理有限公司) since November 2015. He has also been the executive affairs representative of Shenzhen Qianhai Xuanzhuo Investment Development Centre (Limited Partnership)* (深圳前海烜卓投資發展中心(有限合夥)) since November 2015. It is a company that engages in investment management, entrusted asset management (excluding trust, financial asset management, securities asset management and other restricted projects), equity investment, investment and running of corporate entities (subject to declaration of individual project), participating in setting up and providing management consultancy to venture capital enterprises, investment and corporate management consultancy services (excluding restricted business).

Mr. Shi is currently a director of Licorne Intelligent Technologies Co., Limited and Licorne Intelligent Technologies Holdings Limited, a legal representative and director in Licorne Intelligent (Shenzhen) Information Technologies Company Limited* (百澤智慧(深圳)信息科技有限公司) and Licorne Shanghui (Shanghai) Technologies Company Limited* (百澤尚慧(上海)科技有限公司)), all of which are indirect wholly-owned subsidiaries of the Company.

NON-EXECUTIVE DIRECTORS

Mr. Guan Haiqing ("**Mr. Guan**"), aged 49, is a non-executive Director of the Company. Mr. Guan graduated from Shanghai Jiao Tong University (上海交通大學) with a bachelor's degree in automation in July 1995. Mr. Guan has over 21 years of sales and marketing experience in high technology software solution enterprises. Mr. Guan joined our Group as the sales director in April 2015 and was appointed as our Director on 10 November 2015, redesignated as our executive Director on 28 July 2016; and appointed as the Chairman on 22 June 2020. Mr. Guan resigned as Chairman and redesignated from executive Director to non-executive Director on 1 June 2022. Prior to joining the Group, Mr. Guan has worked in the capacity of research and development engineer and a testing engineer in Shanghai Bell Alcatel Mobile Communication System Company Limited (上海貝爾阿爾卡特移動通信系統有限公司) from April 1996 to April 2000 and the sales manager of Agilent Technologies Group (安捷倫科技集團) from June 2000 to April 2010. Mr. Guan then worked in the sales department of JDSU Photoelectric Technology (Beijing) Co., Ltd (捷迪訊光電技術(北京)有限公司) from August 2010 to June 2013. From July 2013 to March 2015, Mr. Guan worked as a senior sales manager at JDSU Communication Technology (Shenzhen) Co., Ltd (Shanghai Branch) (捷迪訊通訊技術(深圳)有限公司(上海分公司)).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yeung Man Simon ("**Mr. Yeung**"), aged 52, was appointed as an independent non-executive Director on 7 April 2022. Mr. Yeung graduated from the University of Georgia with the degree of Bachelor of Business Administration, major in accounting and finance in March 1997. Mr. Yeung was admitted as an associate member of the Hong Kong Society of Accountants (currently known as Hong Kong Institute of Certified Public Accountants) in April 2002 and a member of the American Institute of Certified Public Accountants in July 2001.

Mr. Yeung has more than 24 years of experience in corporate finance, financial management and initial public offering of companies on the Stock Exchange. During the period from 1997 to 2015, Mr. Yeung had acted as the company secretary, financial controller as well as chief financial officer in a number of companies whose shares are listed on the Stock Exchange involving different industries. In May 2015, Mr. Yeung worked as a vice president of a subsidiary of Crown International Corporation Limited (stock code: 727) ("**Crown International**"), responsible for business development, corporate finance, financial management and control, and was later appointed as the executive director and chief financial officer of Crown International in August 2015. He was later redesignated as its chief executive officer and executive director in October 2016 and further appointed as its company secretary in March 2017. Mr. Yeung resigned from Crown International in March 2019. From May 2019 to September 2019, Mr. Yeung was the head of China market development department of Creative Property Services Consultants Limited, a company principally engaged in property management and a subsidiary of Creative Enterprise Holdings Limited, the shares of which were previously listed on the Main Board of the Stock Exchange. Since April 2021, Mr. Yeung has acted as the chief financial officer and the company secretary of Zhong An Intelligent Living Service Limited which is an integrated property management service provider in the PRC and, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2271). Mr. Yeung is currently an independent non-executive director of Buyang International Holding Inc, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2457).

Mr. Hu Jianjun ("**Mr. Hu**"), aged 44, was appointed as an independent non-executive Director on 7 April 2022. Mr. Hu obtained a bachelor's degree in management from Huazhong University of Technology in July 2002, and a master's degree in economics with a major in labour economics from Renmin University of China in July 2005. Mr. Hu has extensive experience in human resources management, asset management and investment fund management. Mr. Hu started to work in China Nuclear Power Engineering Co., Ltd. and its subsidiaries focusing on human resources matters in July 2005 and left the group in February 2022 with the last position as the Deputy General Manager of Shandong Bailu Chenxi Equity Investment Fund Management Co., Ltd.* (山東白鷺晨翕股權投資基金管理有限公司).

Ms. Ru Tingting ("**Ms. Ru**"), aged 49, was appointed as an independent non-executive Director on 7 April 2022. Ms. Ru obtained a Bachelor of Laws from China University of Political Science and law in July 1995 and a Master of Laws from Renmin University of China in June 2001. During the period from February 2002 to August 2018, Ms. Ru worked in the China Securities Regulatory Commission, first as the deputy director then as the director of the Department of Listed Company Division. Ms. Ru has been a managing partner of Beijing Yongxing Law Firm since September 2018. Since September 2019, Ms. Ru has acted as an independent non-executive director of Hong Kong Johnson Holdings Co., Ltd., the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1955).

COMPANY SECRETARY

Mr. Chan Ngai Chi ("**Mr. Chan**"), aged 52, was appointed as the company secretary of the Company on 1 June 2023. Prior to joining the Company, Mr. Chan had experience in financial management, compliance and auditing. Mr. Chan worked in the audit division of PricewaterhouseCoopers Hong Kong and various Hong Kong and U.S. listed companies. Mr. Chan is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and also a CFA Charterholder. Mr. Chan holds a bachelor's degree in business administration in accounting from the Hong Kong University of Science and Technology, a master of science degree from the Chinese University of Hong Kong and an EMBA degree from Peking University. Mr. Chan is currently an independent non-executive director of Beijing Tong Ren Tang Chinese Medicine Company Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3613).

SENIOR MANAGEMENT

Mr. Sie Tak Kwan ("**Mr. Sie**"), aged 47, is currently the financial director of Vixtel Technologies Limited* (飛思達技術(北京)有限公司), an indirect wholly-owned subsidiary of the Company. Mr. Sie has over 20 years of experience in high-technology software solution industry. Mr. Sie graduated from the Hong Kong Polytechnic University with a bachelor's degree in electronic engineering in November 2000. He further obtained a master's degree of science in communication engineering from the University of Hong Kong in December 2003. Mr. Sie joined the Group as a supervisor in December 2010 and was appointed as our Director on 10 November 2015 and was redesignated as our executive Director and Chief Executive Officer on 28 July 2016. Mr. Sie resigned as executive Director and Chief Executive Officer on 1 June 2022. Prior to joining the Group, Mr. Sie has worked as an application engineer and the Asia Business Development Manager of the Electronic Measurements Group at Agilent Technologies Hong Kong Limited (安捷倫科技香港有限公司) successively.

Mr. Yue Yong ("**Mr. Yue**"), aged 51, is currently the chief technology officer of Vixtel Technologies Limited* (飛思達技術(北京)有限公司), an indirect wholly-owned subsidiary of the Company and is primarily responsible for overseeing the engineering and technical operations as well as research and development. Mr. Yue obtained a bachelor's degree in information engineering and a master's degree in engineering from Xidian University (西安電子科技大學) in July 1994 and March 1997 respectively. Mr. Yue joined our Group as the technical director in September 2006 and was appointed as our Director on 10 November 2015 and was redesignated as our executive Director on 28 July 2016. Mr. Yue resigned as executive Director on 7 April 2022. Mr. Yue has over 22 years of experience in the Internet and software industry. Prior to joining the Group, Mr. Yue worked as an application engineer in the Agilent Technologies Group (安捷倫科技集團).

Mr. Liu Zewei ("**Mr. Liu**"), aged 40, was appointed as the head of the product marketing department of Vixtel Technologies Limited* (飛思達技術(北京)有限公司), an indirect wholly-owned subsidiary of the Company and is primarily responsible for product planning and new product research. Mr. Liu joined our Group on 27 December 2007 as the director of the research and development department of our Group. Mr. Liu obtained a bachelor's degree in computer science and technology from the Shanxi University (山西大學) in July 2004. He has over 15 years of experience in the research and development of software systems.

Mr. Chan Ngai Chi, please refer to the section headed "COMPANY SECRETARY' above.

The Directors are pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2023 to the Shareholders.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in the provision of Internet and Web APM products and services. Details of the principal activities of its subsidiaries are set out in note 1 to the consolidated financial statements. There were no significant changes in the nature of the principal activities of the Group during the year ended 31 December 2023.

BUSINESS REVIEW

Part of the business review as required under Schedule 5 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) is included in the sections headed "Management Discussion and Analysis" in this annual report from pages 7 to 18, and such discussion forms part of this directors' report.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2023 and the consolidated statement of profit or loss and other comprehensive income of the Group as at that date are set out in the consolidated financial statements on page 58 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (final dividend for the year ended 31 December 2022: nil).

There are no arrangements under which a shareholder has waived or agreed to waive any dividends.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting (the "**AGM**") is scheduled to be held on Friday, 24 May 2024. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 21 May 2024 to Friday, 24 May 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Monday, 20 May 2024.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the year ended 31 December 2023 is set out in the financial summary on page 140 of this annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the year ended 31 December 2023 are set out in note 13 to the consolidated financial statements.

ISSUED CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2023 are set out in note 25 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's amended and restated articles of association (the "**Articles**") 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

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

RESERVES

Details of movements in the reserves of the Group are set out in note 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Pursuant to the Companies Law of the Cayman Islands, Chapter 22 (Law 3 of 1961, as consolidated and revised), other than share premium, no other distributable reserve is available for distribution to Shareholders by the Company as at 31 December 2022 and 2023.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 32.2% (2022: approximately 31.1%) of the total turnover for the year ended 31 December 2023 and sales to the largest customer for the same period amounted to approximately 7.7% (2022: approximately 11.3%).

Purchases from the Group's five largest suppliers accounted for approximately 52.9% (2022: approximately 52.1%) of the total purchases during the year ended 31 December 2023 and purchases from the largest supplier during the same period amounted to approximately 14.9% (2022: approximately 35.7%).

To the best knowledge of the Directors, none of the Directors, or any of their associates or any Shareholders (own more than 5% of the Company's issued share capital) had any beneficial interest in the share capital of any of the five largest customers or suppliers of the Group in 2023.

DIRECTORS

The Directors who held office during the year ended 31 December 2023 and up to the date of this annual report were as follows:

EXECUTIVE DIRECTORS

Mr. Shi Zhimin *(Executive Director, Chief Executive Officer and Chairman)*

NON-EXECUTIVE DIRECTOR

Mr. Guan Haiqing

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yeung Man Simon
Mr. Hu Jianjun
Ms. Ru Tingting

Pursuant to Article 108 of the Articles, at each annual general meeting, one-third of the Directors for the time being or, if their number is not a multiple of three (3), the number nearest to but not less than one-third shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement at least once every three years. Therefore, Mr. Hu Jianjun and Ms. Ru Tingting will retire from office by rotation and, being eligible, shall offer himself/herself for re-election at the forthcoming AGM.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographic details of the Directors and senior management of the Group are set out from pages 19 to 21 of this annual report.

DIRECTOR'S SERVICE CONTRACTS/LETTERS OF APPOINTMENT

Mr. Shi Zhimin has entered into a service contract with the Company for a term of three (3) years commencing from 16 March 2022 which may only be terminated in accordance with the provision of the service contract. Mr. Guan Haiqing has entered into a service contract with the Company for a term of three (3) years commencing from 1 June 2022 which may only be terminated in accordance with the provision of the service contract. Each of the independent non-executive Directors, namely Mr. Yeung Man Simon, Mr. Hu Jianjun and Ms. Ru Tingting, has entered into a letter of appointment with the Company for a term of three (3) years commencing from 7 April 2022 which may only be terminated in accordance with the provision of the letter of appointment.

None of the Directors proposed for re-election at the forthcoming AGM has entered into any service contracts or letters of appointment with the Company which is not determinable by the Group within one year without payment of compensation other than the statutory compensation.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No Director nor his/her connected person(s) had material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party subsisting during the year ended or as at 31 December 2023.

COMPETING INTERESTS

During the year ended 31 December 2023, none of the Directors or the Controlling Shareholders (defined hereunder) or their respective associates (as defined in the Listing Rules) had an interest in any business which competes or may compete, either directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with the Group.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five highest paid individuals during the year ended 31 December 2023 are set out in notes 8 to 9 to the consolidated financial statements, respectively.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or was subsisting during the year ended 31 December 2023.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Neither the Company nor any of its subsidiaries has entered into any contract of significance with a controlling Shareholder or any of its subsidiaries, nor any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries.

TAX RELIEF AND EXEMPTION

The Company is not aware of tax relief or exemption available to the shareholders by reason of their holding of the Company's securities.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 21 November 2016 to provide incentives and rewards to eligible persons for their contribution to, and continuing efforts to promote the interest of, the Group.

Details of the Share Option Scheme are as follows:

1.	Purpose of the Share Option Scheme	The purpose of the Share Option Scheme is to enable the Company to grant options to eligible persons as incentives or rewards for their contribution to the Group.
2.	Who may join	Any eligible employee (full time or part-time), executive Director, non-executive Director and independent non-executive Director, advisor and consultant of the Group.
3.	Total number of shares available for issue and grant under the Share Option Scheme	48,674,500 Shares (representing 10% of the total number of Shares in issue as at the Listing Date or approximately 6.39% of the total number of Shares in issue as at the date of this annual report) since the adoption of the Share Option Scheme and as at 31 December 2023

4.	Subscription Price	The Subscription price shall be a price determined by the Board, but in any case shall not be less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of the grant, which must be a trading day; (ii) the average closing price per share as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the grant; and (iii) the nominal value of a share on such date of grant.
5.	Maximum entitlement of each participant	The total number of Shares issued and to be issued upon exercise of options granted in any 12-month period to a participant under this Share Option Scheme and other schemes must not exceed 1% of the Shares in issue.
6.	Time of acceptance and payment on acceptance	An offer of the grant of option may be accepted by the eligible person within 28 days from the date of the offer of grant of options, together with a remittance in favor of the Company of HK$1.00 by way of consideration for the grant thereof.
7.	Option period	A period which may not expire later than 10 years from the date of the offer of to be determined and notified by Directors to the grantee thereof.
8.	Rights are personal to grantee	An option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber, or create any interest in favour of any third party over or in relation to any option.
9.	Duration of the Share Option Scheme	The Share Option shall be valid and effective for a period of 10 years commencing on 21 November 2016 and has not expired as at the date of this annual report. As at 31 December 2023, the remaining life of the Share Option Scheme was about 2 years and 10 months.

Since the adoption of the Share Option Scheme and up to the date of this annual report, no share options have been granted, exercised, lapsed, cancelled or forfeited pursuant to the Share Option Scheme. On 31 December 2022 and as of the date of this annual report, the Group does not have any outstanding share options, warranties, derivatives or securities that are convertible into or exchangeable for shares.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme as described above, no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the year ended 31 December 2023 or subsisted at the end of that period.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2023, none of the Directors and chief executive of the Company had an interest or short position in the Shares, underlying Shares or debentures of the Company, its group members and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571) of the laws of Hong Kong (the "**SFO**")) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or was required to be recorded pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the "**Model Code**").

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES DISCLOSEABLE UNDER THE SFO

As at 31 December 2023, the Shareholders (other than Directors and the chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long Positions in Shares

Name of Shareholder	Capacity/Nature of Interest	Number of Shares held	Approximate percentage of shareholding *(Note 1)*
International Business Digital Technology Group Limited *(Note 2)*	Beneficial owner	569,715,000	74.77%
International Business Digital Technology Group (Hong Kong) Limited *(Note 2 and 3)*	Interest in a controlled corporation	569,715,000	74.77%
International Business Digital Technology Group Limited *(Note 3 and 4)*	Interest in a controlled corporation	569,715,000	74.77%
Du Li *(Note 4)*	Interest in a controlled corporation	569,715,000	74.77%

Notes:

1. As at 31 December 2023, the Company had 762,000,000 Shares in issue.

2. International Business Digital Technology Group Limited (formerly Phoenix Wealth (Cayman) Asset Management Limited) is an exempt company incorporated in the Cayman Islands with limited liability and is wholly-owned by International Business Digital Technology Group (Hong Kong) Limited.

3. International Business Digital Technology Group (Hong Kong) Limited (formerly Phoenix Wealth (Hong Kong) Asset Management Limited) is incorporated in Hong Kong and is wholly-owned by International Business Digital Technology Group Limited.

4. International Business Digital Technology Group Limited (formerly Phoenix Wealth Investment (Holdings) Limited) is incorporated in the British Virgin Islands and is wholly-owned by Mr. Du Li.

Save as disclosed above, as at 31 December 2023, the Company has not been notified by any persons (other than the Directors and chief executives of the Company) who held an interest or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed, "Share Option Scheme" and "Directors' and Chief Executives' Interests in Shares" above, at the time during the year ended 31 December 2023 and up to the date of this annual report, none of the Directors and chief executives of the Company and their respective close associates (as defined in the Listing Rules) had any interest in, or had been granted or exercised any rights to subscribe for shares or underlying shares of the Company and/or its associated corporations (within the meaning of the SFO).

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules during the year ended 31 December 2023 and up to the date of this annual report and considers all the independent non-executive Directors to be independent.

CORPORATE GOVERNANCE

For details of the compliance of corporate governance standards, please refer to the section headed "CORPORATE GOVERNANCE REPORT" in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

RELATIONSHIPS WITH STAKEHOLDERS

Employees

Talent has always been regarded as one of the most important and precious assets of the Group. The Group is committed to providing talented people with safe and comfortable working environment. The Group has also set up a sound management system, which provides reasonable salary and social welfare to attract and retain outstanding personnel with rich knowledge and experience to join us. In addition, the Group also provides regular training for technical staff. During the year ended 31 December 2023, there were no material labour disputes between the Group and the employees, and the Group has maintained good relations with its employees.

Customers

The Group has maintained long-term and stable business relationships with large and reputable customers, including subsidiaries of China's largest telecom group. The Group has established our business relationship with the subsidiaries of China's largest telecom group for more than 14 years, since 2007. To optimize the quality of its products, the Group constantly collects feedback from its customers. During the year ended 31 December 2023, the Group did not have any material disputes with its customers and has maintained good relationship with them.

Suppliers

The Group procures hardware and installation engineering services from various suppliers to minimize the risk of disruption of our operations. In particular, the Group has maintained over 10 years of business relationship with its largest supplier. During the year ended 31 December 2023, the Group did not have any material disputes with its suppliers and has maintained good relationship with them.

Dividend Policy

1. The Company intends to pay dividends semi-annually to the Shareholders, subject to the capacity of the Company to pay from accumulated and future earnings, liquidity position and future commitments and the dividend policy at the time of declaration of dividends. Save for the aforesaid regular semi-annual dividends, the dividend policy allows the Company to declare special dividends from time to time but no dividends shall exceed the amount recommended by the board of directors.

2. It is the policy of the Board, in recommending dividends, to allow Shareholders to share the profits of the Company and for the Company to retain adequate reserves for the Company's future growth. The capacity of the Company to pay dividends (including but not limited to the above-mentioned semi-annual dividends) will depend upon the Company's current and future operations, liquidity position and capital requirements. The payment of dividend is also subject to any restrictions under the laws of the Cayman Islands, the Articles requirements and applicable laws and regulations. Whilst the dividend policy reflects the current views of the board of directors on the financial and cash-flow position of the Group, such dividend policy will continue to be reviewed from time to time, and there can be no assurance that dividends will be paid in any particular amount for any given period. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial position, contractual restrictions and other factors of and affecting the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Board has overall responsibility for the Group's environmental, social and governance (the "**ESG**") strategy and reporting, and is responsible for the Group's ESG risk management and internal control systems to ensure that the ESG strategies and reporting requirements are met.

The Group's business does not involve any natural resources emissions. However, the Group is committed to implement policies and measures to minimise the Group's operational impact on the environment. During the year ended 31 December 2023, the Group adopted the following policies to improve the environmental quality:

- The use of electricity in office must comply with the principles of power saving, high efficiency and low consumption.

- Lights and electronic appliances in workplace must be turned off when not in use.

- Every member of the staff and management must turn off the power of computers, photocopiers, facsimile machines and other electronic equipment when they are off duty or on leave.

- Adjusting the heat supply system to low settings during the winter period and strictly implementing the rule that "the office air conditioning temperature setting shall not be lower than 26℃ in summer and not be higher than 16℃ in winter".

- Strengthening the management of office resources consumption, making full use of e-government functions, reducing the amount of paper printing and promoting the reuse of double-sided papers, envelopes and duplicating papers.

- Improving material utilization and promoting the recycling of waste and renewable resources.

For more details of the Group's ESG policies and performance, please refer to the Group's ESG Report 2023 dated 26 April 2024, which could be downloaded from the Company's corporate website at www.ibdtcbdc.com or from the Stock Exchange's HKEXnews webpage at www.hkexnews.hk. If any shareholders wish to receive the ESG report in printed form, please contact the Group's investor relations division at ir@ibdtcbdc.com.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with relevant requirements which could lead to adverse impact on the business operation and financial position of the Group. The Board is responsible for ensuring that the Group is in compliance with the relevant laws and regulations. The laws and regulations which have a significant impact on the Group include, among others, the Copyright Law of the PRC, the Regulations on Computer Software Protection, the Patent Law of the PRC, the Trademark Law of the PRC and the provisions on protection of personal Information of Telecommunication and Internet User. To the best knowledge of the Board, the Group has complied with relevant laws and regulations during the year ended 31 December 2023.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors.

RELATED PARTY TRANSACTION

Significant related party transactions entered into by the Group during the year ended 31 December 2023 are disclosed in note 31 to the consolidated financial statements. The related party transactions did not fall within the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

There is no significant event of the Group after 31 December 2023 and up to the date of this annual report.

AUDITOR

Ernst & Young was appointed by the Directors as the auditor of the Company and there was no change in the auditor of the Company in the past three financial years. The consolidated financial statements of the Group for the year ended 31 December 2023 have been audited by Ernst & Young whose term of office will expire upon the forthcoming AGM. A resolution to re-appoint Ernst & Young as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board
Shi Zhimin
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 28 March 2024

* *For identification purpose only*

CORPORATE GOVERNANCE PRACTICES

The Group's corporate governance practices are based on the principles and the code provisions in the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Listing Rules.

The Board recognizes the value and importance of achieving high corporate governance standards and is committed to upholding good corporate standards and procedures for the best interest of its shareholders.

During the year ended 31 December 2023, the Group has applied the principles of and is in compliance with all code provisions of the CG Code (the "**Core Provisions**") save as disclosed below.

Code Provision C.2.1 provides that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive should be clearly established and set out in writing. During the period from 1 January 2023 to 1 June 2023, the role of the Chairman of the Company was performed by Mr. Guan Haiqing and the role of the Chief Executive Officer of the Company was performed by Mr. Sie Tak Kwan. With effect from 1 June 2023, Mr. Guan Haiqing and Mr. Sie Tak Kwan resigned as the Chairman and the Chief Executive Officer, respectively, and Mr. Shi Zhimin was appointed as the Chairman and the Chief Executive Officer on the same day. Currently, Mr. Shi Zhimin is both the Chairman and Chief Executive Officer of the Company. In view of the fact that Mr. Shi Zhimin possesses extensive management experience in listed companies, the Board considers that vesting the roles of both the Chief Executive Officer and the Chairman in the same person has the benefit of ensuring consistent leadership with the Company and enables more effective and efficient overall strategic planning for the Company. The Board believes that under the supervision of the Board and its independent non-executive Directors, the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and efficiently. The Board shall nevertheless review the structure from time to time and it will consider the appropriate move to take should suitable circumstance arise. Save as disclosed above, the Company has complied with all the Code Provisions and was not aware of any non-compliance relating thereto.

CHANGE IN INFORMATION OF DIRECTORS

There is no change in the information of the Directors of the Company since the publication of the 2023 interim report of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the Model Code as the code of conduct for dealing in securities of the Company by the Directors.

During the year ended 31 December 2023, the Group has made specific enquiry to all Directors, who have confirmed that, each of them was in compliance with the Model Code.

BOARD OF DIRECTORS

Composition of the Board of Directors

Up to the date of this annual report, the Board comprises one executive Director, one non-executive Director and three independent non-executive Directors, details of which are set out below:

Executive Directors

Mr. Shi Zhimin *(Chief Executive Officer and Chairman)*

Non-executive Director

Mr. Guan Haiqing

Independent non-executive Directors

Mr. Yeung Man Simon
Mr. Hu Jianjun
Ms. Ru Tingting

No Board member has any relationship with the other Board members, the chief executive officer and senior management of the Company.

The biographic details of each of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" from pages 19 to 21 of this annual report.

Functions of the Board

The primary duty of the Board is to ensure the viability of the Company and to ensure that it is managed in the best interests of the Shareholders while taking into account the interests of other stakeholders. Apart from its statutory responsibilities, the Board also considers and approves the overall business plans and strategies of the Group, develops and implements the corporate governance functions in accordance with the Code Provision A.2.1, monitors the implementation of these policies and strategies and the management of the Company and to review the Company's compliance with the CG Code and disclosure in the corporate governance report. Daily business operations and administrative functions of the Group are delegated to the executive Directors and the senior management of the Company.

The Board's responsibilities also include: (i) to develop and review of the Company's policies and practices on corporate governance; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance guidance applicable to employees and Directors; and (v) to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

Board Meetings, General Meetings and Attendance Record of Directors

The Code Provision C.5.1 states that at least four regular Board meetings should be held each year at approximately quarterly intervals with active participation of a majority of Directors, either in person or through other electronic means of communication.

During the year ended 31 December 2023, the Company has convened four Board meetings and has convened one general meeting. The individual attendance records of each Director at the general meeting and the meetings of the Board are set out below:

	Number of Attendance of the general meeting/ Number of the general meeting	Number of Attendance of Board meetings/ Number of Board meetings
Executive Directors		
Mr. Shi Zhimin	1/1	4/4
Non-executive Director		
Mr. Guan Haiqing	1/1	4/4

	Number of Attendance of the general meeting/ Number of the general meeting	Number of Attendance of Board meetings/ Number of Board meetings
Independent non-executive Directors		
Mr. Yeung Man Simon	1/1	4/4
Mr. Hu Jianjun	1/1	4/4
Ms. Ru Tingting	1/1	4/4

Directors' Appointment, Re-election and Removal

Mr. Shi Zhimin has entered into a service contract with the Company for a term of three years commencing from 16 March 2022, which may be terminated by not less than three months' notice in writing served by either party on the other.

As at the date of this annual report, the non-executive Director, Mr. Guan Haiqing, has entered into a letter of appointment with the Company for a term of three years commencing from 1 June 2022, which may be terminated by not less than two months' notice in writing served by either party on the other.

As at the date of this annual report, each of the independent non-executive Directors, namely Mr. Yeung Man Simon, Mr. Hu Jianjun and Ms. Ru Tingting, has entered into a letter of appointment with the Company on 7 April 2022 for a term of three years commencing from 7 April 2022, which may be terminated by not less than two months' notice in writing served by either party on the other.

Pursuant to the Articles, the Directors shall hold office subject to retirement by rotation at the annual general meetings of the Company at least once every three years. Therefore, Mr. Hu Jianjun and Ms. Ru Tingting will retire from office by rotation and, being eligible, shall offer themselves for re-election at the forthcoming AGM.

Independent non-executive Directors

During the year ended 31 December 2023 and up to the date of this annual report, the Company at all times has three independent non-executive Directors to comply with Rule 3.10(1) of the Listing Rules. Furthermore, Mr. Yeung Man Simon has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules during the year ended 31 December 2023 and up to the date of this annual report. In accordance with Rule 3.13 of the Listing Rules, the Company has received from each of its independent non-executive Directors during the year ended 31 December 2023 and up to the date of this annual report the written confirmation of his/her independence. The Company, based on such confirmations, considers Mr. Yeung Man Simon, Mr. Hu Jianjun and Ms. Ru Tingting to be independent.

Chairman and Chief Executive Officer

The Group's corporate governance practices are based on the principles and the Code Provisions as set out in Appendix C1 to the Listing Rules.

The Board recognizes the value and importance of achieving high corporate governance standards and is committed to upholding good corporate standards and procedures for the best interest of its shareholders.

During the year ended 31 December 2023, the Group has applied the principles of and is in compliance with all Code Provisions save as disclosed below.

Code Provision C.2.1 provides that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive should be clearly established and set out in writing. Currently, Mr. Shi Zhimin is both the Chairman and Chief Executive Officer of the Company. In view of the fact that Mr. Shi Zhimin possesses extensive management experience in listed companies, the Board considers that vesting the roles of both the Chief Executive Officer and the Chairman in the same person has the benefit of ensuring consistent leadership with the Company and enables more effective and efficient overall strategic planning for the Company. The Board believes that under the supervision of the Board and its independent non-executive Directors, the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and efficiently. The Board shall nevertheless review the structure from time to time and it will consider the appropriate move to take should suitable circumstance arise.

Company Secretary

Mr. Chan Ngai Chi has been appointed as the company secretary of the Company (the "**Company Secretary**") on 1 June 2022. Mr. Chan is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and also a CFA Charterholder. During the year ended 31 December 2023, Mr. Chan has taken not less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

Training for Directors and Continuing Professional Development

Each of the Directors should keep abreast of the responsibilities as a Director and of the conduct, business activities and developments of the Company.

According to the Code Provision C.1.4, all directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. For the year ended 31 December 2023, all Directors namely, Mr. Shi Zhimin, Mr. Guan Haiqing, Mr. Yeung Man Simon, Mr. Hu Jianjun and Ms. Ru Tingting have participated in the training regarding director responsibilities and duties to ensure that he/she has appropriate understanding of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. There are also arrangements in place for providing continuing briefing and professional development to Directors where necessary.

Upon appointing a new Director, each new Director receives an induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

Directors' and Officers' Liabilities

The Company has arranged appropriate insurance to cover the liabilities in respect of legal action against the Directors and officers of the Company that may arise out of the corporate activities. The insurance coverage is reviewed on an annual basis.

BOARD COMMITTEES

The Board established three committees, namely the audit, remuneration and nomination committees, to oversee particular aspects of the Group's affairs. Each of the three committees has its specific terms of reference relating to authority and duties.

All members of the audit committee and the majority of members of the remuneration and nomination committees are independent non-executive Directors.

The Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, they are able to seek independent professional advice in appropriate circumstances at the Company's expense. The Board committees will report back to the Board on their decisions or recommendations.

Audit Committee

The audit committee of the Company (the "**Audit Committee**") was established on 21 November 2016 with written terms of reference revised by the Board with effect from 29 November 2018 and 30 December 2022 in compliance with Rules 3.21 and 3.22 of the Listing Rules and the Code Provision D.3.3. During the year ended 31 December 2023, the Audit Committee comprised Mr. Yeung Man Simon, Mr. Hu Jianjun and Ms. Ru Tingting, all of them were independent non-executive Directors of the Company. The chairman of the Audit Committee was Mr. Yeung Man Simon, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

During the year ended 31 December 2023, none of the members of the Audit Committee are former partners of the Company's existing external auditors.

The Audit Committee had reviewed the Group's financial results for the six months ended 30 June 2023 and for the year ended 31 December 2023 with the management and is of the view that such results complied with the applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

The main duties of the Audit Committee include the following:

(a) to assist the Board by providing an independent view on the effectiveness of the financial reporting process, internal control and risk management system of the Group;

(b) to review the financial information and disclosures;

(c) to oversee the audit process, financial reporting system, risk management and internal controls procedures; and

(d) to perform other duties and responsibilities as assigned by the Board.

The Audit Committee is required to meet at least twice a year. During the year ended 31 December 2023, two Audit Committee meetings were held.

Details of the attendance of the members of the Audit Committee are set out below:

	Number of Attendance of meetings/Number of meetings
Mr. Yeung Man Simon *(Chairman)*	2/2
Mr. Hu Jianjun	2/2
Ms. Ru Tingting	2/2

Minutes of the Audit Committee meetings are kept by the Company Secretary. The draft and final version of the minutes of the meeting are sent to all committee members for comments and records respectively within a reasonable time after the meeting. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Sufficient resources are provided by the Company for the Audit Committee to perform its duties.

Remuneration Committee

The remuneration committee of the Company (the "**Remuneration Committee**") was established by the Board on 21 November 2016 with written terms of reference revised by the Board with effect from 29 November 2018 and 30 December 2022 in compliance with the Code Provisions. During the year ended 31 December 2023, the Remuneration Committee comprised three independent non-executive Directors, namely Mr. Hu Jianjun, Mr. Yeung Man Simon and Ms. Ru Tingting, and one executive Director, namely Mr. Shi Zhimin. The chairman of the Remuneration Committee was Mr. Hu Jianjun.

The main duties of the Remuneration Committee include the following:

(a) to review and make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group;

(b) to review and make recommendations to the Board on the establishment of a formal and transparent procedure for developing policy in relation to remuneration;

(c) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(d) to consider and approve the grant of share options to eligible participants pursuant to the share option scheme;

(e) to evaluate the performance of the executive Directors and approve the terms of the executive Director's service contract; and

(f) to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

The Remuneration Committee is required to meet at least once a year. During the year ended 31 December 2023, one Remuneration Committee meeting was held. Details of the attendance of the members of the Remuneration Committee are set out below:

	Number of Attendance of meetings/Number of meetings
Mr. Hu Jianjun *(Chairman)*	1/1
Mr. Shi Zhimin	1/1
Mr. Yeung Man Simon	1/1
Ms. Ru Tingting	1/1

Nomination Committee

The nomination committee of the Company (the "**Nomination Committee**") was established on 21 November 2016, with written terms of reference revised by the Board with effect from 29 November 2018 and 30 December 2022 in compliance with the Listing Rules and the CG Code. During the year ended 31 December 2023, the Nomination Committee comprised three independent non-executive Directors, namely Ms. Ru Tingting, Mr. Yeung Man Simon and Mr. Hu Jianjun and one executive Director, namely Mr. Shi Zhimin. The chairlady of the Nomination Committee was Ms. Ru Tingting.

The main duties of the Nomination Committee include the following:

(a) to review the structure, size, composition and diversity (including gender, age, cultural and educational background, skills, knowledge and experience) of the Board annually;

(b) to identify individuals suitably qualified to become Board members;

(c) to assess the independence of independent non-executive Directors; and

(d) to make recommendations to the Board on the relevant matters relating to the appointment or re-appointment of Directors.

The Nomination Committee is required to meet at least once a year. During the year ended 31 December 2023, one Nomination Committee meeting was held. Details of the attendance of the members of the Nomination Committee are set out below:

	Number of Attendance of meetings/Number of meetings
Ms. Ru Tingting *(Chairlady)*	1/1
Mr. Shi Zhimin	1/1
Mr. Yeung Man Simon	1/1
Mr. Hu Jianjun	1/1

DIVERSITY IN BOARD AND WORKFORCE

Board Level

The Company adopted a board diversity policy and aims to achieve diversity on the Board through the consideration of a number of aspects, including but not limited to gender, age, cultural and ethnic background, professional qualification, skills, knowledge and length of service.

The Nomination Committee will review the board diversity policy as appropriate, to ensure the effectiveness of the board diversity policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Board currently has one female Director out of five Directors, and is committed to improving gender diversity as and when suitable candidates are identified. During the year ended 31 December 2023 and up to the date of this annual report, our Directors are from diverse and complementary backgrounds. Their valuable experience and expertise are critical for the long-term growth of the Company. The Board's composition under diversified perspectives is summarized as follows:

Name		**Shi Zhimin**	**Guan Haiqing**	**Yeung Man Simon**	**Hu Jianjun**	**Ru Tingting**
Gender		Male	Male	Male	Male	Female
Age		42 *(Note 1)*	49 *(Note 3)*	52 *(Note 2)*	44 *(Note 2)*	49 *(Note 2)*
Academic Background		Bachelor's Degree in Business Administration	Bachelor of Automation	Bachelor of Business Administration	Bachelor's degree in management/ Master's degree in economics	Bachelor of Laws/ Master of Laws
Skills, knowledge & professional experience	(a) Accounting & Finance			√	√	√
	(b) Corporate Responsibility/ Sustainability	√	√	√		√
	(c) Executive management and leadership skills	√	√		√	
	(d) Financial Service			√	√	√
	(e) Human Resources			√	√	√
	(f) Information Technology	√	√		√	
	(g) Investor Relations	√			√	
	(h) Legal			√		√
	(i) Risk Management	√			√	
	(j) Strategic Planning	√			√	
	(k) Marketing	√				

Notes:

(1) Mr. Shi Zhimin was appointed as executive Director with effect from 16 March 2022.

(2) Mr. Yeung Man Simon, Mr. Hu Jianjun and Ms. Ru Tingting were appointed as independent non-executive Director with effect from 7 April 2022.

(3) Mr. Guan Haiqing was redesignated as a non-executive Director with effect from 1 June 2022.

The Nomination Committee reviewed the composition of the Board under diversified perspectives and monitored the implementation of the Board Diversity Policy and considered that the said policy is effective. According to the Board Diversity Policy, selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. These factors are the measurable objectives for implementing the Board Diversity Policy.

Workforce level

As at 31 December 2023, the Group maintained an approximately 2:8 ratio of female to male in the workplace. Notwithstanding the common phenomenon that male outnumber female in the hi-tech industry, the Company is committed to attract a diverse workforce (including but not limited to gender, age, cultural and educational background, skills, knowledge and experience) and to create a fair and supportive workplace for the employers, to build a strong pipeline of diverse female talent to ensure a gender balance in future workforce.

The Company expects the above is achievable with suitable effort in promoting the gender diversity culture, which the Group has been advocating for so.

Nomination Policy

1 Objective

1.1 The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to Shareholders for election as the Directors at general meetings or appoint as Directors to fill casual vacancies.

1.2 The Nomination Committee may, as it considers appropriate, nominate a number of candidates more than the number of Directors to be appointed or re-appointed at a general meeting, or the number of casual vacancies to be filled.

2 Selection Criteria

2.1 The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate.

- Reputation for integrity;
- Accomplishment and experience;
- Commitment in respect of available time and relevant interest;
- Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service; and
- In the case of independent non-executive Directors, the independence of the candidate.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

2.2 Subject to the provisions of the Articles, retiring Directors are eligible for nomination by the Board to stand for re-election at a general meeting.

2.3 Proposed candidates will be asked to submit the necessary personal information in a prescribed form, together with their written consent to be appointed as a Director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a Director.

2.4 The Nomination Committee may request candidates to provide additional information and documents, if considered necessary.

3 Nomination Procedures

3.1 The secretary of the Nomination Committee shall call a meeting of the Nomination Committee, and invite nominations of candidates from the Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by the Board members.

3.2 For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

3.3 Until the issue of the Shareholders circular, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.

3.4 In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, and to invite nominations from Shareholders, a circular will be sent to the Shareholders. The circular will set out the lodgment period for Shareholders to make the nominations. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to Shareholders.

3.5 A Shareholder can serve a notice to the Company Secretary within the lodgment period of its intention to propose a resolution to elect a certain person as a Director, without the Board's recommendation or the Nomination Committee's nomination, other than those candidates set out in the shareholder circular. The particulars of the candidates so proposed will be sent to all Shareholders for information by a supplementary circular.

3.6 A candidate is allowed to withdraw his candidature at any time before the general meeting by serving a notice in writing to the Company Secretary.

3.7 The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

4 Confidentiality

4.1 Unless required by law or any regulatory authority, under no circumstances shall a member of the Nomination Committee or a staff member of the Company disclose any information to or entertain any enquiries from the public with regard to any nomination or candidature before the circular to Shareholders, as the case may be, is issued. Following the issue of the circular, the Nomination Committee or Company Secretary or other staff member of the Company approved by the Nomination Committee may answer enquiries from the regulatory authorities or the public but confidential information regarding nominations and candidates should not be disclosed.

Emolument policy for Directors and Senior Management

Particulars of the Directors' remuneration for the year ended 31 December 2023 are set out in note 8 to the consolidated financial statements of this annual report.

The Remuneration Committee of the Company was set up for reviewing and determining the Group's emolument policy and structure for all remuneration of the Directors and senior management based on the Group's operating results, individual performance and comparable market practices.

Pursuant to the Code Provision E.1.5, the remuneration of the members of the senior management (other than the Directors) whose particulars are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report for the year ended 31 December 2023 by band is as follows:

Remuneration Band (in HK$)	**Number of individuals**
500,001 to 1,000,000	1
1,000,001 to 1,500,000	–
1,500,001 to 2,000,000	3

ACCOUNTABILITY AND AUDIT

Auditors' Remuneration

The remuneration paid or payable to the Company's auditor, Ernst & Young, in respect of their audit services and non-auditing services for the year ended 31 December 2023 is set out below:

Items of auditor's services	**Amount**
	RMB'000
Annual audit service	1,250
Total	1,250

Directors' and auditor's responsibilities for the consolidated financial statements

All Directors acknowledge their responsibilities to prepare the Group's consolidated financial statements for each financial year to give a true and fair view of the financial position of the Group and of its financial performance and cash flows for the year ended 31 December 2023. In preparing the consolidated financial statements for the year ended 31 December 2023, the Board has selected suitable accounting policies and applied them consistently, made and prepared the consolidated financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

As at 31 December 2023, the Board was not aware of any material misstatement or uncertainties that might be relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of auditor regarding their reporting responsibility for the financial statements is set out in the section headed "Independent Auditor's Report" on pages 52 to 57 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for and has conducted an annual review of the effectiveness of the Group's risk management and internal control systems during the year ended 31 December 2023. The risk management process includes risk identification, risk evaluation, risk management and risk control and review. It should be acknowledged that such 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 management of the Company is entrusted with duties to identify, analyze, evaluate, respond, monitor and communicate risks associated with any activity, function or process within its scope of responsibility and authority.

The Group has conducted an annual review of the implemented system and procedures, including areas covering financial, operational, legal compliance controls and risk management functions during the year ended 31 December 2023. The systems are implemented to minimize the risk to which the Group is exposed and is used as a management tool for the day-to day operation of business. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Group does not have an internal audit function as the Board has reviewed the effectiveness of the internal control system of the Company and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. The situation will be reviewed from time to time.

The Group has engaged a qualified external consulting firm to conduct independent internal control review for the year ended 31 December 2023 and the review was completed as at the date of this annual report.

For the year ended 31 December 2023, the Board considered the Group's internal control system as adequate and effective and that the Company has complied with the Code Provisions on internal control.

Disclosure of inside information

The Group acknowledges its responsibilities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) and the Listing Rules that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and disseminating inside information are as follows:

– the Group conducts its affairs with strict compliance with the disclosure requirement under the Listing Rules and the "Guideline on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong;

– the Group has implemented its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcement and its website; and

– the Group has strictly prohibited any unauthorized use of confidential or inside information.

INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION POLICY

The Company is committed to maintaining an open and effective investor relations policy and to update investors on relevant information and developments in a timely manner, subject to relevant regulatory requirements. The Company uses a range of formal communication channels, such as the annual general meeting; the publication of interim and annual reports, notices, announcements and circulars, to update Shareholders and investors with the latest business development and financial performance of the Group. The corporate website of the Company at www.ibdtcbdc.com provides a communication platform through which the public and investor community can access up-to-date information regarding the Company.

Shareholders may at any time send their enquiries and concerns to the Board in writing. Contact details are as follows:

Address:	16/F, 18 King Wah Road, North Point, Hong Kong
Tel:	+852 2126 7462
Fax:	+852 2180 0075
Email:	ir@ibdtcndc.com

Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant Board committees of the Company, where appropriate, to answer the Shareholders' questions.

The Company has established a Shareholders Communication Policy to set out the Company's procedures in providing the Shareholders and the investment community with ready, equal and timely access to balanced and understandable information about the Company, in order to enable the Shareholders to exercise their rights in an informed manner and to allow the Shareholders and the investment community to engage actively with the Company. During the Year, the website of the Company was updated on a regular basis in order to maintain an effective ongoing communication with Shareholders. Shareholders could access the latest information and the information released by the Company through the company website. Shareholders were given the face-to-face opportunities to meet and communicate with the Directors and to raise questions, comments and exchange their views with the Board in the annual general meeting and other general meetings. In light of the above, the Board considers that the Company's shareholders' communication policy conducted during the year ended 31 December 2023 was open and effective.

SHAREHOLDER RIGHTS

Right to convene extraordinary general meeting

Pursuant to the Articles, any Shareholder(s) holding at the date of the 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 have the right to submit a written requisition requiring an extraordinary general meeting to be called by the Board. The written requisition (i) must state the purpose(s) of the extraordinary general meeting, and (ii) must be signed by the requisitionist(s) and deposited at the registered office of the Company for attention of the Company Secretary, and may consist of several documents in like form, each signed by one or more requisitionist(s). Such requisitions will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to convene an extraordinary general meeting by serving sufficient notice to all Shareholders. On the contrary, if the requisition has been verified as not in order, the requisitionist(s) will be advised of this outcome and accordingly, the extraordinary general meeting will not be convened as requested.

If the Board does not within 21 days from the date of the deposit of the requisition proceed duly to convene the extraordinary general meeting, the requisitionist(s) or any of them representing more than one-half of the total voting rights of all of them may convene an extraordinary general meeting, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company, but any extraordinary general meeting so convened shall not be held after expiration of two months from the said date of deposit of the requisition. An extraordinary general meeting convened by the requisitionist(s) shall be convened in the same manner, as nearly as possible, as that in any extraordinary general meeting to be convened by the Board.

Right to put forward proposals at general meeting

To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her proposal with his/her detailed contact information at the Company's principal place of business in Hong Kong.

The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the proposal in the agenda for the general meeting.

Right to make enquiries to the Board

Shareholders may send their enquiries and concerns, in written form, to the Board by addressing them to the Company Secretary at 16/F, 18 King Wah Road, North Point, Hong Kong. Shareholders may also make enquiries to the Board at the general meeting of the Company. In addition, Shareholders can contact Tricor Investor Services Limited, the branch share registrar of the Company in Hong Kong, if they have any enquiries about their shareholdings and entitlements to dividend.

CONSTITUTIONAL DOCUMENTS

The Board has passed a resolution on 17 April 2023 to propose amendments to the Articles to (i) conform to the Core Standards for shareholder protection as set out in Appendix A1 to the Listing Rules; (ii) set out explicitly the flexibility of the Company to convene virtual general meetings; and (iii) incorporate certain housekeeping changes. The amended and restated Articles was adopted by a special resolution on 12 May 2023.

The Board has passed a resolution on 17 May 2023 to propose amendments to the Articles to change English name of the Company from "Vixtel Technologies Holdings Limited" to "International Business Digital Technology Limited" and the dual foreign name in Chinese of the Company from "飛思達科技控股有限公司" to "國際商業數字技術有限公司". The amended and restated Articles was adopted by a special resolution on 6 June 2023.

Ernst & Young
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To the shareholders of International Business Digital Technology Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of International Business Digital Technology Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 58 to 139, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**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 Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

KEY AUDIT MATTERS (continued)

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters	How our audit addressed the key audit matters
Revenue recognition	
Revenue from integrated application performance management ("**APM**") system solutions and software development service contracts is recognised over time based on the progress towards complete satisfaction of the services, and therefore requires management judgements and estimates. The progress of completion is measured using an input method by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract. Contract costs incurred comprise direct material costs, the costs of subcontracting, direct labour costs and an appropriate proportion of variable and fixed overheads. Revenue arising from contracts for integrated APM system solutions and software development services accounted for approximately 83% of the Group's total revenue. The contract assets derived from these revenue contracts accounted for approximately 34% of the Group's total assets as at 31 December 2023. Significant management judgements are involved in the estimation of the total contract cost including the assessment of the remaining contingencies that a project is or could be facing until completion. Relevant disclosures are made in note 2.4 "Material accounting policies", note 3 "Significant accounting judgements and estimates", note 5 "Revenue, other income and gains" and note 19 "Contract assets" to the financial statements.	Our audit procedures included, among others, the following: – Testing the controls designed and implemented by the Group over its process to record contract revenue, contract costs and the calculation progress. – Evaluating the significant estimates made by management by examining project documentation including the project budget together with related supporting documents such as quotations from suppliers and subcontractors, planned labour resource allocation and discussing the status of selected projects with management, finance staff and technical staff of the Group; – Assessing the reliability of management's estimates by comparing the gross profit margin with previously completed projects which were of similar nature; – Discussing the rationality of any modification of estimated contract costs with management and checking the related documents such as new quotations from suppliers and the change requests approved by management; – Performing tests of details on costs incurred, including checking invoices and timesheets to ensure that the costs were directly attributable to the contracts tested; – Performing confirmation procedures for the invoiced contract amount and the total contract amount; – Performing substantive analytical procedures; and – Performing cut-off procedures at the period-end date to determine whether transactions were recorded in the proper period and in the proper accounts.

KEY AUDIT MATTERS (continued)

Key audit matters	How our audit addressed the key audit matters
Collectability of trade receivables and contract assets	
Trade receivables and contract assets accounted for approximately 4% and 34% of the total assets in the consolidated statement of financial position as at 31 December 2023, respectively. The Group adopted a forward-looking model for the assessment of expected credit loss provision for trade receivables and contract assets. The loss rates are based on groupings of various customer segments with similar loss patterns. This involves judgements as the expected credit losses reflect information about past events, current conditions and forecasts of future conditions, as well as the time value of money. Due to the significance of trade receivables and contract assets, and the related estimation uncertainty, this is considered a key audit matter. Relevant disclosures are made in note 3 "Significant accounting judgements and estimates", note 17 "Trade and bills receivables", and note 19 "Contract assets" to the financial statements.	Our audit procedures included, among others, the following: – Testing on a sampling basis the grouping of trade receivables and contract assets at the end of the year; – Test checking receipts after the year-end to determine any remaining exposure as at 31 December 2023; – Assessing whether the expected credit losses were determined in accordance with HKFRS 9; – Evaluating the loss-rate statistics of the trade receivables and contract assets by checking to published credit ratings of customers by credit agents; – Evaluating the forward-looking data used in the impairment models by considering the customers' expected payment patterns along with macroeconomic information; – Assessing whether the time value of money was considered in the expected credit loss impairment model and checking the mathematical accuracy of the calculations; and – Assessing the adequacy of the Group's disclosures in relation to the expected credit loss provision for trade receivables and contract assets included in the financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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. Our report is made 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is TJEN, Michael.

Ernst & Young
Certified Public Accountants
Hong Kong
28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	*5*	**120,205**	103,767
Cost of sales		**(65,060)**	(55,715)
Gross profit		**55,145**	48,052
Other income and gains	*5*	**9,326**	12,677
Selling and distribution expenses		**(29,173)**	(14,224)
Research and development costs		**(38,922)**	(36,592)
Administrative expenses		**(43,304)**	(24,310)
Impairment losses on financial and contract assets, net	*6*	**(572)**	(243)
Other expenses		**(87)**	(16)
Finance costs	*7*	**(367)**	(357)
LOSS BEFORE TAX	*6*	**(47,954)**	(15,013)
Income tax credit	*10*	**641**	888
LOSS FOR THE YEAR		**(47,313)**	(14,125)
OTHER COMPREHENSIVE LOSS		**–**	–
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(47,313)**	(14,125)
Attributable to:			
Owners of the parent		**(47,155)**	(11,929)
Non-controlling interest		**(158)**	(2,196)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
– For loss for the year (in RMB cents)		**(7.05)**	(1.85)
Diluted			
– For loss for the year (in RMB cents)		**(7.05)**	(1.85)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property and equipment	*13*	**2,749**	789
Right-of-use assets	*14*	**4,296**	2,919
Other intangible assets	*15*	**21,535**	10,169
Contract assets	*19*	**3,341**	1,998
Long-term deposits	*18*	**64**	45
Deferred tax assets	*24*	**896**	–
Restricted cash	*20*	**647**	129
Total non-current assets		**33,528**	16,049
CURRENT ASSETS			
Inventories	*16*	**5,989**	4,531
Trade and bills receivables	*17*	**12,844**	25,862
Contract assets	*19*	**96,059**	99,342
Prepayments, other receivables and other assets	*18*	**14,365**	7,889
Pledged time deposits	*20*	**4,200**	4,200
Restricted cash	*20*	**252**	133
Cash and cash equivalents	*20*	**122,620**	171,366
Total current assets		**256,329**	313,323
CURRENT LIABILITIES			
Trade payables	*21*	**9,819**	2,687
Other payables and accruals	*22*	**23,518**	23,933
Interest-bearing bank borrowings	*23*	**10,000**	10,000
Lease liabilities	*14*	**3,948**	1,499
Total current liabilities		**47,285**	38,119
NET CURRENT ASSETS		**209,044**	275,204
TOTAL ASSETS LESS CURRENT LIABILITIES		**242,572**	291,253

	Notes	**2023** **RMB'000**	2022 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*24*	**429**	689
Other payables and accruals	*22*	**–**	30
Lease liabilities	*14*	**81**	1,159
Total non-current liabilities		**510**	1,878
Net assets		**242,062**	289,375
EQUITY			
Share capital	*25*	**6,686**	6,686
Reserves	*27*	**235,933**	283,088
		242,619	289,774
Non-controlling interests		**(557)**	(399)
Total equity		**242,062**	289,375

Shi Zhimin
Director

Yeung Man Simon
Director

	Attributable to owners of the parent									
	Share capital	**Treasury shares**	**Share award reserve**	**Share premium**	**Capital reserve**	**Statutory surplus reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	note 25	*note 26*	*note 27(c)*	*note 27(d)*	*note 27(a)*	*note 27(b)*				
At 1 January 2022	4,514	(2,509)	1,008	76,581	30,710	13,893	57,661	181,858	1,797	183,655
Loss for the year	–	–	–	–	–	–	(11,929)	(11,929)	(2,196)	(14,125)
Total comprehensive income for the year	–	–	–	–	–	–	(11,929)	(11,929)	(2,196)	(14,125)
Issue of shares	2,172	–	–	117,278	–	–	–	119,450	–	119,450
Share issue expenses	–	–	–	(1,448)	–	–	–	(1,448)	–	(1,448)
Equity-settled share award scheme	–	2,509	(1,008)	342	–	–	–	1,843	–	1,843
At 31 December 2022 and 1 January 2023	6,686	–	–	192,753	30,710	13,893	45,732	289,774	(399)	289,375
Loss for the year	–	–	–	–	–	–	(47,155)	(47,155)	(158)	(47,313)
Total comprehensive income for the year	–	–	–	–	–	–	(47,155)	(47,155)	(158)	(47,313)
Transfer from retained profits	–	–	–	–	–	465	(465)	–	–	–
At 31 December 2023	6,686	–	–	192,753	30,710	14,358	(1,888)	242,619	(557)	242,062

* These reserve accounts comprise the consolidated reserves of RMB235,933,000 (2022: RMB283,088,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(47,954)**	(15,013)
Adjustments for:			
Finance costs	*7*	**367**	357
Bank interest income	*5*	**(2,296)**	(821)
Interest income arising from revenue contracts	*5*	**(77)**	(62)
Depreciation of property and equipment	*13*	**980**	429
Depreciation of right-of-use assets	*14*	**3,677**	1,650
Amortisation of other intangible assets	*15*	**4,534**	4,457
Impairment of trade receivables, net	*6*	**602**	215
Impairment of contract assets, net	*6*	**(30)**	28
Investment income from financial assets at fair value through profit or loss	*6*	**(422)**	(580)
Net foreign exchange differences	*6*	**(989)**	(7,068)
Equity-settled share award expense		**–**	1,843
		(41,608)	(14,565)
Increase in inventories		**(1,457)**	(1,147)
Decrease/(increase) in contract assets		**1,415**	(6,082)
Decrease/(increase) in trade and bill receivables		**13,048**	(297)
(Increase)/decrease in prepayments, other receivables and other assets		**(5,999)**	822
Increase in trade and bills payables		**7,132**	576
Decrease in pledged deposit for bills payable		**–**	600
Increase in restricted cash for guarantee		**(637)**	(262)
(Decrease)/increase in other payables and accruals		**(445)**	3,671
Cash used in operations		**(28,551)**	(16,684)
Interest received		**2,296**	821
Income tax paid		**(516)**	(877)
Net cash flows used in operating activities		**(26,771)**	(16,740)

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment		**(2,940)**	(666)
Additions to intangible assets		**(15,900)**	–
Purchases of financial assets at fair value through profit or loss		**(200,000)**	(256,000)
Proceeds upon maturity of financial assets at fair value through profit or loss		**200,422**	256,580
Net cash flows used in investing activities		**(18,418)**	(86)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	*25*	**–**	119,450
Share issue expenses	*25*	**–**	(1,448)
New bank loans	*23*	**10,000**	10,000
Repayment of bank loans	*23*	**(10,000)**	(10,000)
Interest paid		**(367)**	(357)
Increase in pledged deposits for a short-term bank loan	*20*	**–**	(4,200)
Decrease in pledged deposits for a short-term bank loan	*20*	**–**	5,500
Principal portion of lease payments		**(3,683)**	(1,837)
Increase in rental deposits		**(496)**	(45)
Net cash flows (used in)/from financing activities		**(4,546)**	117,063
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(49,735)**	100,237
Cash and cash equivalents at beginning of year		**171,366**	64,061
Effect of foreign exchange rate changes, net		**989**	7,068
CASH AND CASH EQUIVALENTS AT END OF YEAR		**122,620**	171,366
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Unrestricted cash and bank balances	*20*	**122,620**	171,366
Cash and cash equivalents as stated in the statement of cash flows	*20*	**122,620**	171,366

1. CORPORATE INFORMATION

International Business Digital Technology Limited (formerly known as Vixtel Technologies Holdings Limited, the change of name was confirmed by the Registrar of Companies in Hong Kong on 4 July 2023 under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) (the "**Company**") was incorporated in the Cayman Islands on 10 November 2015 as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. The address of the registered office of the Company is Windward 3, Regatta Office Park PO Box 1350, Grand Cayman KY1-1108 Cayman Islands. The shares of the Company were listed on the GEM of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 15 December 2016.

The Company has successfully transferred listing from GEM to the Main Board (the "**Main Board**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 29 November 2018 (the "**Listing Date**").

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in providing application performance management ("**APM**") solutions in Chinese Mainland (the "**PRC**"). The Group is planning to enter a new business market under exploration for the Central Bank Digital Currencies ("**CBDC**") network system by utilising cutting-edge digital technology during the year.

As of the date of approval of the financial statements, the Company has direct and indirect interests in the following entities:

Company name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
Vixtel Systems Limited	British Virgin Islands	US$1	100	–	Investment holding
Vixtel Networks Limited	Hong Kong	HK$10,000	–	100	Investment holding
Sino Impact Company Holding Limited	Hong Kong	HK$10,000	–	100	Investment holding
Vixtel Technologies Limited*	PRC/Chinese Mainland	RMB50,500,000	–	100	Provision of APM solutions
Vixtel Software Limited**	PRC/Chinese Mainland	RMB10,500,000	–	100	Provision of APM solutions
Depuda (Wuxi) Technologies Limited**	PRC/Chinese Mainland	RMB10,000,000	–	77.7	Provision of APM solutions

1. CORPORATE INFORMATION (continued)

Company name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
Vixtel Yunwang (Beijing) Technologies Limited**	PRC/Mainland China	RMB100,000,000	–	100	Provision of APM solutions
Licorne Intelligent Technologies Holdings Limited	British Virgin Islands	US$50,000	–	100	Investment holding
Licorne Intelligent Technologies Limited	Hong Kong	HK$10,000	–	100	Investment holding
Licorne Intelligent (Beijing) Technologies Holdings Limited*	PRC/Mainland China	HK$240,000,000	–	100	Investment holding
Licorne Intelligent (Shenzhen) Technologies Limited**	PRC/Mainland China	RMB10,000,000	–	100	Investment holding
Licorne Shanghui (Shanghai) Technologies Limited**	PRC/Mainland China	RMB10,000,000	–	100	Investment holding
Vixtel Shuzhi (Chongqing) Technologies Limited**	PRC/Mainland China	RMB10,000,000	–	100	Provision of APM solutions
International Business Digital Technology (Hong Kong) Limited	Hong Kong	HK$100	–	100	Provision of CBDC solutions
International Business Digital Technology (Africa) Limited	British Virgin Islands	US$50,000	–	100	Provision of CBDC solutions
International Business Digital Technology (South Africa) Limited	British Virgin Islands	US$50,000	–	100	Provision of CBDC solutions

* Registered as wholly-foreign-owned enterprises under PRC law.

** Registered as limited liability companies under PRC law. The English names of these companies represent the best effort made by the management of the Company to directly translate the Chinese names as they did not register any official English names.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2. ACCOUNTING POLICIES (continued)

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 Making Materiality Judgements provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

2. ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below: (continued)

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in note 24 to the financial statements. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12.

(d) Amendments to HKAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2. ACCOUNTING POLICIES (continued)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in the consolidated financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**")[1, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**")[1, 4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

2. ACCOUNTING POLICIES (continued)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

2. ACCOUNTING POLICIES (continued)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its financial instruments at fair value at the end of each reporting period. 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group 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;
- (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); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personal services to the Group or to the parent of the Group.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Property and equipment and depreciation

Property and equipment, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss and other comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Motor vehicles	20%
Furniture and fixtures	33%
Computer equipment	33%
Leasehold improvements	Over the shorter of the lease terms and 50%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of profit or loss and other comprehensive income in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Computer software

Purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 3 years.

Software copyright

Purchased software copyright is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 10 years.

Research and development costs

All research costs are charged to the consolidated statement of profit or loss and other comprehensive income as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises	2 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has used a loss rate approach and develops loss-rate statistics on the basis of the amount expected to be written off over the life of the financial assets by reference to the credit rating of the customers, and then adjust these loss trends for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables and other payables, and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statement of profit or loss and other comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss and other comprehensive income.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Shares held under the share award scheme

The Group's own equity instruments which are reacquired and held by the Group are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value, and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Income tax (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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated statement of profit or loss and other comprehensive income over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the consolidated statement of profit or loss and other comprehensive income by way of a reduced depreciation charge.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) Integrated APM system solutions and software development services

Revenue from integrated APM system solutions and software development services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. For the contracts with a fixed price, the Group uses input method, which the Group recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the services. For the contracts billed a fixed amount for each hour of service provided, the Group uses practical expedient to recognise revenue in the amount to which the Group has a right to invoice.

Contracts for bundled sales of software development service and technical and maintenance services (i.e. training, upgrade, service-type warranties) are comprised of separate performance obligations because the promises to transfer the software and provide those services are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated based on the relative stand-alone selling prices of each performance obligation.

(b) Technical services

Revenue from technical services is recognised over the scheduled period on a straight-line basis or based on the actual time/work incurred, because the customer simultaneously receives and consumes the benefits provided by the Group.

(c) Sales of embedded hardware and standard APM software

Revenue from the sales of embedded hardware and standard APM software is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the hardware and software.

Contracts for bundled sales of embedded hardware and standard APM software, installation, technical and maintenance services (i.e., training and upgrade) are comprised of separate performance obligations because these promises are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated based on the relative stand-alone selling prices of each performance obligation.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract. (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Company operates a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss and other comprehensive income for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Share-based payments (continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operates in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. The subsidiary operating in Chinese Mainland is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

All the borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in RMB, which is also the function currency of the Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Withholding tax arising from the distribution of dividends

The Group's determination as to whether to accrue for withholding taxes arising from the distributions of dividends from a subsidiary in Chinese Mainland is subject to significant management judgement on the timing of the payment of the dividends that would be distributed in the foreseeable future. The estimation process is highly based on assumptions, which are influenced by projected future market and economic conditions and future financing requirements of the Group, and it is not probable that such subsidiary will distribute dividends in the foreseeable future.

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.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a loss rate approach to calculate ECLs for trade receivables and contract assets. The loss rates are based on groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating).

The Group develops loss-rate statistics on the basis of the amount expected to be written off over the life of the financial assets by reference to the credit rating of the customers, and then adjust these loss trends for current conditions and expectations about the future. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the telecommunications sector, the determined loss-rate will be adjusted. At each reporting date, the loss-rate statistics are updated and changes in the forward-looking estimates are analysed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Provision for expected credit losses on trade receivables and contract assets (Continued)

The assessment of the correlation among the loss-rate statistics, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's expected default data and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in notes 17 and 19 to the financial statements, respectively.

Revenue recognition

The Group recognises revenue from integrated APM system solutions and software development services based on the actual direct costs incurred to satisfy the performance obligation relative to the total expected costs incurred to satisfy the performance obligation of an individual contract. Total expected costs and their corresponding contract revenue require estimations from management based on the understanding of the performance of the contract, quotations from suppliers and subcontractors, and the Group's historical experience. Due to the nature of the activity undertaken in the service contracts, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. Hence, the Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Where the actual contract revenue is less than expected or actual contract costs are more than expected, a provision for an onerous contract may arise.

In addition, when the Group determines the transaction price, the Group considers factors such as whether there is any financing component. The Group considers whether the payment schedule is commensurate with the Group's performance and whether the delayed payment is for financing purposes.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other 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 of disposal 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 of 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.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Amortisation of intangible assets

The Group calculates the amortisation of intangible assets on the straight-line basis over their estimated useful lives commencing from the date when the items of intangible assets are placed into use. The estimated useful lives reflect the estimates of the directors for the period that the Group intends to derive future economic benefits from the use of the Group's items of intangible assets.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of APM solutions in Chinese Mainland.

Under HKFRS 8 *Operating Segments*, it is required that operating segments be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

(a) Revenue from external customers

	2023 RMB'000	2022 RMB'000
Chinese Mainland	119,223	102,483
Taiwan	846	481
Hong Kong	136	803
	120,205	103,767

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2023 RMB'000	2022 RMB'000
Chinese Mainland	32,880	16,049
Hong Kong	648	–
	33,528	16,049

The non-current asset information of continuing operations above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

4. OPERATING SEGMENT INFORMATION (continued)

Information about major customers

Revenue of approximately RMB100,790,000 (2022: RMB71,691,000) was derived from sales to a single state-owned telecommunication operator group, including sales to a group of entities which are known to be under common control with that group.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers	120,205	103,767

Revenue from contracts with customers

(a) Disaggregated revenue information

	2023 RMB'000	2022 RMB'000
Types of goods or services		
Integrated APM system solutions	48,723	44,627
Software development services	50,974	27,714
Technical services	15,031	14,051
Sales of embedded hardware and standard APM software	5,477	17,375
Total	120,205	103,767
Types of customers		
State-owned telecommunication operator groups	109,414	92,899
Other customers	10,791	10,868
Total	120,205	103,767
Timing of revenue recognition		
Goods transferred at a point in time	5,477	17,375
Services transferred over time	114,728	86,392
Total	120,205	103,767

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2023 RMB'000	2022 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Technical services	**137**	702

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Integrated APM system solutions and software development services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days to 60 days upon issuance of invoice and receipt of certain forms of acceptance. A certain percentage of payment is retained by customers until the end of the retention period.

Technical services

The performance obligation is satisfied over time as services are rendered and the credit period granted to the customers is normally due upon completion of the service. Technical service contracts are for periods of one year or less, or are billed based on the time incurred, except for one contract where payment in advance was received.

Sales of embedded hardware and standard APM software

The performance obligation is satisfied upon acceptance of the hardware and software and payment is generally due within 30 to 60 days from acceptance by customers, except for new customers where payment in advance is normally required.

5. REVENUE, OTHER INCOME AND GAINS (continued)

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2023	2022
Amounts expected to be recognised as revenue:		
Within one year	28,369	27,060
After one year	356	587
	28,725	27,647

The amount of transaction prices allocated to remaining performance obligations which are expected to be recognised as revenue after one year relate to integrated APM system solutions, software development services and technical services, of which the performance obligations are to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

	2023	2022
Other income and gains		
Bank interest income	2,296	821
Interest income arising from revenue contracts	77	62
Investment income from financial assets at fair value through profit or loss	422	580
Government grants – related to income*	5,542	4,146
Foreign exchange gains	989	7,068
	9,326	12,677

* Government grants received from the government of the PRC mainly represent the refund of the value added tax previously paid. There are no unfulfilled conditions or contingencies relating to the grants.

6. LOSS BEFORE TAX

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

	Notes	2023 RMB'000	2022 RMB'000
Cost of inventories sold*		**2,430**	10,238
Cost of services rendered*		**62,630**	45,477
Depreciation of property and equipment	*13*	**980**	429
Depreciation of right-of-use assets	*14(a)*	**3,677**	1,650
Research and development costs:			
Deferred expenditure amortised**	*15*	**3,871**	4,457
Current year expenditure		**38,922**	36,592
		42,793	41,049
Lease payments not included in the measurement of lease liabilities	*14(c)*	**7,178**	987
Auditor's remuneration		**1,250**	1,200
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		**80,973**	62,171
Pension scheme contributions (defined contribution scheme)***		**3,765**	2,948
Equity-settled share award expense		**–**	1,843
		84,738	66,962
Foreign exchange differences, net		**(989)**	(7,068)
Impairment of financial and contract assets, net:			
Impairment of trade and bills receivables, net	*17*	**(30)**	28
Impairment of contract assets, net	*19*	**602**	215
		572	243
Investment income from financial assets at fair value through profit or loss		**(422)**	(580)
Bank interest income	*5*	**(2,296)**	(821)

* Cost of inventories sold, Cost of services rendered represents "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

** The amortisation of patents and licences and the amortisation of deferred development costs for the year are included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

*** There are no forfeited contributions that may be used by the employer to reduce the existing level of contributions.

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2023 RMB'000	2022 RMB'000
Interest on bank loans	**202**	305
Interest on lease liabilities *(note 14)*	**165**	52
	367	357

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023 RMB'000	2022 RMB'000
Fees	**2,810**	2,145
Other emoluments:		
Salaries, allowances and benefits in kind	**826**	1,731
Pension scheme contributions	**16**	81
	842	1,812
	3,652	3,957

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2023	2022
Mr. Yeung Man	327	236
Mr. Hu Jianjun	327	236
Ms. Ru Tingting	327	236
Mr. Cheung Hon Fai	–	49
Professor Lam Kin Man	–	33
Mr. Shen Qi	–	33
	981	823

There were no other emoluments payable to the independent non-executive directors during the year (2022: Nil).

(b) Executive directors, non-executive directors and the chief executive

2023	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive director and the chief executive officer:				
Mr. Shi Zhimin	–	826	16	842
Non-executive director:				
Mr. Guan Haiqing	1,829	–	–	1,829
	1,829	826	16	2,671

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, non-executive directors and the chief executive (continued)

2022	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:				
Mr. Yue Yong	–	352	20	372
Mr. Guan Haiqing	–	442	25	467
	–	794	45	839
Executive directors and the chief executive:				
Mr. Sie Tak Kwan	–	442	25	467
Mr. Shi Zhimin	–	495	11	506
	–	937	36	973
Non-executive directors:				
Mr. Liang Judong	33	–	–	33
Mr. Guan Haiqing	1,289	–	–	1,289
	1,322	–	–	1,322
	1,322	1,731	81	3,134

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year. During the year, no remuneration was paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included two directors (2022: one), details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2022: four) highest paid employees who are neither a director nor chief executive of the Group are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	**4,910**	4,265
Pension scheme contributions	**148**	135
Equity-settled share award expense	**–**	261
	5,058	4,661

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2023	2022
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**–**	4
HK$1,500,001 to HK$2,000,000	**3**	–
	3	4

During the year, no highest paid employees waived or agreed to waive any remuneration and no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of the Cayman Islands and is not subject to income tax.

No Hong Kong profits tax has been provided since no assessable profit arose in Hong Kong during the year.

Pursuant to the PRC Corporate Income Tax Law and the respective regulations, Vixtel Technologies Limited, Vixtel Software Limited, Depuda (Wuxi) Technologies Limited and Vixtel Yunwang Technologies Limited are subject to corporate income tax at a rate of 25% on the taxable profit. A preferential tax treatment is available to Vixtel Technologies Limited, which was recognised as a High and New Technology Enterprise in 2010 in Chinese Mainland, and a lower corporate income tax of 15% has been applied since then. The certificate of High and New Technology Enterprise must be renewed every three years and Vixtel Technologies Limited must re-apply for it every six years. Vixtel Technologies Limited has re-applied for and obtained the certificate of High and New Technology Enterprise on 30 December 2022. A preferential tax treatment is available to Vixtel Yunwang Technologies Limited, which was recognised as a software enterprise in 2021 in Chinese Mainland, that it can be exempted from the income taxation in the first year and the second year; it should only pay half of the income taxation from the third year to the fifth year.

	2023 **RMB'000**	2022 RMB'000
Current – Chinese Mainland	**116**	(19)
Deferred *(note 24)*	**(757)**	(869)
Total tax credit for the year	**(641)**	(888)

10. INCOME TAX (continued)

A reconciliation of the tax expense applicable to loss before tax at the statutory rate of Chinese Mainland (i.e., 25%) where the main operating entity is domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2023		2022	
	RMB'000	%	RMB'000	%
Loss before tax	(47,954)		(15,013)	
Tax at the statutory tax rate	(11,988)	25	(3,753)	25
Lower tax rate for specific jurisdictions or enacted by local authority	9	0	(376)	3
Tax losses not recognised	9,470	(18)	6,321	(42)
Expenses not deductible for tax	6,781	(16)	1,992	(13)
Additional deductible allowance for research and development costs	(4,913)	10	(5,072)	34
Tax charge at the Group's effective rate	(641)	1	(888)	6

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Chinese Mainland. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between PRC and the jurisdiction of the foreign investors.

For the Group, the applicable rate is 5% under the "Arrangement between the Chinese Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income". The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

No withholding tax had been provided for the earnings retained by Vixtel Technologies Limited and not yet remitted to the shareholders. Based on management's judgement and assumptions, which are influenced by projected future market and economic conditions and future financing requirements of the Group, the fund of Vixtel Technologies Limited will be retained in Chinese Mainland for the expansion of the Group's operation, so it is not probable that Vixtel Technologies Limited will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investment in Vixtel Technologies Limited for which deferred tax liabilities have not been recognised totalled approximately RMB73,547,000 at 31 December 2023 (2022: RMB76,224,000).

11. DIVIDENDS

No dividends had been paid or declared by the Group during the year (2022: nil).

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount for the year is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue (excluding shares reserved for the share award scheme) during the year.

The Group had no potentially diluted ordinary shares in issue in 2023 (2022: nil). Besides, the calculation of the diluted loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted loss per share are based on:

	2023 **RMB'000**	2022 RMB'000
loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculations	**(47,155)**	(11,929)

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue less shares held for the share award scheme during the year used in the basic loss per share calculation	**762,000,000**	643,467,123

13. PROPERTY AND EQUIPMENT

	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Computer equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2023					
At 1 January 2023					
Cost	317	297	3,641	1,004	5,259
Accumulated depreciation	(317)	(259)	(2,972)	(922)	(4,470)
Net carrying amount	–	38	669	82	789
At 1 January 2023, net of accumulated depreciation	–	38	669	82	789
Additions	2,622	17	301	–	2,940
Depreciation provided during the year	(488)	(16)	(394)	(82)	(980)
At 31 December 2023, net of accumulated depreciation	2,134	39	576	–	2,749
At 31 December 2023:					
Cost	2,939	314	3,942	1,004	8,199
Accumulated depreciation	(805)	(275)	(3,366)	(1,004)	(5,450)
Net carrying amount	2,134	39	576	–	2,749

13. PROPERTY AND EQUIPMENT (continued)

	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Computer equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2022					
At 1 January 2022					
Cost	317	297	2,975	1,004	4,593
Accumulated depreciation	(317)	(245)	(2,719)	(760)	(4,041)
Net carrying amount	–	52	256	244	552
At 1 January 2022, net of accumulated depreciation	–	52	256	244	552
Additions	–	–	666	–	666
Depreciation provided during the year	–	(14)	(253)	(162)	(429)
At 31 December 2022, net of accumulated depreciation	–	38	669	82	789
At 31 December 2022:					
Cost	317	297	3,641	1,004	5,259
Accumulated depreciation	(317)	(259)	(2,972)	(922)	(4,470)
Net carrying amount	–	38	669	82	789

14. LEASES

The Group as a lessee

The Group has lease contracts for office premises used in its operations. The leases of properties generally have lease terms for 2 years, and some have lease terms of 12 months or less. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension options, which is further discussed below.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	2023 **RMB'000**	2022 RMB'000
At the beginning of the year	**2,919**	1,864
Additions	**5,054**	2,705
Depreciation charge *(note 6)*	**(3,677)**	(1,650)
At the end of the year	**4,296**	2,919

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023 **RMB'000**	2022 RMB'000
Carrying amount at 1 January	**2,658**	1,790
New leases	**5,054**	2,705
Accretion of interest recognised during the year *(note 7)*	**165**	52
Payments	**(3,848)**	(1,889)
Carrying amount at 31 December	**4,029**	2,658
Analysed into:		
Current portion	**3,948**	1,499
Non-current portion	**81**	1,159

The maturity analysis of lease liabilities is disclosed in note 34 to the financial statements.

14. LEASES (continued)

The Group as a lessee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	**165**	52
Depreciation charge of right-of-use assets	**3,677**	1,650
Expense relating to short-term leases (included in research development expenses, selling and distribution expenses and administrative expenses)	**7,178**	987
Total amounts recognised in profit or loss	**11,020**	2,689

(d) Extension options

The Group has several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and they are aligned with the Group's business needs. These extension options are expected to be exercised.

(e) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 28(c) and 30 respectively, to the financial statements.

15. OTHER INTANGIBLE ASSETS

	Computer software RMB'000	Deferred development costs RMB'000	Software copyright RMB'000	Total RMB'000
31 December 2023				
Cost at 1 January 2023, net of accumulated amortisation	**–**	**10,169**	**–**	**10,169**
Additions	**–**	**–**	**15,900**	**15,900**
Amortisation provided during the year	**–**	**(3,871)**	**(663)**	**(4,534)**
At 31 December 2023	**–**	**6,298**	**15,237**	**21,535**
At 31 December 2023:				
Cost	**184**	**22,524**	**15,900**	**38,608**
Accumulated amortisation	**(184)**	**(16,226)**	**(663)**	**(17,073)**
Net carrying amount	**–**	**6,298**	**15,237**	**21,535**
31 December 2022				
Cost at 1 January 2022, net of accumulated amortisation	–	14,626	–	14,626
Amortisation provided during the year	–	(4,457)	–	(4,457)
At 31 December 2022	–	10,169	–	10,169
At 31 December 2022:				
Cost	184	22,524	–	22,708
Accumulated amortisation	(184)	(12,355)	–	(12,539)
Net carrying amount	–	10,169	–	10,169

16. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	**5,989**	4,531

17. TRADE AND BILLS RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	**12,056**	26,292
Bills receivable	**871**	94
	12,927	26,386
Impairment	**(83)**	(524)
Trade and bills receivables	**12,844**	25,862

Trade receivables represented the outstanding contracted values for integrated APM system solutions, software development services, technical services and sales of embedded hardware and standard APM software receivable from the customers.

The Group's trading terms with its customers are mainly on credit. For integrated APM system solutions and software development services, the credit period granted to the customers is normally 30 to 60 days upon issuance of invoice and receipt of certain forms of acceptance from its customers during the course of contracts. The forms of acceptance evidence the satisfaction from the customers of the progress of completion. For sales of embedded hardware and standard APM software, the credit period granted to the customers is normally 30 to 60 days when the goods were accepted by the customers, except for new customers, where payment in advance is normally required. For technical services, the credit period granted to the customers is normally due upon completion of the service, except for one contract where payment in advance is received.

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a number of the largest state-owned telecommunication operators in the PRC and a large number of their independently-operated provincial subsidiaries, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

17. TRADE AND BILLS RECEIVABLES (continued)

An ageing analysis of the trade receivables as at the end of the reporting period, based on the billing date and net of loss allowance, is as follows:

	2023 RMB'000	2022 RMB'000
Within 90 days	5,163	15,105
91 to 180 days	2,032	3,020
181 days to 1 year	3,343	5,173
Over 1 year	2,306	2,564
	12,844	25,862

The movements in the loss allowance for impairment of trade and bill receivables are as follows:

	2023 RMB'000	2022 RMB'000
At the beginning of the year	524	496
Impairment losses, net *(note 6)*	(30)	28
Amount written off as uncollectible	(411)	–
At the end of the year	83	524

An impairment analysis is performed at each reporting date using a loss rate approach to measure expected credit losses. The loss rates are based on groupings of various customer segments with similar loss patterns (i.e., customer type and rating). The Group develops loss-rate statistics on the basis of the amount expected to be written off over the life of the financial assets by reference to the credit rating of the customers, and also adjusted these loss trends for current conditions and expectations about the future. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of future recovery.

17. TRADE AND BILLS RECEIVABLES (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a loss rate approach:

As at 31 December 2023	**Trade receivables arising from state-owned telecommunications operator groups**	**Trade receivables arising from other customers**	**Default receivables**	**Total**
Expected credit loss rate	**0.45%**	**2.30%**	**100.00%**	
Gross carrying amount (RMB'000)	**11,602**	**1,325**	**–**	**12,927**
Expected credit losses (RMB'000)	**52**	**31**	**–**	**83**

As at 31 December 2022	Trade receivables arising from state-owned telecommunications operator groups	Trade receivables arising from other customers	Default receivables	Total
Expected credit loss rate	0.10%	2.79%	100.00%	
Gross carrying amount (RMB'000)	22,738	3,237	411	26,386
Expected credit losses (RMB'000)	23	90	411	524

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023 RMB'000	2022 RMB'000
Current portion		
Prepayments	**9,758**	3,567
Bidding deposits	**1,774**	1,903
Individual income tax	**1,491**	1,491
Rental deposits	**1,331**	853
Others	**11**	75
Non-current portion		
Rental deposits	**64**	45
	14,429	7,934

Rental deposits mainly represent deposits paid to the office for leases. The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2023 and 2022, the loss allowance was assessed to be minimal.

19. CONTRACT ASSETS

	31 December 2023 RMB'000	31 December 2022 RMB'000	1 January 2022 RMB'000
Contract assets arising from:			
Integrated APM system solutions	**47,479**	61,274	64,144
Software development services	**53,184**	41,210	32,416
Sales of embedded hardware and standard APM software	**633**	743	522
Total contract assets	**101,296**	103,227	97,082
Impairment	**(1,896)**	(1,887)	(1,672)
	99,400	101,340	95,410
Analysed into:			
Current portion	**96,059**	99,342	92,374
Non-current portion	**3,341**	1,998	3,036

Contract assets are initially recognised for revenue earned from integrated APM system solutions and software development services as the receipt of consideration is conditional on the successful acceptance by the customers. Upon completion of the contracts and acceptance by the customers, the amounts recognised as contract assets are reclassified to trade receivables. The Group's trading terms and credit policy with customers are disclosed in note 17 to the financial statements.

19. CONTRACT ASSETS (continued)

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	2023	2022
Within one year	96,059	99,342
After one year	3,341	1,998
Total contract assets	99,400	101,340

The movements in the loss allowance for impairment of contract assets are as follows:

	2023	2022
At beginning of year	1,887	1,672
Impairment losses, net *(note 6)*	602	215
Amount written off as uncollectible	(593)	–
At end of year	1,896	1,887

An impairment analysis is performed at each reporting date using a loss rate approach to measure expected credit losses. The loss rates for the measurement of the expected credit losses for the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases, and groupings of various customer segments with similar loss patterns (i.e., customer type and rating). These loss trends determined by referencing to credit rating data are then adjusted for current conditions and expectations about the future. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

19. CONTRACT ASSETS (continued)

Set out below is the information about the credit risk exposure on the Group's contract assets using a loss rate approach:

	2023			
	Contract assets arising from state-owned telecommunications operator groups	**Contract assets arising from other customers**	**Default receivable**	**Total**
Expected credit loss rate	**1.35%**	**6.93%**	**100.00%**	
Gross carrying amount (RMB'000)	**91,785**	**9,511**	**–**	**101,296**
Expected credit losses (RMB'000)	**1,236**	**660**	**–**	**1,896**

	2022			
	Contract assets arising from state-owned telecommunications operator groups	Contract assets arising from other customers	Default receivable	Total
Expected credit loss rate	1.00%	3.66%	100.00%	
Gross carrying amount (RMB'000)	92,570	10,064	593	103,227
Expected credit losses (RMB'000)	926	368	593	1,887

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		2023 RMB'000	2022 RMB'000
Cash and bank balances		**65,793**	153,419
Time deposits		**61,926**	22,409
Subtotal		**127,719**	175,828
Less:			
Pledged time deposits for a bank loan	*(a)*	**(4,200)**	(4,200)
Current restricted cash for guarantee	*(b)*	**(252)**	(133)
Non-current restricted cash for guarantee	*(b)*	**(647)**	(129)
Cash and cash equivalents		**122,620**	171,366
Cash and cash equivalents, pledged deposits, time deposits and restricted cash			
Denominated in:			
RMB		**64,188**	64,958
HK$		**63,006**	110,567
US$		**525**	303

(a) As at 31 December 2023, bank deposits of RMB4,200,000 (2022: RMB4,200,000) were pledged for interest-bearing bank borrowings.

(b) Current restricted cash of RMB252,000 (2022: RMB133,000) and non-current restricted cash of RMB647,000 (2022: RMB129,000) were restricted for a performance letter of guarantee.

The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one month and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

21. TRADE PAYABLES

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

	2023 **RMB'000**	2022 RMB'000
Within 90 days	**6,940**	1,057
91 to 180 days	**1,845**	857
181 days to 1 year	**580**	405
Over 1 year	**454**	368
Total	**9,819**	2,687

The trade payables are non-interest-bearing and are normally settled on 180-day terms.

22. OTHER PAYABLES AND ACCRUALS

		2023 **RMB'000**	2022 RMB'000
Salaries and welfare payables		**10,820**	8,721
Contract liabilities	*(a)*	**637**	137
Other tax payables		**9,463**	12,723
Other payables	*(b)*	**2,598**	2,382
Total		**23,518**	23,963

22. OTHER PAYABLES AND ACCRUALS (continued)

(a) Details of the contract liabilities are as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000	1 January 2022 RMB'000
Contract liabilities arising from contracts with customers			
Current contract liabilities			
Technical services	**637**	107	702
Non-current contract liabilities			
Technical services	**–**	30	119
Total	**637**	137	821

The contract liabilities include advances received for technical services.

(b) Other payables are non-interest-bearing and repayable on demand.

23. INTEREST-BEARING BANK BORROWINGS

	2023			2022		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured	**–**	**–**	**–**	3	2023	6,000
Bank loans – secured	**2**	**2024**	**10,000**	3	2023	4,000
			10,000			10,000

	2023 RMB'000	2022 RMB'000
Analysed into		
Bank loans:		
Within one year	**10,000**	10,000

(a) Certain of the Group's bank loan is secured by the pledge of certain of the Group's time deposit amounting to RMB4,200,000 (2022: RMB4,200,000).

24. DEFERRED TAX

Deferred tax liabilities

	2023		
	Withholding taxes on the earnings anticipated to be remitted by subsidiaries RMB'000	Development costs RMB'000	Total RMB'000
At 1 January 2023	828	1,144	1,972
Deferred tax charged to the statement of profit or loss and other comprehensive income during the year *(note 10)*	–	(581)	(581)
Transferred to tax payable	(399)	–	(399)
Gross deferred tax liabilities at 31 December 2023	429	563	992

Deferred tax assets

	2023		
	Book-tax difference of amortisation of intangible assets RMB'000	Impairment of trade receivables and contract assets RMB'000	Total RMB'000
At 1 January 2023	923	360	1,283
Deferred tax credited to the statement of profit or loss and other comprehensive income during the year *(note 10)*	243	(67)	176
Gross deferred tax liabilities at 31 December 2023	1,166	293	1,459

24. DEFERRED TAX (continued)

Deferred tax liabilities

		2022	
	Withholding taxes on the earnings anticipated to be remitted by subsidiaries RMB'000	Development costs RMB'000	Total RMB'000
At 1 January 2022	1,328	1,646	2,974
Deferred tax charged to the statement of profit or loss and other comprehensive income during the year *(note 10)*	–	(502)	(502)
Transferred to tax payable	(500)	–	(500)
Gross deferred tax liabilities at 31 December 2022	828	1,144	1,972

Deferred tax assets

		2022	
	Book-tax difference of amortisation of intangible assets RMB'000	Impairment of trade receivables and contract assets RMB'000	Total RMB'000
At 1 January 2022	592	324	916
Deferred tax credited to the statement of profit or loss and other comprehensive income during the year *(note 10)*	331	36	367
Gross deferred tax liabilities at 31 December 2022	923	360	1,283

24. DEFERRED TAX (continued)

Deferred tax assets (Continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2023 **RMB'000**	2022 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**896**	–
Net deferred tax liabilities recognised in the consolidated statement of financial position	**429**	689

The Group has tax losses arising in Chinese Mainland of RMB41,646,000 (2022: RMB26,284,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

25. SHARE CAPITAL

	2023 RMB'000	2022 RMB'000
Authorised:		
20,000,000,000 (2022: 20,000,000,000) ordinary shares of HK$0.01 each	**178,630**	178,630
Issued and fully paid:		
43,533,400 (2022: 43,533,400) ordinary shares	**6,686**	6,686

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 1 January 2022	508,000,000	4,514
Rights issue *(Note (a))*	254,000,000	2,172
At 31 December 2022 and 1 January 2023	762,000,000	6,686
At 31 December 2023	**762,000,000**	**6,686**

(a) A rights issue of one rights share for every two existing shares held by members on the register of members on 20 June 2022 was made, at an issue price of HK$0.55 per rights share, resulting in the issue of 254,000,000 shares for a total cash consideration, before expenses, of HK$139,700,000.

26. SHARE AWARD SCHEME

A share award scheme was adopted on 10 January 2020 (the "**Share Award Scheme**"). The purposes of the Share Award Scheme are (i) to recognise and motivate the contributions of the eligible persons; (ii) to provide them with incentives in order to retain such persons for continual operation and development of the Group; and (iii) to recruit suitable personnel in the interest of further development of the Group.

The awarded shares will be acquired by an independent trustee (the "**Trustee**") from the open market by utilising the Company's resources provided to the Trustee. The total number of shares to be awarded under the Share Award Scheme shall not exceed 10% of the total number of issued shares from time to time. The maximum number of award shares which may be granted to a selected participant but unvested under the Share Award Scheme shall not exceed 1% of the total number of issued shares from time to time.

The Share Award Scheme shall terminate on the earlier of: (i) the tenth anniversary of the adoption date; and (ii) such date of early termination as determined by the Board of directors provided that such termination shall not affect any subsisting rights of any selected participant under the Share Award Scheme.

The Trustee was considered as an extension of the Company and the shares held for the share award scheme were presented as treasury shares in the consolidated financial statements of the Group.

From 12 April 2021 to 21 April 2021, based on the Company's instructions, the Trustee has purchased a total of 13,000,000 ordinary shares of the Company on the Stock Exchange for future granting, at prices ranging from HK$0.4461 to HK$0.4906 per share at a total consideration of approximately HK$5,969,000 (equivalent to approximately RMB5,018,000).

The Company granted a total of 13,000,000 shares to 15 selected participants on 16 July 2021. The fair value of the granted shares is calculated based on the closing market price of HK$0.495 on the day of the grant, amounting to HK$6,435,000 (equivalent to approximately RMB5,360,000). The award shares have been vested in two tranches in accordance with the following dates: (i) 50% of the award shares have been vested on 1 September 2021; and (ii) the remaining 50% of the award shares which were originally scheduled to vest on 31 December 2022 have been vested on 14 January 2022. The Group recognised a share award expense of nil during the year (2022: RMB1,843,000).

The Board has approved on 25 March 2022 the termination of the Share Award Scheme (the "**Termination**") pursuant to the scheme rules. No further award shall be granted upon the Termination. As a result of the Termination, the Company had terminated the service agreement with the Trustee and had completed all matters involved in the Termination. As of 31 December 2022, the Trustee did not hold any share of the Company in relation to the Share Award Scheme.

As of 31 December 2022, 13,000,000 shares to 15 selected participants have been fully vested.

27. RESERVES

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity on page 61 of the financial statements.

(a) Capital reserve

The capital reserve of the Group represents the capital contribution from the shareholders of Vixtel Technologies Limited. It also includes reserves arising from equity transactions with non-controlling interests.

(b) Statutory surplus reserve

Pursuant to the relevant laws in the PRC, the Company's subsidiary in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant PRC subsidiary.

In accordance with the Company Law of the PRC, the domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(c) Share award reserve

The share award reserve represents the difference between the fair value of the shares granted to employees of the Group and the costs paid by these employees with a corresponding increase in the share award reserve within equity, details of which were set out in note 26 to the consolidated financial statements.

(d) Share premium

The share premium represents the difference between the par value of the shares issued and the consideration received.

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB5,054,000 (2022: RMB2,694,000) and RMB5,054,000 (2022: RMB2,694,000), respectively, in respect of lease arrangements for office premises.

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities

2023

	Bank loans RMB'000	Lease liabilities RMB'000
At 1 January 2023	10,000	2,658
Changes from financing cash flows	(201)	(3,848)
New lease	–	5,054
Interest expense	201	165
At 31 December 2023	10,000	4,029

2022

	Bank loans RMB'000	Lease liabilities RMB'000
At 1 January 2022	10,000	1,790
Changes from financing cash flows	(304)	(1,889)
New lease	–	2,705
Interest expense	304	52
At 31 December 2022	10,000	2,658

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023 RMB'000	2022 RMB'000
Within operating activities	7,178	987
Within financing activities	4,344	1,934
	11,522	2,921

29. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's interest-bearing borrowings and bills payable are included in note 20(a) to the financial statements.

30. COMMITMENTS

The Group has various contracted, but not provided short-term lease commitments at the end of 31 December 2023 and 2022. The future lease payments for these non-cancellable contracts are RMB172,000 (2022: RMB232,000) due within one year.

31. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel of the Group:

	2023 RMB'000	2022 RMB'000
Fee	**1,761**	1,322
Other emoluments:		
Salaries, allowances and benefits in kind	**7,479**	6,766
Pension scheme contributions	**248**	216
Equity-settled share award expense	**–**	176
	7,727	7,158
	9,488	8,480

Further details of the emoluments of directors and the chief executive are included in note 8 to the financial statements.

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the Group as at the end of the reporting period are as follows:

Financial assets at amortised cost	**2023** **RMB'000**	2022 RMB'000
Trade and bills receivables	**12,844**	25,862
Financial assets included in prepayments, other receivables and other assets	**3,180**	4,367
Pledged time deposits	**4,200**	4,200
Restricted cash	**899**	262
Cash and cash equivalents	**122,620**	171,366
Long-term deposits	**64**	45
	143,807	206,102

Financial assets at amortised cost	**2023** **RMB'000**	2022 RMB'000
Trade and bills payables	**9,819**	2,687
Financial liabilities included in other payables and accruals	**2,598**	2,382
Interest-bearing bank borrowings	**10,000**	10,000
Lease liabilities	**4,029**	2,658
	26,446	17,727

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

There are no significant differences between the carrying amounts and the fair values of the Group's financial instruments.

Management has determined that the carrying amounts of cash and cash equivalents, pledged deposit, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, financial liabilities included in other payables and accruals and interest-bearing bank and other borrowings reasonably approximate to their fair values because these financial instruments are mostly short term in nature.

The fair values of the non-current portion of lease liabilities and performance letter of guarantee has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for lease liabilities as at the end of each of the reporting period were assessed to be insignificant.

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Assets for which fair values are disclosed

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Long-term deposits	–	64	–	64

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Long-term deposits	–	45	–	45

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and liabilities (2022: Nil).

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise Interest-bearing bank borrowings and cash and short-term deposits. The Group has various other financial assets and liabilities such as trade and bills receivables, other receivables, trade and bills payables, other payables and accruals and interest-bearing bank borrowings, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing all of these risks and they are summarised below

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group's transactions are mainly denominated in RMB. Certain of the Group's cash and bank deposits are denominated in HK$ and US$. In addition, the Company will pay dividends in HK$ in the future. Any significant exchange rate fluctuations of HK$ against RMB may have financial impacts on the Group.

The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the reporting period. Nevertheless, the Group will from time-to-time review and adjust the Group's hedging and financing strategies based on the RMB and HK$ exchange rate movement.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$ and HK$ exchange rates, with all other variables held constant, of the Group's loss before (or after) tax (due to changes in the fair values of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of forward currency contracts).

	Increase/ (decrease) in US$/HK$ rate %	Increase/ (decrease) in loss before (or after) tax RMB'000
2023		
If the RMB weakens against the US$	**(5%)**	**26**
If the RMB strengthens against the US$	**5%**	**(26)**
If the RMB weakens against the HK$	**(5%)**	**3,150**
If the RMB strengthens against the HK$	**5%**	**(3,150)**
2022		
If the RMB weakens against the US$	(5%)	15
If the RMB strengthens against the US$	5%	(15)
If the RMB weakens against the HK$	(5%)	5,528
If the RMB strengthens against the HK$	5%	(5,528)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The credit risk of the Group's financial assets, which comprise cash and cash equivalents, financial assets at fair value through profit or loss, pledged deposits, trade receivables, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and other receivables are disclosed in notes 17 and 19 to the financial statements.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2023	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Contract assets*	–	–	–	101,296	101,296
Trade and bills receivables*	–	–	–	12,927	12,927
Financial assets included in prepayments, other receivables and other assets					
– Normal**	3,180	–	–	–	3,180
Pledged time deposits					
– Not yet past due	4,200	–	–	–	4,200
Restricted cash					
– Not yet past due	899	–	–	–	899
Cash and cash equivalents					
– Not yet past due	122,620	–	–	–	122,620
Long-term deposits ***					
– Not yet past due	64	–	–	–	64
	130,963	–	–	114,223	245,186

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2022	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets*	–	–	–	103,227	103,227
Trade and bills receivables*	–	–	–	26,386	26,386
Financial assets included in prepayments, other receivables and other assets					
– Normal**	4,367	–	–	–	4,367
Pledged time deposits					
– Not yet past due	4,200	–	–	–	4,200
Restricted cash					
– Not yet past due	262	–	–	–	262
Cash and cash equivalents					
– Not yet past due	171,366	–	–	–	171,366
Long-term deposits ***					
– Not yet past due	45	–	–	–	45
	180,240	–	–	129,613	309,853

* For trade and bill receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the loss rate approach is disclosed in notes 17 and 19 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

*** Non-current rental deposits were paid to owners of office. The board of directors consider that the amounts are fully recoverable considering their creditworthiness.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by product type. As detailed in note 4 to the financial statements, the Group trades with state-owned telecommunications operators and some of them are ultimately controlled by the same state-owned telecommunications operators. As the Group trades with each provincial subsidiary of the state-owned telecommunications operators and these trade receivables are settled independently, there are no significant concentrations of credit risk within the Group.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility using bank borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	Year ended 31 December 2023				
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Over 12 months RMB'000	Total RMB'000
Lease liabilities	–	1,467	2,779	90	4,336
Interest-bearing bank and other borrowings	–	–	10,093	–	10,093
Trade and bills payables	–	6,455	3,364	–	9,819
Financial liabilities included in other payables and accruals	2,598	–	–	–	2,598
	2,598	7,922	16,236	90	26,846

	Year ended 31 December 2022				
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Over 12 months RMB'000	Total RMB'000
Lease liabilities	–	351	1,145	1,255	2,751
Interest-bearing bank and other borrowings	–	2,010	8,101	–	10,111
Trade and bills payables	113	1,528	1,046	–	2,687
Financial liabilities included in other payables and accruals	2,382	–	–	–	2,382
	2,495	3,889	10,292	1,255	17,931

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The Group's policy is to maintain a strong capital base to maintain creditor and market confidence and to sustain future development of business. The Group's overall strategy remains unchanged from prior years.

The current capital structure of the Group includes equity comprising capital, reserves and retained profits.

The directors of the Company review the asset-liability ratio, which is total liabilities divided by total assets, on a continuous basis considering the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the raising of new debts and equity as well as the redemption of the existing debts to manage the asset-liability ratio.

The asset-liability ratios as at the end of the reporting periods are as follows:

	2023 **RMB'000**	2022 RMB'000
Total assets	**289,857**	329,372
Total liabilities	**47,795**	39,997
Asset-liability ratio	**16%**	12%

35. EVENTS AFTER THE REPORTING PERIOD

As at the date of this report, there was no significant event of the Group after the reporting period.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Notes	**2023 RMB'000**	2022 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries		**89,245**	89,245
Property and equipment		**648**	–
Total non-current assets		**89,893**	89,245
CURRENT ASSETS			
Due from subsidiaries		**98,476**	101,275
Prepayments, other receivables and other assets		**4,202**	850
Cash and cash equivalents		**702**	16,752
Total current assets		**103,380**	118,877
CURRENT LIABILITIES			
Other payables and accruals		**–**	13
Total current liabilities		**–**	13
NET CURRENT ASSETS		**103,380**	118,864
Total assets less current liabilities		**193,273**	208,109
Net assets		**193,273**	208,109
EQUITY			
Share capital	*25*	**6,686**	6,686
Reserves		**186,587**	201,423
Total equity		**193,273**	208,109

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium	Share award reserve	Capital reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2022	76,581	1,008	30,674	(22,395)	85,868
Loss for the year	–	–	–	391	391
Total comprehensive loss for the year	–	–	–	391	391
Issue of shares	117,279	–	–	–	117,279
Share issue expenses	(1,448)	–	–	–	(1,448)
Equity settled share award scheme	341	(1,008)	–	–	(667)
At 31 December 2022 and 1 January 2023	192,753	–	30,674	(22,004)	201,423
Balance at 1 January 2023	192,753	–	30,674	(22,004)	201,423
Loss for the year	–	–	–	(14,836)	(14,836)
Total comprehensive loss for the year	–	–	–	(14,836)	(14,836)
At 31 December 2023	**192,753**	**–**	**30,674**	**(36,840)**	**186,587**

37. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 28 March 2024.

FINANCIAL SUMMARY

A summary of the results, and of the assets, liabilities and non-controlling interest of the Group for the last five financial years, as extracted from the published audited consolidated financial statements or published prospectus of the Company is set out below:

	Year ended 31 December				
	2023 RMB'000	2022 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
RESULTS					
REVENUE	**120,205**	103,767	99,120	80,999	93,147
Cost of sales	**(65,060)**	(55,715)	(44,309)	(37,409)	(40,074)
Gross profit	**55,145**	48,052	54,811	43,590	53,073
Other income and gains	**9,326**	12,677	5,368	5,148	10,698
Selling and distribution expenses	**(29,173)**	(14,224)	(15,069)	(9,435)	(8,934)
Research and development expenses	**(38,922)**	(36,592)	(23,974)	(21,681)	(22,644)
Administrative expenses	**(43,304)**	(24,310)	(16,822)	(15,192)	(15,525)
Impairment losses on financial and contract assets, net	**(572)**	(243)	(657)	(55)	(889)
Other expenses	**(87)**	(16)	(199)	(973)	(76)
Financial costs	**(367)**	(357)	(474)	(291)	(150)
(LOSS)/PROFIT BEFORE TAX	**(47,954)**	(15,013)	2,984	1,111	15,553
Income tax credit/(expense)	**641**	888	497	(12)	(2,742)
(LOSS)/PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(47,313)**	(14,125)	3,481	1,099	12,811
Attributable to:					
Owners of the parent	**(47,155)**	(11,929)	3,643	1,104	12,811
ASSETS AND LIABILITIES					
Total assets	**289,857**	329,372	220,302	221,601	210,654
Total liabilities	**47,795**	39,997	36,647	40,926	32,078
Total equity	**242,062**	289,375	183,655	180,675	178,576