Yuxing InfoTech Investment Holdings Limited
裕興科技投資控股有限公司*

(Incorporated in Bermuda with limited liability)
Stock Code: 8005

2023
ANNUAL REPORT

* for identification purposes only

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

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

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

This report, for which the directors (the “Director(s)”) of Yuxing InfoTech Investment Holdings Limited (the “Company”) together with its subsidiaries (collectively, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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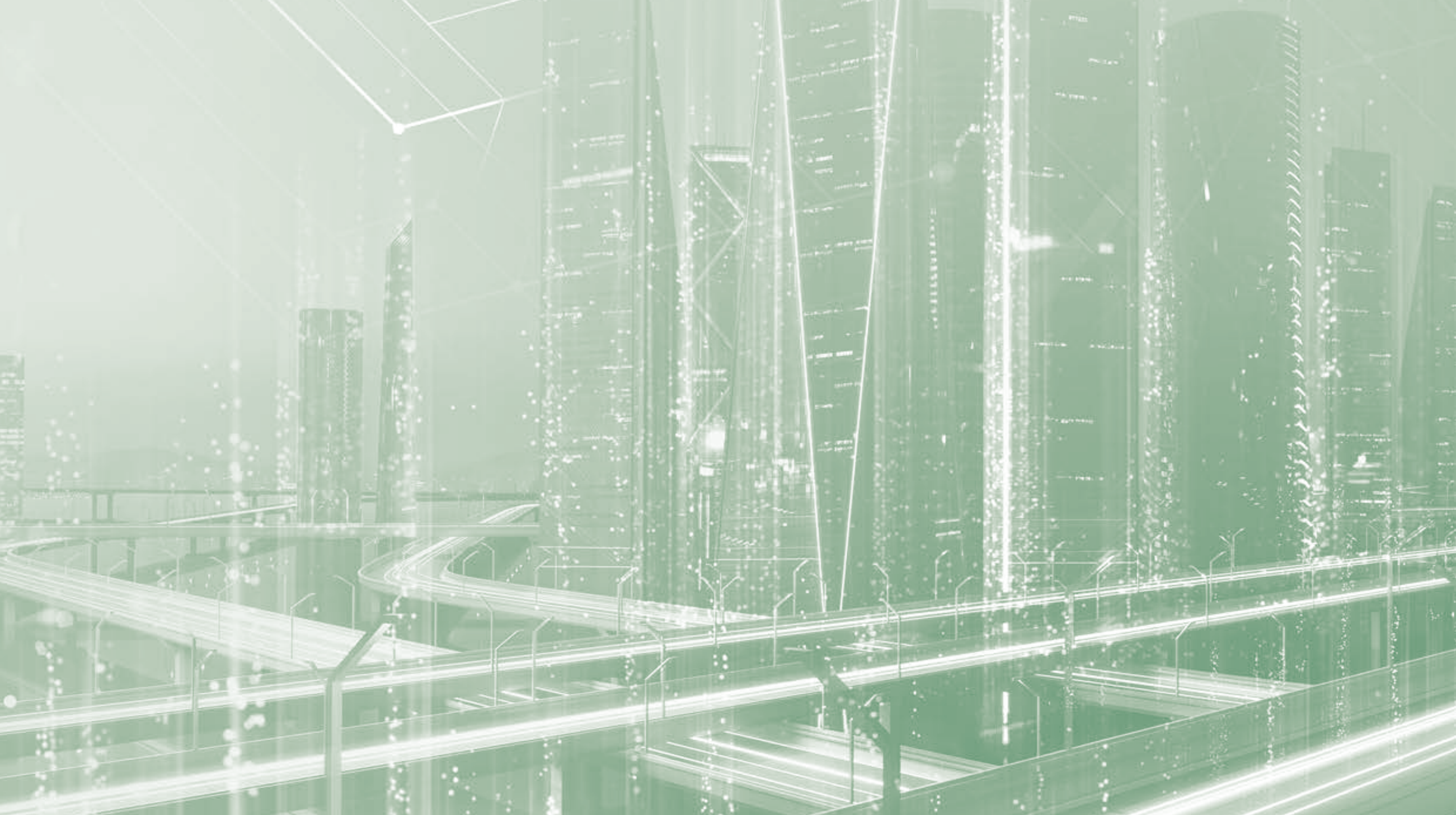


CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of the Company, I am pleased to present the annual report of the Group for the financial year ended 31 December 2023 ("FY2023").

The global economic recovery from the novel coronavirus ("COVID-19") pandemic has proved more resilient than expected. The Group succeeded in delivering stable operating performance, underpinned by the substantial improvement in the information home appliances ("IHA") business and a strategic move in the internet data centre ("IDC") business during FY2023.

The IHA industry has gradually returned to the regular track of development following the end of the COVID-19 pandemic. The global set-top box ("STB") market is estimated to have higher growth opportunities due to the increasing strategic and future-oriented collaborations between entertainment partners and STB manufacturers to improve content delivery and customer satisfaction. During FY2023, the business strives toward improved product features to cope with the increasing consumer expectations. The business focus of the coming fiscal year will be to continue improving operational efficiency and diversifying the revenue stream.

In light of the continuing US-China political tension, the Group exited the United States ("US") market of its IDC business during FY2023. The global IDC market is anticipated to rise due to the heat of artificial intelligence and cloud computing. The strategic move allows the Group to reallocate its resources to other potential markets with stable political and regulatory environments. Other than being an infrastructure service provider, we proactively expand our business models in Platform-as-a-Service (PaaS) through strategic alliances and merging with other tech companies engaging in developing cloud-based solutions.

The investing activities succeeded in realising profits from its investment portfolio of listed securities during FY2023. We scaled down our investment portfolio of listed securities after a series of disposal transactions. Substantial progress has been seen in the regulatory environment, advancing digital assets market investment sentiment. Considering the increasing recognition by financial institutions and regulators, the focus of the coming fiscal year will be shifted from equity markets to digital assets markets.

BUSINESS OUTLOOK AND PROSPECTS

Looking ahead, the tech industry is dynamic and continues to evolve as technology advancement and customer demands shape its landscape. Our market focus on big data continues to surge in demand, given the future emphasis on artificial intelligence and cloud computing applications. Regardless of our focus on core business by enhancing and promoting core competence, we consider business transformation and diversification necessary when facing the challenges of innovation risks. However, we remain cautious about our strategic move to take into the new streams.

CHAIRMAN'S STATEMENT

At a time of enormous change in the tech sector, we are working tirelessly to ensure the Group is well-positioned to thrive in all the markets in which we operate. We have unwavering intent to take our business into the next chapter of growth.

On behalf of the Board, I would like to take this opportunity to express my heartfelt gratitude to our shareholders, customers and business partners for their continued support for the development of the Group. I would also like to express my deepest gratitude to our colleagues for their unremitting efforts in the past, as well as their trust in the Group. Our Group will begin with the end in mind to continue creating long-term value for our stakeholders.

Li Qiang
Chairman

Hong Kong, 27 March 2024

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Qiang *(Chairman)*
Mr. Cong Yu *(Chief Executive Officer)*
Mr. Chen Biao
Mr. Gao Fei
Mr. Shi Guangrong
Mr. Zhu Jiang

Independent Non-Executive Directors

Ms. Shen Yan
Ms. Dong Hairong
Ms. Huo Qiwei

COMPANY SECRETARY

Dr. Liu Wei, Solicitor

COMPLIANCE OFFICER

Mr. Shi Guangrong

AUTHORISED REPRESENTATIVES

Mr. Cong Yu
Mr. Shi Guangrong

AUDIT COMMITTEE

Ms. Shen Yan *(Chairlady)*
Ms. Dong Hairong
Ms. Huo Qiwei

REMUNERATION COMMITTEE

Ms. Shen Yan *(Chairlady)*
Mr. Cong Yu
Mr. Chen Biao
Ms. Dong Hairong
Ms. Huo Qiwei

NOMINATION COMMITTEE

Ms. Shen Yan *(Chairlady)*
Mr. Cong Yu
Mr. Shi Guangrong
Ms. Dong Hairong
Ms. Huo Qiwei

AUDITOR

Mazars CPA Limited
Certified Public Accountants

LEGAL ADVISOR

Jingtian & Gongcheng LLP
Suites 3203-3207, 32/F, Edinburgh Tower
The Landmark, 15 Queen's Road Central, Central, Hong Kong

PRINCIPAL BANKERS

Bank of China
East West Bank
Hang Seng Bank
Industrial and Commercial Bank of China
Ping An Bank
Shanghai Commercial Bank
UBS AG

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11, Bermuda

PLACES OF BUSINESS

Hong Kong
Unit 5-6, 9/F, Enterprise Square Three
No. 39 Wang Chiu Road, Kowloon Bay
Kowloon

The PRC
Unit 3310, Block A1, Building 9
No. 3609 Baishi Road, Nanshan District
District 2, Shenzhenwan Science and Technology Ecological Garden
Shenzhen

10th Floor, Block B, Tiancheng Technology Building
No. 2, Xinfeng Street, De Shen Men Wai, Xicheng District
Beijing

Yuxing Industrial Park
Yanjiang Road East
Torch Hi-Tech Industrial Development Zone
Zhongshan

United States
6580 Via Del Oro,
San Jose, CA 95119 USA

SHARE REGISTRARS AND TRANSFER OFFICES

Principal
Conyers Corporate Services (Bermuda) Limited
Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

Branch
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong

STOCK CODE

8005

WEBSITE ADDRESS

www.yuxing.com.cn

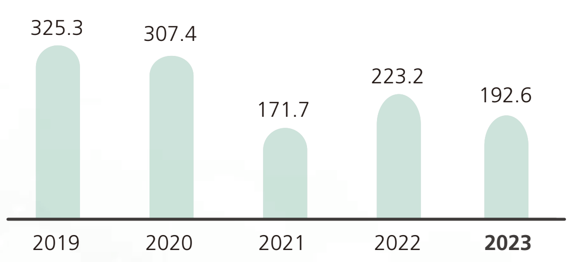
FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

	2023	2022
	HK$'000	HK$'000
Revenue	**192,569**	223,237
Profitability		
Loss from operations	**(131,005)**	(259,713)
Loss attributable to owners of the Company	**(113,654)**	(290,118)
Net worth		
Total equity attributable to owners of the Company	**1,705,704**	1,827,159
	HK$	HK$
Per share		
Loss per share – Basic	**(0.05)**	(0.12)
Net assets attributable to owners of the Company per share	**0.69**	0.73

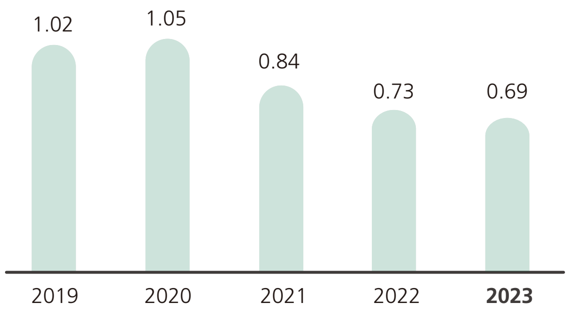
REVENUE

HK$ million



NET ASSETS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE

HK$



GROUP FINANCIAL SUMMARY

CONSOLIDATED RESULTS

For the year ended 31 December

	2023 HK$'000	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000
Revenue	**192,569**	223,237	171,682	307,378	325,312
(Loss)/Profit before tax	**(131,924)**	(262,063)	(169,010)	27,230	54,627
Income tax credit/(expenses)	**14,664**	(29,002)	(4,051)	(5,808)	(13,941)
(Loss)/Profit for the year	**(117,260)**	(291,065)	(173,061)	21,422	40,686
Non-controlling interests	**3,606**	947	566	492	798
(Loss)/Profit attributable to owners of the Company	**(113,654)**	(290,118)	(172,495)	21,914	41,484

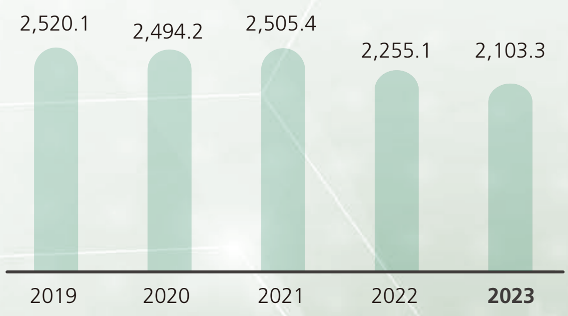
CONSOLIDATED ASSETS AND LIABILITIES

As at 31 December

	2023 HK$'000	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000
Total assets	**2,103,286**	2,255,055	2,505,444	2,494,242	2,520,072
Total liabilities	**(402,408)**	(429,118)	(415,227)	(321,878)	(414,267)
Non-controlling interests	**4,826**	1,222	6,057	1,315	823
Total equity attributable to owners of the Company	**1,705,704**	1,827,159	2,096,274	2,173,679	2,106,628

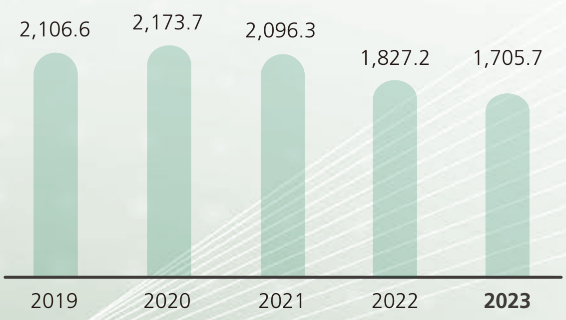
TOTAL ASSETS

HK$ million



TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

HK$ million



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OUTLOOK AND PROSPECTS

The Group is principally engaged in the businesses of IHA, IDC, investing and leasing.

IHA Business

The IHA business is principally engaged in sales and distribution of IHA and complementary products. Products launched by the Group in the markets include high digital STB, hybrid dual-STB, over-the-top (“OTT”)/Internet Protocol Television (“IPTV”) STB, STB equipment with Android systems, etc. The Group has extensive experience in designing and manufacturing networked audio and video products, from hardware to software, from operating systems to business integration, covering a wide range of vertical applications.

The IHA business recorded approximately HK$152.3 million of revenue for FY2023, representing a decrease of 26.8% against the year ended 31 December 2022 (“FY2022”). The gross margin was increased from 10.0% for FY2022 to 16.0% for FY2023 due to the efficient cost control on raw materials. The business has exercised caution in risk management and prioritised cost efficiency, resulting in a turn-around in segment profit of approximately HK$3.2 million (FY2022: loss of approximately HK$5.3 million) for FY2023.

The prevailing adverse financial and economic condition caused by the post-pandemic economic recession had posted a negative impact on consumer sentiment although the COVID-19 pandemic was relaxed in the beginning of the year. With the various measure in budget control, the IHA business reported a turn-around profit at the end of the year. The segment results are encouraging to the continuous strategy and approach to sustain the business in a long-run. The Group will drive innovation and diversify the revenue streams with better margins and strengthen the competitive edge of the business by developing new product lines and new markets in other European and Asian regions to cope with the challenging environment.

IDC Business

The IDC business is comprised of the development, construction, operation, mergers, acquisition and leasing out of properties used as IDC and facilities used in IDC.

The business reported approximately HK$39.6 million of revenue for FY2023, representing an increase of 163.9% as compared with FY2022. The increase was attributed by the lease of the IDC situated in the US during the second quarter of the year and further narrowed down the segment loss from approximately HK$11.8 million for FY2022 to approximately HK$3.0 million for FY2023. The segment loss of FY2023 was mainly caused by the net change in fair value loss of the IDC situated in the US. Notwithstanding the foregoing, there is no impact on the Group’s cash flows and business operations.

Due to the US-China political tensions, the continuous scuttling and tightening of regulations regarding internet and data-related businesses and overall risk assessment of the economy, the Group conditionally agreed to dispose of the IDC situated in the US to Prime Data Centers, LLC (the “Purchaser”), an independent third party of the Group, at a consideration of US$110.0 million (equivalent to approximately HK$858.0 million) on 29 May 2023 (the “Disposal”). The Disposal was approved by the shareholders of the Company (“Shareholders”) in a special general meeting of the Company on 12 July 2023. Details of the Disposal are set out in the Company’s announcement dated 29 May 2023, the circular dated 23 June 2023 and the poll result announcement dated 12 July 2023. Before the completion date of the Disposal, the IDC was leased to the Purchaser at a fixed monthly rate and such lease will be automatically expired when the Disposal is completed. As at the date of this report, completion of the Disposal was not taken place.

The delay in obtaining the relevant certificates for the construction project of the land and property under Shanghai IDC held by Shanghai Indeed Technology Co., Ltd. (“Shanghai Indeed”) and obtaining the renewed real property certificate (“Renewed Certificate”) from the relevant land authority in the PRC (the “Reconstruction Registration”) caused a further reduce in the weighted distribution of the possible outcomes (i.e. the likelihood of receiving the contingent consideration) and a further loss from the fair value of the contingent consideration receivable. The Group continues to closely monitor the progress and proactively negotiated with the purchaser of the Shanghai IDC in the Reconstruction Registration.

After completion of the Disposal, the Group will continue with the IDC business under the lease arrangement of data centre facilities and actively explore the opportunities to establish a new IDC base in the People's Republic of China (the "PRC") or globally. Other than exploring opportunities from IDC facilities and property leasing, the Group will also continue to concentrate its efforts on evolving itself into cloud-based services to cope with the surging demand on data.

Investing Business

The Group's investing business was principally engaged in the trading of securities, investing in financial instruments including unlisted equity securities and digital assets.

During the year under review, the Group recorded a net fair value gain on financial assets (excluding contingent consideration receivable) at fair value through profit or loss of approximately HK$54.2 million (FY2022: a net loss of approximately HK$32.3 million) for FY2023. The gain was resulted from the fair value gains of approximately HK$31.4 million from the investments in private equity companies, which respectively engaged in the businesses of global aircraft leasing, and pharmaceutical research and development. All countries have reopened their borders after the continuous three-year global COVID-19 pandemic subsiding, which in favour to the recovery of the aircraft industry. The COVID-19 pandemic also highlighted the importance of pharmaceutical industry as to increase the public awareness and support for healthcare. The revaluation gain on the private entity engaging in pharmaceutical research and development represented its promising prospects of the industry and achieved milestones in drug development.

Other than the fair value gain from unlisted securities, the outperformance of the business was attributed by the realised gain of approximately HK$27.6 million from the disposal of listed securities including Tencent Holdings Limited ("Tencent Shares") and Apple Inc. ("AAPL Shares"). The disposals of Tencent Shares and AAPL Shares are set out in the Company's announcement dated 2 March 2023, 3 November 2023, 18 November 2023 and 23 November 2023. The disposals of other listed securities do not constitute notifiable transactions under the GEM Listing Rules individually. During the year under review, the Group reduced its investment portfolio of listed securities in light of the continuous downturn of Hong Kong stock market and realised the investment in US stock market to enhance the liquidity position of the Group. Looking forward, the Group will remain a prudent attitude to the stock market investment.

The digital asset markets experienced a year of rebound as a result of regulatory forward, institutional adoption and technological innovations. The Group recorded a reversal of write-down of cryptocurrencies of approximately HK$50.0 million (FY2022: write-down of approximately HK$50.4 million) for FY2023. The cryptocurrencies (inclusive of Bitcoin ("BTC") and Ethereum ("ETH")) were mainly generated from the hash-rate capacity and cryptocurrency mining machines, respectively, which are categorised under intangible assets and property, plant and equipment. Subsequent to the reporting period, the Group conducted a series of transactions in the open market for the disposals of approximately 113.0 units of BTC and approximately 2,012.0 units of ETH to acquire approximately 9.6 million units of USD Coin ("USDC") and approximately 4.8 million units of Tether USD ("USDT") to realise the investment in digital assets by conversion into stablecoins. Details of the disposals and acquisitions of cryptocurrencies are set out in the Company's announcement dated 20 March 2024.

The volatility of digital assets is price sensitive to the market conditions compared to other equity and commodity markets. Other than such volatility, the adoptions of blockchain and digital assets by the financial institutions and the open-attitudes of the government have indicated the potential room for continuous growth. As consistent with how the Group manage its investment and fiat-based cash and cash equivalents, the Group may increase or decrease the holding of digital assets at any time based on the review of the market and macroeconomic conditions. The Group will also continue in closely monitoring the potential regulatory influence and the market sentiment for the blockchain technology and digital assets.

MANAGEMENT DISCUSSION AND ANALYSIS

Leasing Business

The leasing segment of the Group comprises of leasing out of properties. The rental income generated from the leasing business is approximately HK$10.0 million (FY2022: approximately HK$9.5 million) for FY2023, representing an increase of 75.4% as compared with FY2022, as a result of the leasing out of a property situated in Meishan City, Sichuan Province (the "Meishan Property") commencing from the third quarter of the year. Details of the lease of the Meishan Property are set out in the Company's announcement dated 24 July 2023.

The revaluation gain on Meishan Property of approximately HK$1.8 million for FY2023 represented a steady revenue growth of the new purchased Meishan Property. However, the weakness in property sector and global demand for China's exports wavering consumer confidence. The slow growth of China's post-pandemic economy causes a rise of vacancy in the investment property situated in Yuxing Industrial Park property, Zhongshan (the "Zhongshan Property"). A revaluation loss was raised on Zhongshan Property of approximately HK$4.0 million (FY2022: a gain of approximately HK$0.5 million) for FY2023 narrowing down the net revaluation gain to approximately HK$1.6 million (FY2022: approximately HK$0.5 million). Regardless of the macroeconomic factors, the Group will stay proactive to extend the tenancy with existing tenants and explore the new tenants.

FINANCIAL REVIEW

Operating Results

Revenue and Gross Profits

During FY2023, the Group recorded approximately HK$192.6 million (FY2022: approximately HK$223.2 million) of revenue, representing a decrease of 13.7% as compared with FY2022. The decrease was shadowed by the decreasing consumer sentiment under the post-pandemic economy. Thanks to the growth of rental income generated from the IDC business, the gross profit, as compared with FY2022, raised by 92.8% to approximately HK$53.7 million (FY2022: approximately HK$27.8 million) for FY2023.

Other Revenue and Net Income/(Loss)

The Group recorded a net income of approximately HK$60.5 million (FY2022: a net loss of approximately HK$84.8 million) in other revenue and net income/(loss) for FY2023. The net income mainly comprised of (1) the net fair value gain from the investment in unlisted equity securities of approximately HK$28.8 million (FY2022: loss of approximately HK$13.5 million), and (2) the net gain from disposal of financial instruments of approximately HK$27.7 million (FY2022: approximately HK$6.8 million). The fair loss of contingent consideration receivable of approximately HK$7.2 million (FY2022: approximately HK$64.9 million), which representing the weighted distribution of the possible outcomes of the disposal of Shanghai Indeed, was significantly decreased against the FY2022 and comparatively has less impact on the overall net income.

Changes in Fair Value of Investment Properties

The Group recorded a net revaluation loss of approximately HK$6.2 million (FY2022: a net revaluation gain of approximately HK$53.8 million) for FY2023 as a result of the increase in vacancy rate and decrease in market comparable posed by the post-pandemic economic recession in the mainland China. As the US IDC was re-classified as held-for-sale and recorded at the intended sales consideration, no revaluation assessment was made for such property leading to a significant decrease as compared with FY2022.

Distribution and selling expenses

With the tightly control on distribution and selling expenses mainly incurred by IHA business, the Group's distribution and selling expenses was decreased by 19.6% to approximately HK$5.2 million (FY2022: approximately HK$6.4 million) for FY2023.

General and Administrative Expenses

The general and administrative expenses increased by 27.6% from approximately HK$96.1 million for FY2022 to approximately HK$122.6 million for FY2023. The increase was mainly attributed to (1) the one-off redundancy costs of research and development team, and (2) expenses associated with IDC situated in the US.

Other Operating Expenses

The other operating expenses mainly comprised of the miscellaneous costs, amortisation of intangible assets (being the hash-rate capacity of mining machines acquired for cryptocurrencies mining but not allocated to cost of cryptocurrencies), the depreciation of property, plant and equipment (being the cryptocurrency mining machines acquired for cryptocurrencies mining not allocated to cost of cryptocurrencies) and property related tax and land use tax from leasing activities. The Group recorded approximately HK$64.2 million (FY2022: approximately HK$16.9 million) of other operating expenses for FY2023, representing a significant increase of 279.9% as compared with FY2022. Neither the hash-rate capacity nor cryptocurrency mining machines generated cryptocurrencies during the FY2023. The associated amortisation of intangible assets and depreciation of property, plant and equipment were included in the other operating costs instead of allocating to the cost of cryptocurrencies, leading to a significant increase compared with the last fiscal year.

Loss Allowance on Loans Receivable/Trade and Other Receivables

During the FY2023, the Group had the following loss allowances on loans receivable and trade and other receivables associated with its debt instruments carried at amortised cost which are assessed based on the estimation of the lifetime or 12-month expected credit losses ("ECL").

(a) *Loss Allowance on Loans Receivable*

As a result of the default event of the supplemental loan agreement with Daily-Tech HongKong Co., Limited ("HK Daily-Tech") and an independent third party, and further extensions of loans with existing borrowers, the increase in credit risk caused a further loss allowance on ECL in respect of loans receivable amounting to approximately HK$55.2 million (FY2022: approximately HK$83.1 million) for FY2023.

Apart from the additional provision of loss allowance on defaulted loans amounted to approximately HK$36.3 million, the remaining increase represented general provision of loss allowance on loans receivable amounted to approximately HK$19.0 million. As at the date of this report, no formal or legal binding settlement agreement was executed. Considering the value of collateral, the Directors considered a prudent and cautious approach by making over 80% expected ECL provision on the defaulted loans during FY2023.

(b) *Loss Allowance on Trade and Other Receivables*

The provision is based on the historical settlement experience, assessment of aging analysis, taking into account forward-looking information of the debtors together with the ECL assessment. The loss allowance on trade and other receivables amounting to approximately HK$41.7 million (FY2022: HK$Nil) was caused by the increase of credit risk of the debtors.

The Group has adopted various measures in recovering the overdue loans including negotiation of loan portfolio and conducting legal proceedings against the overdue borrowers and debtors in accordance with the prescribed internal procedures.

Reversal of Write-down/(Write-down) of Cryptocurrencies

The cryptocurrencies held by the Group mainly comprised of BTC and ETH, which were generated from the self-owned cryptocurrency mining machines categorised under the property, plant and equipment and the hash-rate capacity of mining machines categorised under the intangible assets. The Group estimated the net realisable value of the cryptocurrencies with reference to their market prices in the relevant cryptocurrencies market less the estimated costs necessary to make the sale. As a result of the price rebound at the end of the reporting period, the Group recorded a reversal of the write-down of cryptocurrencies of approximately HK$50.0 million (FY2022: write-down of approximately HK$50.4 million) for FY2023.

Finance Costs

The finance cost of the Group was approximately HK$0.6 million for FY2023, representing the interest expenses on the bank and other borrowings. Due to the decrease in debt financing, the finance costs decreased by 74.7% from approximately HK$2.4 million FY2022.

Loss for the Year

As a result of the foregoing, the Group recorded a loss attributable to the owner of the Company of approximately HK$113.7 million (FY2022: approximately HK$290.1 million) for FY2023. Excluding the provision for loss allowance made in accordance with the HKFRS 9 that applied to financial assets (including trade and other receivables and loans receivable), the Group's loss attributable to owners of the Company was approximately HK$16.8 million (FY2022: approximately HK$207.0 million) for FY2023.

Liquidity and Financial Resources

As at 31 December 2023, the Group had net current assets of approximately HK$1,231.1 million. The Group had cash and bank balances of approximately HK$81.7 million and pledged bank deposits of approximately HK$0.2 million, respectively. The financial resources were funded mainly by the working capital from the operations.

The current ratio, as calculated by dividing current assets by current liabilities, was 4.4 times (2022: 2.3 times) as at 31 December 2023. The gearing ratio, as measured by total liabilities divided by total equity, was 23.7% (2022: 23.5%) as at 31 December 2023. The Group adopts a prudent approach in cash management. Apart from certain debts including lease liabilities, bank loans and other loan, the Group did not have any material outstanding debts as at 31 December 2023. Payment to settle trade and other payables represented a significant part of the cash outflow of the Group. Taking into account the light debt leverage, the Group is able to generate cash and meet upcoming cash requirements. Hence, the Group has adequate liquidity and financial resources to meet its working capital requirements in the next twelve months from the year end date and remained at a stable and healthy level.

Capital Commitment

The Group had no other capital commitment as at 31 December 2023 and 2022.

Contingent Liabilities

The Group had no contingent liabilities as at 31 December 2023 (2022: Nil).

Treasury Policies

The Group adopts a conservative approach towards its treasury policies. It strives to reduce its exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

Credit Policies

The Group has adopted a credit policy to manage and monitor the recoverability of the loans, trade receivables and contract assets on an ongoing basis. Details of which are outlined below:

(a) Credit risk assessment: The Group would perform credit risk assessment before extending or granting the loans by (i) reviewing the financial reports and statements showing the net asset value of the potential or existing borrowers and other relevant financial information; (ii) performing an assessment on the financial condition of the potential or existing guarantors, such as the type and value of assets owned by the potential or existing guarantors; and (iii) reviewing the financial positions of the existing borrowers on an annual basis.

(b) Security/Collateral assessment: The Group would assess and decide the necessity and the value of security/collateral for granting or extending of each loan, whether to an individual or enterprise, on a case-by-case basis considering the factors including but not limited to the repayment history, results of public search towards the potential or existing borrower, the value and location of the assets owned by the potential or existing borrowers.

(c) Loan collection/Recovery: The Group would issue overdue payment reminder to the borrower, instruct its legal advisers to issue demand letter for overdue loans, negotiate with the borrower for the repayment or settlement of the loan and/or commence legal action against the borrower. In respect of the loans not yet overdue, the Group will closely monitor for any adverse news which may trigger a default in payment.

Among the two loan extensions during the year, assessment on the credit risk and collateral have been performed including but not limited to the re-assessment of the value of the collateral and financial position of the borrowers and guarantors.

Set out below are the summary of actions taken on the defaulted loans as at 31 December 2023:

Loan granted to Beijing Aihuan Times Technology Limited (北京愛換時代科技股份有限公司) ("Beijing Aihuan")*

The loan extension granted to the borrower, Beijing Aihuan was subject to certain conditions to be fulfilled, details of which were set out in the Company's announcement dated 16 December 2021. During the FY2022, none of the terms under the Conditions was completed and the loan extension became ineffective. On 10 February 2022, the Group had issued a demand letter to the borrower and the guarantors demanding repayment of the outstanding loans principal and accrued interests. On 14 February 2022, the borrower proposed a new repayment schedule of the outstanding loans and accrued interest thereon. Subsequently the Group continually issued another two demand letters to Beijing Aihuan and a partial repayment was received during the FY2022. During the FY2023, another demand letter was sent to Beijing Aihuan and neither the repayment of loan principal nor interest was received. Subsequent to the FY2023, the Group had filed a lawsuit for the repayment of the overdue balance.

Loan granted to Daily-tech HongKong Co., Limited ("HK Daily-Tech")

The loan extension granted to the borrower, HK Daily-Tech was set out in the Company's announcement dated 30 September 2022. During the FY2023, a demand letter was sent to HK Daily-Tech demanding the outstanding loan principal and accrued interests. Neither the repayment of the outstanding balance was received. Subsequent to the FY2023, another demand letter was sent for demanding the overdue balance. The Group and HK Daily-Tech is in negotiation on the repayment schedule and the right of exercise of the right of its collateral.

Loan granted to an independent third party

The loan extension granted to an independent third party was expired on 10 September 2023. During the FY2023, two demand letters were sent to the independent third-party borrower for demanding the outstanding loan principal and accrued interest. Neither the repayment of the outstanding balance was received. Subsequent to the FY2023, the Group had filed a lawsuit for the repayment of the overdue balance.

Based on the actions taken by the Group, the Directors considered that the Group has strictly followed the Group's credit policies.

* English name for identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

Charges on Group Assets

Details of charges on the Group assets are set out in note 37 to the consolidated financial statements.

Capital Structure

As at 31 December 2023, the Group had shareholder's capital of approximately HK$62.2 million (2022: approximately HK$62.2 million). The shareholder's capital of the Company is constituted of 2,487,704,800 shares (2022: 2,487,704,800 shares).

Significant Investments/Material Acquisitions and Disposals

Very Substantial Disposal Relating to Disposal of Land and Property

On 29 May 2023, RiCloud Corp. (an indirect wholly-owned subsidiary of the Company) (the "Vendor") and Prime Data Centers, LLC (the "Purchaser"), an independent third party, entered into the real property purchase and sale and escrow agreement (the "Agreement"), pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the property consisting of (a) the real estate situated at 6580 Via Del Oro, San Jose, California 95119 and with an area of approximately 4.725 acres; and (b) one storey mission critical data center building with an area of approximately 80,158 square feet located on the land at the consideration of US$110.0 million (equivalent to approximately HK$858.0 million) (the "Disposal"). The Disposal is expected to be completed during the course of the year. Details of the Disposal are set out in the Company's announcement dated 29 May 2023, the circular dated 23 June 2023 and the poll result announcement dated 12 July 2023. As at the date of this report, completion of the Disposal has not been taken place and is expected to be completed during the course of 2024.

Saved as disclosed in this report, the Group had no other significant investment and no material acquisition or disposal of subsidiaries, associates and joint ventures during the year under review.

Future Plans for Material Investment and Capital Assets

There is no other plan for material investments or capital assets as at 31 December 2023.

Segment Information

An analysis of the Group's performance for the year by business and geographical segments is set out in note 8 to the consolidated financial statements.

Exposure to Fluctuations in Exchange Rates

Most of the trading transactions of the Group were denominated in Renminbi ("RMB") and the United States dollars ("USD"). The assets of the Group mainly denominated in RMB and the remaining portions were denominated in USD and Hong Kong dollars ("HKD"). The exchange rates for USD to HKD have been relatively stable for the year. Therefore, the Group is only exposed to foreign exchange risk arising from RMB exposures, primarily concerning the HKD and USD. During the year under review, the Group recorded net exchange losses of approximately HK$2.0 million (FY2022: gains of approximately HK$0.1 million). As at 31 December 2023, the Group had not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure. However, the Group will constantly monitor and manage its exposure to foreign exchange risk.

Human Resources and Relations with the Employees

As at 31 December 2023, the Group had over 100 (2022: over 130) full-time employees, of which 22 (2022: 19) were based in Hong Kong and the rest were in the PRC and the United States. Staff costs of the Group amounted to approximately HK$57.5 million (FY2022: approximately HK$59.1 million) for FY2023. The employees of the Company's subsidiaries are employed and promoted based on their suitability for the positions offered. The salary benefit levels of the Group's employees are in line with the market rates. Employees are rewarded on a performance-related basis within the general framework of the Group's remuneration system which is reviewed annually. In addition to basic salaries, staff benefits also include medical schemes, various insurance schemes and share option schemes.

Key Risks and Uncertainties

During the year under review, the Group endeavoured to improve the risk management system on different aspects of company strategies, businesses operation and finance. The key risks and uncertainties to which the Group is subject are summarised as follows:

(i) The revenue of the Group is difficult to predict and may be volatile in any given reporting period owing to the tightened supply of microchips as the raw materials of the distributed products of the IHA business;

(ii) Rapid changes in production innovation and features may increase competition and render the Group's current technologies or cause the Group of losing market share and narrower profit margins from intensification of competition;

(iii) Customers preferences and trends from the increasing demands for streaming services, on-demand content, and smart-home integration may have a material adverse impact to the set-top box market or our business, financial condition and results of the operations;

(iv) The impact of protectionism and unilateralism have affected the stability of the global landscape, with increasing sources of turbulence and risk points. The Group may be exposed to restrictions, sanctions or other legal or regulatory measures in different jurisdictions. The increasingly stringent regulatory environment and policies such as licence issuance, may bring risks and challenges to the Group's business development and revenue growth;

(v) The investments of the Group in countries and regions across the world might at present or in future be affected by changes in local, national or international political, social, legal, tax, regulatory and environmental requirements from time to time. In addition, new government policies or measures, if introducing changes in fiscal, tax, regulatory, environmental or other aspects that may affect competitiveness, could result in an additional or unforeseen increase in operating expenses and capital expenditures, produce risks to the overall return on investments of the Group, and delay or impede its business operations and hence adversely affect revenues and profits;

(vi) The value of digital assets held by the Group may be subject to volatile market prices, impairment and unique risks of loss such as cyberattacks, human errors or computer malfunctions; and

(vii) The Group may face regulatory challenges to or limitations on the Group's digital asset investment.

In future business operations, the Group will be highly aware of the aforesaid risks and uncertainties and will proactively adopt effective measures to tackle such risks and uncertainties.

MANAGEMENT DISCUSSION AND ANALYSIS

Environmental Policies and Performance

The Group is committed to build an environmental-friendly corporation and always takes environmental protection issues into consideration during daily operations. The Group neither produces material waste nor emits material quantities of air pollutants. The Group also strives to minimize the adverse environmental impacts by encouraging the employees to recycle office supplies and other materials and save electricity.

Compliance with Laws and Regulations

The Company has been listed on the GEM of the Stock Exchange since 2000. The operations of the Group are mainly carried out by the Company's subsidiaries in the PRC, Hong Kong and the United States. As such, the Group's operations shall comply with relevant laws and regulations in the PRC, Hong Kong and the United States accordingly. During the year, the Group has complied with all applicable laws and regulations in the PRC, Hong Kong and the United States in all material respects. The Group shall continue to keep itself updated with the requirements of the relevant laws and regulations in the PRC, Hong Kong and the United States and adhere to them to ensure compliance.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Li Qiang, aged 55, graduated with a master's degree in business administration from Nanyang Technological University, Singapore. Mr. Li is the chairman and the legal representative of Trunkbow Asia Pacific (Shandong) Co., Ltd.. Mr. Li had been the president of Beijing Daily Technologies Co., Ltd.* (北京德利迅達科技有限公司) since March 2011 and a director of Trunkbow International Holdings Ltd., the shares of which were delisted from The NASDAQ (National Association of Securities Dealers Automated Quotation) Stock Market in 2014. Mr. Li was appointed to the board of directors as an executive Director and the co-chairman on 10 June 2016 and re-designated as the Chairman on 8 March 2017.

Mr. Cong Yu, aged 54, graduated from The People's Liberation Army (Navy) Command College* (中國人民解放軍陸軍指揮學院) majoring in National Defense Mobilization and National Defense Education and obtained a professional undergraduate degree. He has extensive experience in business development and investment projects. He is an executive director of Tibetan Crane Private Equity Fund Management (Shenzhen) Co., Ltd. (formerly known as Heijinghe Fund Management Co., Ltd.* (黑頸鶴私募股權基金管理(深圳)有限公司(前稱(黑頸鶴基金管理有限公司)), a director of Shenzhen Shenjian Pharmaceutical Technology Limited* (深圳深見醫藥科技有限公司) and an executive director of Amrtan Ocean Traditional Chinese Medicine Co. Ltd.* (甘露海中醫有限公司). He is a director of certain subsidiaries of the Company. Mr. Cong was appointed to the Board as an executive Director on 21 January 2021 and appointed as the Chief Executive Officer of the Company on 22 March 2021. Mr. Cong Yu is currently a member of each of the audit committee, the nomination committee and the remuneration committee of the board of directors of the Company.

Mr. Chen Biao, aged 56, graduated from the Department of Mechanical Engineering of Information Engineering University* (信息工程大學). He has extensive experience in business development and management in China and Europe. Mr. Chen joined the Group in December 2019 as the position of a deputy general manager of Yuxin Asset Management Company Limited, an indirect non-wholly owned subsidiary of the Company. He was acting as the business consultant for China Machinery Industry International Cooperation Co., Ltd. on acquisition and mergers projects in Europe since 2014. Mr. Chen was an executive director of Global Token Limited, the shares of which were delisted from the Stock Exchange in 2021. He is a director of certain subsidiaries of the Company. Mr. Chen was appointed to the Board as an executive Director on 21 January 2021 and appointed as the vice president of the Group in 2021. Mr. Chen is currently a member of the remuneration committee of the board of directors of the Company.

Mr. Gao Fei, aged 44, graduated with a master's degree in business administration from The Hong Kong University of Science and Technology. He has been the general manager of (Shanghai Yuding Corporation Management LLP* (上海毓鼎企業管理合夥企業(有限合夥)) (formerly known as Shanghai Sino Crown Investment LLP) since May 2014. Mr. Gao Fei had been a director of Lontrue Co., Ltd., the shares of which are listed on the Shenzhen Stock Exchange, stock code: 300175). He is also a director of certain subsidiaries of the Company. Mr. Gao was appointed to the Board as an executive Director on 20 June 2016.

Mr. Shi Guangrong, aged 63, graduated with a bachelor's degree in engineering from Department of Industrial Automation of Beijing University of Technology. Mr. Shi has been with the Group since 1996, responsible primarily for marketing and investment management functions of the Group. Mr. Shi is currently the compliance officer of the Group and the executive president of the listing platform of the Group, possessing over 16 years of regulatory and compliance experience. He is also a director of certain subsidiaries of the Company. He was a non-executive director of Global Token Limited, the shares of which were delisted from the Stock Exchange in 2021. Mr. Shi was appointed to the Board as an executive Director on 7 October 1999.

Mr. Zhu Jiang, aged 66, graduated from Beijing University of Technology majoring in mechatronic engineering. Mr. Zhu has over 27 years of research experience in computer engineering, extensive experience in digital-to-analog circuits and high-level assembly languages programming and over 16 years of management experience. He is also a director and the legal representative of certain subsidiaries of the Company. Mr. Zhu was appointed to the Board as an executive Director on 24 July 2013.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Shen Yan, aged 60, holds a bachelor's degree in accounting and has over 28 years of accounting experience and 25 years of auditing experience. Ms. Shen worked with Beijing Zhonggongxin Certified Public Accountants* (北京中公信會計師事務所), where she presided over audit works for local and international renowned enterprises in manufacturing, professional affairs and services and has accumulated solid experience in corporate finance management and auditing. Ms. Shen has successively held key positions in numerous corporations in the PRC and possesses good expertise in financial accounting, budgetary control and financial management. She also took part in the researches, editing and publication of books on financial management subjects. Ms. Shen had also been a staff of Beijing University of Technology. Currently, Ms. Shen is the financial controller of a PRC firm. Ms. Shen was appointed to the Board as an independent non-executive Director on 12 January 2005. Ms. Shen is currently the chairlady of each of the audit committee, the nomination committee and the remuneration committee of the board of directors of the Company.

Ms. Dong Hairong, aged 49, is a Chair professor and PhD student tutor of Beijing Jiaotong University. Ms. Dong graduated from Peking University with a doctorate degree in Science. Ms. Dong was appointed to the Board as an independent non-executive Director on 6 June 2018. Ms. Dong is currently a member of each of the audit committee, the nomination committee and the remuneration committee of the board of directors of the Company.

Ms. Huo Qiwei, aged 52, is currently the chief financial officer of Beijing Zhongjin Guorong Culture Media Co., Ltd. She possesses over 16 years of experience in corporate finance, accounting, and audit consulting. Ms. Huo possesses the professional qualifications of certified public accountant, certified tax agent and senior accountant in the PRC. Ms. Huo graduated from the Chinese University of Hong Kong with a master's degree in professional accountancy and graduated from Henan University of Science and Technology majoring in accountancy. Ms. Huo was appointed to the Board as an independent non-executive Director on 5 September 2019. Ms. Huo is currently a member of each of the audit committee, the nomination committee and the remuneration committee of the board of directors of the Company.

COMPANY SECRETARY

Dr. Liu Wei, aged 66, has PRC lawyer qualification and is a solicitor qualified to practice law in Hong Kong and in England. He graduated from the Northwest University of China, the Chinese University of Political Science and Law and the University of Cambridge with a bachelor's degree in Chinese literature, a master's degree in law, a Ph.D. in Law respectively. He also completed his Common Professional Examination (CPE) with Manchester University in England, as well as a Postgraduate Certificate in Laws (PCLL) with the University of Hong Kong. Dr. Liu has extensive experience in corporate finance and corporate governance of listed companies and is a partner of Jingtian & Gongcheng LLP. Dr. Liu is the company secretary of the Company (the "Company Secretary") since 3 July 2007.

* The English translation of certain Chinese entities which are marked with "*" is for identification purpose only under the section headed "Biographical Details of Directors and Senior Management" of this annual report.

DIRECTORS' REPORT

The Board is pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2023.

BUSINESS REVIEW

The business review of the Group's business and financial performance for the year ended 31 December 2023 are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in note 41 to the consolidated financial statements.

SEGMENT INFORMATION

Analysis of the performance by the Group for the year ended 31 December 2023 by business and geographical segments is set out in note 8 to the consolidated financial statements.

CHARITABLE DONATIONS

During the year ended 31 December 2023, the Group made a charitable donation of HK$10,000 (2022: HK$Nil).

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 December 2023 are set out in note 33 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of comprehensive income on page 75 of this annual report.

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

DIVIDEND POLICY

The declaration, form, frequency and amount of any dividend payout of the Company must be in accordance with relevant laws, rules and regulations and subject to the bye-laws of the Company (the "Bye-laws"). Subject to compliance with applicable laws, rules, regulations and the Bye-laws, in deciding whether to propose any dividend payout, the Board will take into account the Group's financial results, the earnings and distributable reserves, the operations and liquidity requirements, the debt ratio and possible effects on the credit lines, and the development plans of the Company.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 5 of this report.

PRINCIPAL RISKS

The Directors have acknowledged that the Group is exposed to certain risks that could impact on the Group. The Group monitors the risks on an ongoing basis. The principal risks faced by the Group are set out in the sub-section headed "Key Risks and Uncertainties" of this annual report.

DIRECTORS' REPORT

SHARE OPTIONS

Details of the Company's share option scheme adopted by the Shareholders on 14 January 2015 (the "Share Option Scheme") and the movement in the Company's share options held by the Directors during the year ended 31 December 2023 are set out in note 38 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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

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

RESERVES

Movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 78 of this report and notes 34 and 36(a) to the consolidated financial statements respectively.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the investment properties and property, plant and equipment of the Group during the year ended 31 December 2023 are set out in notes 17 and 18 to the consolidated financial statements respectively.

PROPERTIES

Particulars of properties held by the Group as at 31 December 2023 are set out on page 170 of this report.

DIRECTORS

The Directors during the year and up to the date of this annual report are as follows:

Executive Directors

Mr. Li Qiang *(Chairman)*
Mr. Cong Yu *(Chief Executive Officer)*
Mr. Chen Biao
Mr. Gao Fei
Mr. Shi Guangrong
Mr. Zhu Jiang

Independent Non-Executive Directors

Ms. Shen Yan
Ms. Dong Hairong
Ms. Huo Qiwei

DIRECTORS' REPORT

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management of the Group are set out on pages 15 and 16 of this annual report.

DIRECTORS' SERVICE CONTRACTS AND APPOINTMENT LETTERS

Each of the executive Directors has entered into a service agreement with the Company for a term of three years which are automatically renewed for successive terms of one year each upon expiry of the then current term and shall be terminated by either party giving to the other not less than six months' notice in writing.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of two years.

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming annual general meeting ("AGM") has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTOR'S INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the paragraph of this annual report of the Directors headed "Continuing Connected Transactions and Related Party Transactions", no transaction, arrangement or contract of significance in relation to the Group's business, to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review.

DIRECTOR'S EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the Directors' emoluments and the five highest paid individuals of the Group during the year are set out in notes 11 and 12 to the consolidated financial statements respectively.

EMOLUMENT POLICY

The Directors are paid fees in line with market practice. The Group adopted the following main principles in determining the remuneration of the Directors and other employees:

- No individual should determine his or her own remuneration;
- Remuneration should be broadly aligned with companies with whom the Group competes for human resources;
- Remuneration should reflect performance and responsibility with a view to motivating and retaining high performing individuals and enhancing the value of the Company to its Shareholders; and
- Share options grants to the senior management or staff as incentives for their contribution to the growth and development of the Group in the intermediate to longer time frame.

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

As at 31 December 2023, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying shares and/or debentures of the Company and/or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(1) Long positions in the shares of the Company

Name of Directors	Nature of interests	Number of ordinary Shares	Capacity	Approximate percentage of the total issued share capital of the Company
Mr. Li Qiang	Personal	4,604,000	Beneficial owner	0.19%
Mr. Cong Yu	Personal	741,379,800	Interest of a controlled corporation	29.80%
Mr. Gao Fei	Personal	2,190,000	Beneficial owner	0.09%
Mr. Shi Guangrong	Personal	22,660,000	Beneficial owner	0.91%
Mr. Zhu Jiang	Personal	7,926,756	Beneficial owner	0.32%
Ms. Shen Yan	Personal	324,000	Beneficial owner	0.01%

(2) Long positions in the underlying shares of the Company

None of the Directors or chief executive of the Company has held any share options as at 31 December 2023.

As at 31 December 2023, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, underlying shares and/or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement which enables the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

Based on the information provided to the Company in notices filed, as at 31 December 2023, the entities and/or persons or corporations who had any interests or short positions in the Shares and/or underlying shares of the Company which 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 pursuant to Section 336 of the SFO or had otherwise notified to the Company were as follows:

Long positions in the shares and underlying shares of the Company

Name of Shareholders	Nature of interests	Number of Ordinary Shares	Capacity	Approximate percentage of the total issued share capital of the Company
Unicorn Resources Inc. ("Unicorn") *(Note 1)*	Corporate	741,379,800	Beneficial owner	29.80%
Cong Yu Company Limited *(Note 1)*	Corporate	741,379,800	Interest of a controlled corporation	29.80%
Mr. Cong Yu *(Note 1)*	Personal	741,379,800	Interest of a controlled corporation	29.80%
Mr. Zhu Weisha *(Note 2)*	Personal	741,379,800	Interest of a controlled corporation	29.80%
		19,000,000	Beneficial owner	0.76%
Honbridge Holdings Limited (Stock Code: 8137) *(Notes 3)*	Corporate	351,867,200	Beneficial owner	14.14%
Hong Bridge Capital Limited *(Notes 3)*	Corporate	351,867,200	Interest of a controlled corporation	14.14%
Geely Group Limited *(Notes 3)*	Corporate	351,867,200	Interest of a controlled corporation	14.14%
Mr. Li Shu Fu *(Note 3)*	Personal	351,867,200	Interest of a controlled corporation	14.14%

Notes:

1. Unicorn is the beneficial owner of 741,379,800 Shares. Cong Yu Company Limited holds 55% interest in Unicorn and it is deemed to be interested in the 741,379,800 Shares held by Unicorn. Mr. Cong Yu holds 100% interest in Cong Yu Company Limited (which holds 55% interest in Unicorn) and he is therefore deemed to be interested in the 741,379,800 Shares held by Unicorn.

2. Mr. Zhu Weisha holds 45% interest in Unicorn and he is deemed to be interested in the 741,379,800 Shares held by Unicorn. The remaining interest in 19,000,000 Shares is beneficially owned by Mr. Zhu Weisha, representing 19,000,000 underlying shares in respect of the share options granted by the Company on 30 August 2019.

3. Honbridge Holdings Limited is the beneficial owner of 351,867,200 Shares. 41.25% interest in Honbridge Holdings Limited are held by Hong Bridge Capital Limited, which in turn 68.86% held by Geely Group Limited (which 100% held by Mr. Li Shu Fu). By virtue of the provisions of Part XV of the SFO, each of Hong Bridge Capital Limited, Geely Group Limited and Mr. Li Shu Fu was deemed to be interested in the Shares of the Company in which Honbridge Holdings Limited was interested.

4. Based on a total of 2,487,704,800 issued Shares of the Company as at 31 December 2023.

Save as disclosed above, as at 31 December 2023, the Directors are not aware of any persons or corporations who had any interests or short positions in the Shares and/or underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-laws, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duties in their offices.

Such permitted indemnity provision has been in force throughout the year and is still in force. In addition, the Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

MANAGEMENT CONTRACTS

No contract concerning the management or administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

MAJOR SUPPLIERS AND CUSTOMERS

The Group has developed close and long-term cooperation relationships with major suppliers and customers. During the year, stable and good relationships between the Group and its major suppliers and customers have been maintained. The Group values the feedback from customers through daily communication, and address customers' concern in a timely manner. As to the suppliers, the Group assurance their performance for delivering quality sustainable products and services through supplier approval process and by spot checks on the delivered products. During the year ended 31 December 2023, there is no circumstance of any event between the Group and its customers which will have a significant impact on the Group's business and on which the Group's success depends. The percentages of purchases and sales for the year ended 31 December 2023 attributable to the Group's major suppliers and customers are as follows:

Purchases

–	the largest supplier	60.1%
–	five largest suppliers combined	88.2%

Sales

–	the largest customer	38.4%
–	five largest customers combined	92.9%

None of the Directors, their close associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in the major suppliers and major customers noted above.

CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Non-exempt Continuing Connected Transactions Subject to Reporting, Announcement and Annual Review Requirements

Lease Agreement with Chengdu Wuhou Ganluhai Zang Hospital Co., Ltd. ("Chengdu Ganluhai")*

On 24 July 2023, Meishan E-rich Shengda Medical Service Co., Ltd.* ("Meishan E-rich"), an indirect wholly-owned subsidiary of the Company (as landlord), entered into a lease agreement (the "Lease Agreement") with Chengdu Ganluhai (as tenant) in respect of the leasing of the factory situated at No. a, b, c, d, Building B6, Yaoxing Tianfu Pioneering Park, South Section of Bencao Avenue, Dongpo District, Meishan City, Sichuan Province, with a term of three years commencing from 1 August 2023 to 31 July 2026 at a monthly rent of RMB367,589 (tax inclusive) for 1st term year, RMB378,616 (tax inclusive) for 2nd term year and RMB389,971 (tax inclusive) for 3rd term year (the "Continuing Connected Transactions").

Chengdu Ganluhai is indirectly owned as to 45.8% by Mr. Cong Yu, a substantial Shareholder, the chief executive officer of the Company and an executive Director, and as to 9.3% by Ms. Feng Yaping, the spouse of Mr. Cong Yu. Accordingly, Chengdu Ganluhai is a connected person of the Company and the transactions contemplated under the Lease Agreement constitutes continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

The following sets forth the annual caps for the Continuing Connected Transactions contemplated under the Lease Agreement:

	For the years ended 31 December			
	2023	**2024**	**2025**	**2026**
	HK$'000	HK$'000	HK$'000	HK$'000
Lease Agreement with Chengdu Ganluhai	2,169	5,269	5,428	3,221

Confirmations from the Independent Non-Executive Directors and Auditors

Pursuant to rule 20.53 of the GEM Listing Rules, the Continuing Connected Transaction has been reviewed by the independent non-executive Directors and confirmed that the Continuing Connected Transaction had been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) either on normal commercial terms or on terms no less favorable to the Group than terms available to or from (as the case may be) independent third parties;

(c) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and

(d) within the respective cap amounts as disclosed in the previous announcements in which the relevant Continuing Connected Transactions were disclosed.

The Company's auditor was engaged to report on the Company's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740, Auditor's Letter on Continuing Connected Transactions under the Listing Rules issued by the Hong Kong Institute of Certified Public Accountants.

The auditor has confirmed in a letter to the Board in respect of the disclosed continuing connected transactions that nothing has come to their attention that (i) causes them to believe that the disclosed continuing connected transactions has not been approved by the Company's board of directors; (ii) were not entered into in all material respects in accordance with the relevant agreements governing such transactions; and (iii) had exceeded the caps disclosed in the announcement of the Company dated 24 July 2023.

Confirmations from the Company

The Company has conducted a review of its continuing connected transactions and confirmed that all such transactions had complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

Related Party Transactions

Details of significant related party transactions undertaken in the normal course of business of the Group for the year ended 31 December 2023 are provided under note 40 to the consolidated financial statements. None of these related party transactions constitutes a connected transaction as defined under the Listing Rules that is required to be disclosed, except for those described above in the paragraph headed "Non-exempt Continuing Connected Transactions Subject to Reporting, Announcement and Annual Review Requirements", in respect of which the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules have been complied with.

COMPETING INTERESTS

None of the Directors or the controlling Shareholders and their respective associates (as defined in the GEM Listing Rules) has an interest in a business which competed or might compete with the business of the Group or has any other conflict of interest with the Group for the year ended 31 December 2023.

AUDIT COMMITTEE

The Board has established an audit committee (the "Audit Committee"). It currently comprises three independent non-executive Directors, namely Ms. Shen Yan (Chairlady), Ms. Dong Hairong and Ms. Huo Qiwei. None of the members of the Audit Committee is a former partner of the auditor of the Company. The principal duties of the Audit Committee are to assist the Board in reviewing the financial information, overseeing the Company's financial reporting system, risk management, internal control systems and relationship with the external auditor, and arrangements to enable employees of the Company to raise concerns under the protection of confidentiality about possible improprieties in financial reporting, internal control or other matters of the Company. During the year under review, the Audit Committee held five meetings for the purposes of reviewing the quarterly, interim and annual financial results and reports and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, and the other matters in accordance with the Audit Committee's written terms of reference. The Group's audited annual results for the year ended 31 December 2023 have been reviewed by the Audit Committee.

PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float required under the GEM Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

CORPORATE GOVERNANCE

A report on the Company's principal corporate governance principles and practices are set out in the section headed "Corporate Governance Report" of this annual report.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2023 have been audited by Mazars CPA Limited, Certified Public Accountants, who will retire and, being eligible, offer itself for re-appointment.

A resolution for the re-appointment of Mazars CPA Limited as the auditor of the Company will be proposed at the forthcoming AGM of the Company.

On behalf of the Board
Yuxing InfoTech Investment Holdings Limited
Cong Yu
Executive Director and Chief Executive Officer

Hong Kong, 27 March 2024

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

The Company is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the continuing growth of the Group and for safeguarding and maximising Shareholders' interests.

During the year ended 31 December 2023, the Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Part 2 of Appendix C1 to the GEM Listing Rules, except in relation to CG Code provisions F.2.2, as more particularly described below.

CG Code provision F.2.2

Pursuant to CG Code provision F.2.2, the Chairman of the Board should attend the AGM and invite the chairman of the audit, remuneration and nomination committees to attend and be available to answer questions at the AGM. Mr. Chen Biao, an executive Director, has been performing the above duties in lieu of Mr. Li Qiang, the Chairman of the Board, who had other pre-arranged business commitments on the day of the AGM.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings as set out in rules 5.48 to 5.67 (the "Required Standard of Dealings") of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors. Upon specific enquiries of all Directors, each of them confirmed that they have complied with the required standards set out in the Required Standard of Dealings for the year ended 31 December 2023 in relation to their securities dealings, if any.

BOARD OF DIRECTORS

Board composition

The Board is responsible for managing the Company on behalf of the Shareholders. The Board is of the view that it is the Directors' responsibility to create value for the Shareholders and safeguard the best interests of the Company and the Shareholders as a whole by discharging its duties in a dedicated, diligent and prudent manner on the principle of good faith.

The primary functions of the Board include:

- deciding on the overall strategies, overseeing operational and financial performance and formulating appropriate policies to manage risk exposure associated with realising the strategies and goals of the Group;
- monitoring and reviewing the Group's corporate governance practices on compliance with legal and regulatory requirements, and renewing the Company's compliance with the CG Code;
- being held accountable for the internal control system of the Group and responsible for reviewing its effectiveness;
- being ultimately responsible for preparing financial accounts and discussing the performance, financial conditions and prospects of the Group in a balanced, clear and comprehensible manner. These responsibilities are applicable to quarterly, interim and annual reports of the Company, other price sensitive announcements published according to the GEM Listing Rules and disclosure of other financial information, reports submitted to regulatory bodies and information discloseable under statutory requirements;

- executive Directors, who oversee the overall business of the Group, are responsible for the daily management of the Group, the Board is responsible for affairs involving the overall policies, finance and Shareholders of the Company, namely financial statements, dividend policy, significant changes to accounting policies, annual operating budgets, material contracts, major financing arrangements, principal investment and risk management strategy. Implementation and execution of such decisions is delegated to the management; and

- regularly reviewing its own functions and the powers conferred upon executive Directors to ensure appropriate arrangements are in place.

The Board has overall responsibility for the leadership, strategic direction, control and performance of the Group and for promoting the success of the Group by directing and supervising its affairs. The Board delegates the day-to-day management, administration and operation of the Group to management. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

The management is well informed of its powers and duties with clear guidelines and instructions, in particular regarding situations under which reporting to the Board is necessary and matters that require the approval of the Board before any decisions or commitments can be made on behalf of the Company.

The Board currently comprises nine Directors, with six executive Directors, namely, Mr. Li Qiang (Chairman), Mr. Cong Yu (Chief Executive Officer), Mr. Chen Biao, Mr. Gao Fei, Mr. Shi Guangrong and Mr. Zhu Jiang and three independent non-executive Directors, namely, Ms. Shen Yan, Ms. Dong Hairong and Ms. Huo Qiwei. The biographies of the Directors are set out in the section "Biographical Details of Directors and Senior Management" on pages 15 to 16 of this report. The Directors, with relevant and sufficient experience and qualifications, have given sufficient time and attention to the affairs of the Group and have exercised due care and fiduciary duties in relation to the significant issues of overall business planning, management and strategic development of the Group.

Pursuant to code provisions B.1.4 of the CG Code, the Board has established mechanism(s) to ensure independent views and input are available to the Board, in particular, (i) independent non-executive directors are encouraged to actively participate in the Board meetings; (ii) the number of independent non-executive directors must comply with the requirement under the Listing Rules; and (iii) the independent non-executive directors shall devote sufficient time to discharge their duties as a director. Furthermore, the Board may access external independent professional advice to assist their performance of duties at the expense of the Company. The Board will review the implementation and effectiveness of such mechanism(s) on an annual basis.

To the knowledge of the Directors, the Board members have no material financial, business, family or other relevant relationships with each other.

Independent Non-Executive Directors

During the year ended 31 December 2023, the Board at all times complied with the requirement of the GEM Listing Rules of having at least three independent non-executive Directors sit on the Board (more than one-third of the Board members) and at least one of them having appropriate professional accounting or related financial management expertise. All the independent non-executive Directors are appointed for a two-year term, and subject to rotation and re-election pursuant to the Bye-laws. Details of their appointment are referred to the section "Directors' Service Contracts and Appointment Letters" on page 19 of this report. The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules on the Stock Exchange and considers all the independent non-executive Directors to be independent.

CORPORATE GOVERNANCE REPORT

Board practice and conduct of meetings

The full Board meets at least four times a year, at approximately quarterly intervals, to review the financial performance, results of each period, material investments and other matters of the Group that require the resolution of the Board. Simultaneous communication methods may be used to improve attendance when individual Director cannot attend the meeting in person.

The attendance records of each Director and each member of the Board committees in 2023 are as follows:

	Number of meetings attended/eligible to attend				
Executive Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meeting**
Mr. Li Qiang *(Chairman)*	6/6	N/A	N/A	N/A	1/1
Mr. Cong Yu	5/6	N/A	1/1	1/1	1/1
Mr. Chen Biao	6/6	N/A	1/1	N/A	1/1
Mr. Gao Fei	5/6	N/A	N/A	N/A	1/1
Mr. Shi Guangrong	6/6	N/A	N/A	1/1	1/1
Mr. Zhu Jiang	6/6	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Ms. Shen Yan	6/6	5/5	1/1	1/1	1/1
Ms. Dong Hairong	5/6	5/5	1/1	1/1	1/1
Ms. Huo Qiwei	6/6	5/5	1/1	1/1	1/1

Information of material issues, due notice of meetings and minutes of every meeting have been sent to all Directors for their information, comment and review.

Appointment and Re-election of Directors

Each of the executive Directors has entered into a service agreement with the Company for a term of three years which are automatically renewed for successive terms of one year each upon expiry of the then current term and shall be terminated by either party giving to the other not less than six months' notice in writing.

Each of the independent non-executive Directors, has entered into a letter of appointment with the Company for a term of two years.

The Company has established formal, considered and transparent procedures for the appointment of new Directors. The procedures and process of appointment, re-election and removal of Directors are laid down in the Bye-laws. Pursuant to Article 87 of the Bye-laws, at each AGM 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 shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. Pursuant to Article 86(2) of the Bye-laws, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorization by the Shareholders in general meetings, as an addition to the existing Board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the Shareholders in general meetings. Any Director so appointed by the Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election at that meeting.

In compliance with the code provision B.2.3 of the CG Code, the further appointment of independent non-executive Directors who have served more than 9 years should be subject to a separate resolution to be approved by Shareholders and the papers to Shareholders accompanying that resolution should include the reasons why the Board believes the relevant Director is still independent and should be re-elected.

Directors' Training

Each newly appointed Director shall receive induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operation of the Group and that he/she is aware of his/her responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements.

During the year ended 31 December 2023, all existing Directors were provided with updates on the latest developments and changes in the GEM Listing Rules and other relevant legal and regulatory requirements from time to time to develop and refresh the Directors' duties and responsibilities. In addition, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to the Board during Board meetings to ensure compliance and enhance their awareness of good corporate governance practices. All the directors have also participated in continuous professional development training arranged by the legal advisor of the Group during the year.

Board Diversity Policy

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board.

The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills, knowledge and length of service. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

Pursuant to the amended Rule 17.104 of the GEM Listing Rules, the Stock Exchange will not regard a single gender board of directors as achieving member diversity. As at the date of this report, the Board consists of three female directors and six male directors, which is in compliance with the requirement of appointing at least a director of a different gender under the GEM Listing Rules and achieved the current measurable targets set by the Company. The Nomination Committee will continue to monitor and actively consider different aspects of diversity in the boardroom, pay attention to develop a pipeline of potential successors to the Board to achieve gender diversity and recommend further actions or plan to the Board when necessary. Similar considerations shall also be in place to assess the candidacy of the senior management team from time to time. The Company is determined to maintain gender diversity and equality in terms of the whole workforce, and to procure the senior management team to achieve gender equality in terms of the gender ratio.

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this Annual Report:

	Female		Male	
	Gender ratios	Number of employees	Gender ratios	Number of employees
Board	2.75%	3	5.5%	6
Senior Management	–	–	–	–
Other employees	38.53%	42	53.21%	58
Overall workforce	41.29%	45	58.72%	64

The Board had targeted to achieve and had achieved at least 3.7% (4) of female Directors, 0.9% (1) of female senior management and 41.3% (45) of female employees of the Group and considers that the above current gender diversity is satisfactory.

Chairman and Chief Executive Officer

Pursuant to the code provision C.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. During the year ended 31 December 2023, the positions of chairman and chief executive officer of the Company are held by different persons. Mr. Li Qiang acted as the Chairman and Mr. Cong Yu acted as the Chief Executive Officer of the Company.

BOARD COMMITTEES

The Board has established three committees, namely audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee") and nomination committee (the "Nomination Committee"), each overseeing and being responsible for affairs in different aspects of the Company. All Board committees of the Company are established with defined written terms of reference.

The written terms of reference for each Board committee are in compliance with the GEM Listing Rules and they are posted on the respective websites of the Stock Exchange and the Company.

Audit Committee

The Board has established the Audit Committee. It currently comprises three independent non-executive Directors, namely Ms. Shen Yan (Chairlady), Ms. Dong Hairong and Ms. Huo Qiwei. None of the members of the Audit Committee is a former partner of the auditor of the Company.

The principal duties of the Audit Committee are to assist the Board in reviewing the financial information, overseeing the Company's financial reporting system, risk management, internal control systems and relationship with external auditor, and arrangements to enable employees of the Company to raise concerns under the protection of confidentiality about possible improprieties in financial reporting, internal control or other matters of the Company.

Appropriate policies and controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, relevant laws, regulations and rules are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed. The systems and internal controls can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

During the year ended 31 December 2023, the Audit Committee held five meetings for the purposes of reviewing the quarterly, interim and annual financial results and reports and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, and the other matters in accordance with the Audit Committee's written terms of reference. The Group's audited annual results for the year ended 31 December 2023 have been reviewed by the Audit Committee.

Remuneration Committee

The Board has established the Remuneration Committee. It currently comprises two executive Directors and three independent non-executive Directors, namely Ms. Shen Yan (Chairlady), Mr. Cong Yu, Mr. Chen Biao, Ms. Dong Hairong and Ms. Huo Qiwei. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management and approval on the terms of executive Directors' service contracts; and establishing a formal and transparent procedure for developing remuneration policy and to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

During the year ended 31 December 2023, the Remuneration Committee held one meeting to review and make recommendation to the Board on the remuneration packages of the Directors and other related matters in accordance with the Remuneration Committee's written terms of reference.

Pursuant to code provision E.1.5 of the CG Code, the remuneration of the member(s) of the senior management by band for the year ended 31 December 2023 is set out below:

Remuneration band	Number of individual
HK$1,000,000 to HK$2,000,000	1

Further particulars regarding Directors' emoluments are set out in note 11 to the consolidated financial statements.

Nomination Committee

The Board has established the Nomination Committee. It currently comprises two executive Directors and three independent non-executive Directors, namely Ms. Shen Yan (Chairman), Mr. Cong Yu, Mr. Shi Guangrong, Ms. Dong Hairong and Ms. Huo Qiwei. The primary functions of the Nomination Committee include reviewing the Board's structure, size and composition of the Board, identifying individuals suitably qualified to become Board members, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

According to the Nomination Policy of the Company, appointments of Board members will be made on a merit basis and candidates will be considered against objective criteria. The selection criteria used in assessing the suitability of a candidate include:

- the candidate's academic background and qualifications (including professional qualifications, skills and knowledge which are relevant to the Company's business and corporate strategy);
- the candidate's relevant experience in the industry;
- the candidate's character and integrity;
- the candidate's willingness and capacity to devote adequate time in discharge of a Director's duties;
- whether the candidate can contribute to the Board a diversity of perspectives;

- Where the candidate is proposed to be appointed as an independent non-executive Director whether the candidate is in compliance with the criteria of independence under the GEM Listing Rules; and

- any other factors as may be determined by the Board from time to time.

In terms of nomination procedures, any Board member may nominate or invite a candidate for appointment as a Director to be considered by the Nomination Committee. The Nomination Committee will then evaluate the personal profile of the candidate based on the selection criteria set out above, undertake due diligence in respect of such candidate and make recommendation for the Board's consideration and approval. For nomination of independent non-executive Director, the Nomination Committee will also assess the candidate's independence in accordance with the CG Code and the GEM Listing Rules. For re-appointment of retiring Directors, the Nomination Committee will review the candidate's overall contribution and performance (including the candidate's attendance at Board committee meetings, Board meetings and general meetings, his/her level of participation and performance on the Board), and make recommendations to the Board and Shareholders for re-election at general meetings.

During the year ended 31 December 2023, the Nomination Committee held one meeting to review and make recommendation to the Board on the retirement by rotation of Directors in the 2022 AGM and other related matters in accordance with the Nomination Committee's written terms of reference.

AUDITOR'S REMUNERATION

The remuneration in respect of audit and non-audit services provided by the auditor, Mazars CPA Limited, to the Group in the year ended 31 December 2023 are as follows:

	Fees payable
	HK$'000
Statutory audit services	1,700
Non-audit services (mainly reporting accountant's work in connection with the notifiable transactions)	330
	2,030

COMPANY SECRETARY

The Company Secretary is Dr. Liu Wei. He has taken not less than 15 hours of relevant professional trainings to update his skills and knowledge in 2023.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors acknowledge their responsibility for the preparation of consolidated financial statements of the Group for the year ended 31 December 2023, which give a true and fair view of the financial position of the Group on a going concern basis. Statements of Directors' responsibilities for preparing the consolidated financial statements and external auditor's reporting responsibilities are set out in the "Independent Auditor's Report".

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining sound and effective systems of risk management and internal control, which include financial, operational and compliance controls, to safeguard the Group's assets and Shareholders' interests, as well as for reviewing the effectiveness of such systems. Sound and effective systems of risk management and internal control are designed to identify and manage the risk of failure to achieve business objectives.

The risk management and internal control systems have been designed to operate proactively to ensure that principal risks are not only identified, measured and monitored but also mitigated. The risk management process is embedded into the day-to-day operations of the Group and is an on-going process carried out by everyone in the Group.

Key procedures are being established and implemented to ensure that there are appropriate and effective risk management and internal control systems are as follows:

(a) setting core values and beliefs which form the basis of the Group's overall risk philosophy and appetite;

(b) having an organisational structure in place with defined lines of responsibility and delegation of authority which hold individuals accountable for their risk management and internal control responsibilities;

(c) imposing an organisational structure which provides necessary information flow for risk analysis and management decision-making;

(d) imposing budgetary and management accounting controls to efficiently allocate resources and providing timely financial and operational performance indicators to manage business activities and risks;

(e) ensuring effective financial reporting controls to record complete, accurate and timely accounting and management information; and

(f) expanding the roles and responsibilities of the Audit Committee to include the review of risk management and internal control systems.

During the year ended 31 December 2023, the Board, through efforts of the Audit Committee, oversees the Group's risk management and internal control systems on an ongoing basis and has conducted an annual review of the effectiveness of the Group's risk management and internal control systems covering aspects of the Group's financial, operational, compliance controls and risk management functions. The Board has considered that the Group's risk management and internal control systems are effective and adequate. The Group reviews its risk management and internal control systems on an annual basis.

Procedures and internal controls for the handling and dissemination of inside information

The Group has complied with the relevant applicable requirements of the SFO and the GEM Listing Rules in respect of dissemination of inside information. The Group has disclosed inside information to the public as soon as reasonably practicable. Before the information is fully disclosed to the public, the Group ensures that the information is kept strictly confidential. The Group is committed to ensuring that information contained in announcements and other public disclosures are not false or misleading as to a material fact or as a result of the omission of a material fact by presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

The annual report, interim report and quarterly reports offer comprehensive information to the Shareholders on operational and financial performance whereas AGM provide a forum for the Shareholders to exchange views directly with the Board. The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board.

According to the Bye-laws, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting (the "SGM") to be called by the Board for the transaction of any business specified in such requisition. The requisition must be lodged with the registered office of the Company. The written requisition (i) must state the purposes of the SGM, and (ii) must be signed by the requisitionists and deposited at the principal place of business of the Company in Hong Kong for attention of the Board or the Company Secretary, and may consist of several documents in like form, each signed by one or more requisitionists. Such meeting shall be held within two (2) months after the deposit of such requisition. Such requisitions will be verified by the Company's branch share registrars and upon their confirmation that the requisition is proper and in order, the Company Secretary will inform the Board to convene a SGM by serving sufficient notice to all Shareholders. On the contrary, if the requisition has been verified as not in order, the requisitionists will be advised of this outcome and accordingly, the SGM will not be convened as requested.

As regards to proposing a person for election as a Director, please refer to the procedures as set out in the Bye-laws on the respective websites of the Stock Exchange and the Company.

Shareholders may send written enquiries or requests in respect of their rights to the principal place of business of the Company in Hong Kong and for the attention of the Company Secretary.

INVESTOR RELATIONS

The Company establishes different communication channels with investors to update the latest business development and financial performance including the publication of quarterly, interim and annual reports, the publish and posting of notices, announcements and circulars on the websites of the Stock Exchange and the Company in order to maintain a high level of transparency, and to ensure there is no selective disclosure of inside information.

The Company has developed a shareholders' communication policy. The policy aims to promote effective communication with Shareholders and other stakeholders, encourage Shareholders to engage actively with the Company, and enable Shareholders to exercise their rights as shareholders effectively. The Board reviewed the implementation and effectiveness of the communication policy during the reporting period, and was satisfied with the results.

CONSTITUTIONAL DOCUMENTS

Pursuant to rule 17.102 of the GEM Listing Rules, the Company has published its Bye-laws on the respective websites of the Stock Exchange and the Company. On 13 March 2023, the Board proposed to amend the Bye-laws of the Company in light of, among others, the amendments made to Appendix 3 to the GEM Listing Rules. The proposed amendments was approved by the Shareholders under a special resolution in the annual general meeting held on 29 June 2023. The latest version of the Bye-laws of the Company is available on the websites of the Company and the Stock Exchange.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

This Environmental, Social and Governance ("ESG") Report (the "Report") is presented by Yuxing InfoTech Investment Holdings Limited (the "Company") together with its subsidiaries (collectively, the "Group"). This Report serves the purpose of summarising the ESG initiatives, plans and performance of the Group, as well as demonstrating the Group's commitment towards sustainable development.

REPORTING PERIOD

Unless otherwise stated, the Report presents the Group's ESG performance for the year ended 31 December 2023 (the "Reporting Period" or "FY2023").

REPORTING SCOPE

The Report covers the principal places of operations and business scope of the Group which represent the Group's major source of revenue and business operations that are more relevant to the environment, society and governance. The operations that will be covered include:

- Shenzhen Headquarters
- Beijing office ("Beijing Office")
- Zhongshan factory[1] ("Zhongshan Factory")
- Hong Kong office ("Hong Kong Office")
- the United States of America ("the USA") office[2] ("USA Office")

Notes:

1. In 2019, the Zhongshan Factory outsourced the entire production process to contractors, and the Zhongshan Factory is mainly responsible for monitoring the external contractors' performance. Therefore, the Report covers the information about daily operations in the office of the factory only.

2. Covers the information about manpower resources of the office only.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING PRINCIPLES

The Report has been prepared in compliance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") under Appendix C2 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

According to the ESG Reporting Guide, the following reporting principles were applied during the preparation of the Report:

Materiality: A materiality assessment was conducted through questionnaire surveys targeted at internal and external stakeholder representatives to identify material issues of the Group's operations. By gathering the feedback of various stakeholder groups, the Group can have a better understanding of their concerns and expectations of the Group's sustainable development. For more information, please refer to the sections headed "Stakeholder Engagement" and "Materiality Assessment".

Quantitative: To measure the effectiveness of ESG-related policies, the Group has adopted the ESG Reporting Guide, relevant guidelines published by the Stock Exchange and other international organisations, in measuring and presenting quantitative environmental and social key performance indicators ("KPIs"). Details of the standards used are described in the relevant sections of the Report.

Balance: The information in the Report mainly comes from internal statistical reports, documents and communication documents in 2023. To provide an unbiased picture of the Group's performance, the Group disclosed both its achievements and room for improvement in fair disclosure regarding ESG.

Consistency: Since 2016, the Group has reported in accordance with the ESG Reporting Guide issued by the Stock Exchange. The Report adheres to a consistent set of reporting standards, methodologies for calculating data and presentation of KPIs to allow meaningful comparisons of related data over time. If there are any changes that may affect the comparison with previous reports, the Group has added remarks to the corresponding content of the Report.

FEEDBACK

The Group values feedback from its stakeholders. If you have any questions or suggestions regarding the Report or the Group's performance in sustainable development, please feel free to contact the Group at ir@yuxing.com.hk.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BOARD STATEMENT ON ESG

Governance for Sustainability and Sustainability Strategy

The Group always sees its corporate doctrines "Integrity and transparency, strict self-discipline, mutual trust and highly accountable" as the core of its corporate culture. The Group operates with honesty and truthfulness because it upholds integrity, and that is what its corporate culture has always been rooted in. The Group is always innovative that empowers it to grasp every opportunity in the storms of the past, so that its business is continuously and firmly growing.

The board of Directors (the "Board") of the Group understands that being in line with the Group's sustainability commitment constitutes the important element for the development and expansion of the Group's business. The Group upholds the "green" operating concepts, while shaping its efforts to have a positive impact on society and the environment – delivering lasting value for all stakeholders. The Group has set up objectives on sustainable development based on its core value and culture. The Group's sustainable development goals and implementation status are set out in the corresponding section of this Report.

The Group's Chief Executive Officer and executive Directors assume full responsibility for sustainability management. They are equipped with appropriate technical capabilities, experience, and adequate knowledge on ESG and their management duties are delegated to various departments and units which are responsible for managing important sustainability issues and monitoring their trends, so as to help the Group to seize all opportunities that can improve the Group's sustainable development performance. Throughout its business, different areas and levels of management are responsible for monitoring and achieving the Group's sustainability performance and goals, reviewing the opinions of stakeholders, collecting ESG data and information, in order to prepare the Report to be reported to and approved by the Board. This Report has been confirmed by the management and approved by the Board on 23 March 2023.

In addition, in order to effectively review the Group's sustainable development performance, the Group has established a sound internal control and risk management system, implemented internal control and audit supervision to reduce operational risks. The Group has established an Internal Audit system in accordance with relevant regulations. Through systematic and standardised methods, the Group reviews and evaluates within various departments of their operating activities and target achievement, the establishment and implementation of internal control, the utilisation of resources, etc.. It also provides relevant analysis, recommendations, assistance and supervision for management personnel to perform their duties in due diligence. During the Reporting Period, the Board has reviewed the Group's risk management and the effectiveness of internal control systems once a year, and reviewed the compliance controls on financial, ESG and other aspects, and the effectiveness of risk management, to safeguard the Group's assets against unauthorised use or disposition, and to protect the interests of the Group and the Shareholders as a whole, so as to ensure that the above topics are incorporated into the Group's strategy, and lead the Group to formulate and achieve long-term strategies and goals. Where appropriate, external advisors would be engaged to provide expertise and professional advice for the ESG management process.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT

The Group has been using different kinds of communication channels to listen to its stakeholders' views on the ESG aspects and communicate with them on various ESG issues on an ongoing basis as it is always believed that listening to the opinions of various stakeholders helps the Group to objectively and comprehensively assess its ESG performance. The Group endeavours to communicate with key stakeholders to ensure that issues of their concerns are taken seriously by the Group, thereby establishing appropriate and open communication mechanisms to maintain communication with each of them:

Major Stakeholders	Expectations and Concerns	Communication Channels
Investors	• Transparency of information • Return on investment • Protection of rights and interests	• Periodic investor meetings • Annual general meetings • Emails • Investor mailbox and announcements
Customers	• Transparency of information • Product quality • Opinion and compliant handling	• After-sales service hotlines • Complaint-handling by staff of the Service Department
Employees	• Benefit and compensation • Equal opportunity • Health and safety	• Employment and employee benefit systems • Trainings
External contractors	• Fulfilment of integrity • Mutual benefit • Joint development • Open and transparent procurement polices established through email and meetings	• Open and transparent procurement polices established through email and meetings
Community and the public	• Coordinated community development	• The Group's website

The Group aims to collaborate with its stakeholders to improve its ESG performance and create greater value for the wider community continuously.

MATERIALITY ASSESSMENT

The three steps the Group takes to prepare for the materiality assessment:

Step One: Identification of Material Issues

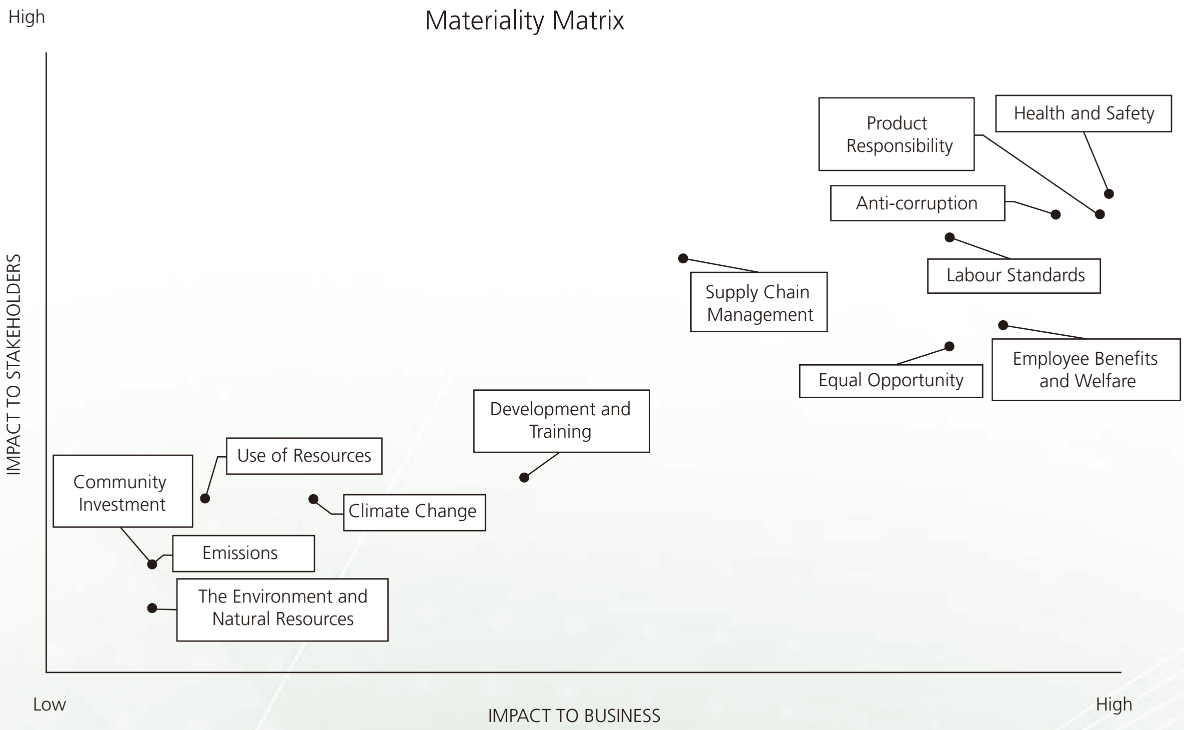
With reference to the ESG Reporting Guide issued by the Stock Exchange and combining factors such as comprehensive company development strategies, industry development trends, supervision and capital market requirements etc., to identify the economic, environmental and social implications of the Group's business, and potential material issues that may affect the assessment and decision-making of stakeholders.

Step Two: Determination of Material Issues

The Group collects feedback from internal and external stakeholder representatives through online questionnaire to understand the priorities of each stakeholder's concerns and reviews the potential material issues and prioritises them according to their impact on the Group's ESG development and on the stakeholders to map the matrix.

Step Three: Confirmation and Review

Management and ESG reporting members are responsible for reviewing and confirming the assessment results.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

After communication with stakeholders through questionnaires and on the basis of the materiality matrix, the Group identified the following aspects recognised as the key concerns to the Group's sustainability, which substantially impact the sustainability of the Group. The Group will continuously improve the ESG performance to meet the expectation of stakeholders. In the future, the Group will continue and expand stakeholder engagement to enhance the materiality analysis, and will collect a diverse range of stakeholders' views through various activities.

A. ENVIRONMENTAL

Environmental Protection

Objectives

- Monitor various environmental parameters and review production plans regularly to minimise related environmental impacts
- Review the Group's approach to climate change and formulate a sustainable development plan to identify and respond to relevant physical and transition risks and opportunities

The Group undertakes to fully support all the government measures to implement the 14th Five-Year Plan and the "carbon neutrality" policy, with a view to contributing to the global climate goals in cooperation with other enterprises in China. The Group hopes to optimise the balance between business expansion and environment protection – meets the needs of business expansion without compromising the environment. The Group has long been committed to environmental protection management projects, requiring external contractors to attain international environmental certifications such as the ISO 14001 Environmental Management System, adopting a holistic environmental assessment, complying with legal and regulatory requirements, inspection of raw materials and chemical substances being used, assessment on the use of energy resources and safety of environmental facilities, so as to reduce the impact on the environment, achieve sustainable development and build a better living environment for the next generation.

A1. Emissions

The Group has guided its staff to embrace eco-friendly principles into their work by implementing the "Environmental Policy". During the Reporting Period, the Group continued to make its environmental management strategy to focus on tackling different environmental challenges, such as climate change, water crisis and pollution, and consumption of natural resources. The Group actively responds to the global trend of emission reduction and is committed to minimising generation of emissions such as exhaust gas, greenhouse gas ("GHG"), sewage and solid waste in its daily operations and to seek innovative technologies and new products to enhance environmental performance constantly, so as to fulfil the Group's responsibilities as a corporate citizen.

The Group strictly abides by laws and regulations related to pollutant emissions in the regions where it operates. It adheres strictly to the rules and regulations stated in the "Environmental Protection Law of the People's Republic of China", "Directory of National Hazardous Wastes" and "Water Law of the People's Republic of China". With reference to their guidelines, the Group has implemented a series of environmental protection policies and measures, as well as strived for continuous improvement in all areas of environmental protection system. During the Reporting Period, the Group was not aware of any non-compliance with the relevant laws and regulations that had a significant impact on the Group relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

In the Zhongshan Factory, the Group requires its external contractors to strictly follow all the rules and regulations on environmental protection, and ensures the reduction of emission and pollution on the basis of emission compliance while improving the management level of pollution control. The Group regularly monitors and reviews its contractors to ensure they are in compliance with the requirements on environmental protection.

Exhaust Gas Emissions

Air pollutants emitted by automobile is the main source of pollution caused by the Group. The Group seeks to control and minimise pollutants emitted. In view of this, the Group regularly arranges for its vehicles to be tested by vehicle inspection centres, in order to ensure that the exhaust gas emitted by its vehicles meet safety standards. Moreover, in order to reduce the amount of carbon dioxide emission caused by automobile, employees have changed to using public transportation, such as the China High Speed Railway, when travelling for long-haul business trip within China.

Due to reduced frequency of vehicle use, the amount of air pollutants has decreased in FY2023 compared to FY2022. The performance of exhaust gas emissions is summarised below:

Type of exhaust gas[3]	**Unit**	**2023**	2022
Nitrogen oxides ("NOx")	kg	**8.25**	39.25
Sulphur oxides ("SOx")	kg	**0.05**	0.15
Particulate matter ("PM")	kg	**0.61**	1.39

Note:

3. The calculation of exhaust gas emissions was based on "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.

GHG Emissions

The Group understands that regular review and monitoring of the performance of various GHG emissions sources are essential to assist in the review of the effectiveness of environmental protection measures. The Group's GHG emissions mainly come from the fuel used for driving vehicles and air conditioning (Scope 1), the purchased electricity consumed by offices (Scope 2) and business air travel (Scope 3). In an effort to further reduce carbon emission caused by unnecessary business travels, the Group has taken the following measures:

Business travel reduction	• Encourages employees to communicate in a green manner, for example, to replace long-distance travel with face-to-face meetings by video and phone conferences so as to reduce travel frequency. • Zhongshan Factory has more specific requirements for travel expenses, which must be approved before implementation to avoid unnecessary travel.
Support procurement from local suppliers	• Under situation in compliance with hardware and software conditions (such as cost, quality, directives on restrictions on the use of certain harmful substances in electrical and electronic equipments (RoHS), technology and services, and environmental protection, etc.), the Group actively encourages external contractors to prioritise the use of products from local suppliers as far as possible, with the aim to reduce the transportation distance of goods and hence the emissions of exhaust gases and GHG.

The GHG emissions intensity of the Group during the Reporting Period has increased by approximately 12.38% from approximately 1.05 tonnes of carbon dioxide equivalent ("tCO_2e")/employee in FY2022 to approximately 1.18 tCO_2e/employee in FY2023. It is mainly attributable to the increase in business air travel due to the economic recovery after COVID-19 in FY2023. The performance of GHG emissions is summarised below:

Indicators[4]	**Units**	**2023**	2022
Direct GHG emissions (Scope 1)	tCO_2e	**28.67**	44.20
Energy indirect GHG emissions (Scope 2)	tCO_2e	**74.77**	90.98
Other indirect GHG emissions (Scope 3)	tCO_2e	**24.10**	9.28
Total GHG emissions	tCO_2e	**127.53**	144.46
Total GHG emissions intensity[5]	tCO_2e/employee	**1.18**	1.05

The Group has set target to support the 14th Five-Year Plan and strive towards carbon neutrality by 2050. Although the Group's GHG emission intensity increased in FY2023, total GHG emissions decreased due to reduced vehicle use and electricity consumption. Therefore, the Group is on track to achieve the target.

Notes:

4. The calculation was based on "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, the 2006 IPCC Guidelines for National Greenhouse Gas Inventories, "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5), the "Notice on the Management of Enterprise Greenhouse Gas Emissions Reporting by Power Generation Industry for 2023–2025" issued by the Ministry of Ecology and Environment of the People's Republic of China and the "2022 Sustainability Report" released by CLP Holdings.

5. As at 31 December 2023, the Group had a total of 108 employees in Shenzhen Headquarters, Beijing Office, Hong Kong Office and Zhongshan Factory (as at 31 December 2022: 137). These data are also used for calculating other intensity data.

Waste Management

Hazardous Waste

The Group's four operational locations are all in office nature. Due to the business nature, there was no hazardous waste generated during the operation of each office. Therefore, disclosure on hazardous waste produced and reduction targets are not applicable.

Nevertheless, the Group has serious concern about its external contractors' environmental management across the product life cycle such as procurement, production and disposal after use, to actively reduce the waste volume and fulfil its corporate social responsibilities. Therefore, the Zhongshan Factory also encourages external contractors to handle hazardous wastes through legal means.

Non-hazardous Waste

Non-hazardous waste generated can be attributable to general waste from office, such as office paper, courier bags and packaging boxes. Considering the small amount generated, the impact on the overall sustainable development of the Group is very slight. Therefore, no relevant data records have been disclosed based on the principle of materiality. Thus, no quantitative target has been set for non-hazardous waste reduction.

The Group is committed to the adoption of waste and resource management strategies. In addition to source management measures for achieving waste reduction, such as minimising the use of raw materials and development of green production technologies, the Group separates the waste materials into different categories for better waste management, in accordance with the national laws such as the "Prevention and Control of Environmental Pollution of Solid Waste" and "Administrative Measures for Urban Living Garbage", in order to implement the waste resource recycling "3R" principle (i.e. Reduction, Reuse and Recycling) for reduction of waste treatment cost. Furthermore, the Group targets to conduct or participate in annual activities to enhance awareness and engagement among employees, to seek to achieve the ultimate goal of "fully-classified, zero waste" in the area of waste management.

The Group also continues to actively promote green office operation and encourages employees to implement the 3R principle. This facilitates environmental protection becomes self-awareness behaviour of employees: (1) Waste Reduction (Reduce): print on both sides to reduce consumption of paper; (2) Reuse: reuse waste paper, print on the other side of the used paper; and (3) Recycle: proper classification and clean recycling.

A2. Use of Resources

As a responsible corporation, the Group always insists on the operation philosophy of "priority in conservation, governance at source". As described in Aspect A1, the Group has adopted the "Environmental Policy" to manage the use of resources with a view to achieving resource conservation as well as to minimising the negative impact on the environment in its business operations. The Group has promoted the use of energy-saving, highly-efficient and environmental-friendly construction equipment, machinery and office supplies recommended by the countries and the industries. Thus, the Group has implemented appropriate measures to enhance the efficiency of resources utilisation, and continuously update the latest environmental news to optimise the existing services, so as to realise the promise of avoiding all kinds of pollution caused by production and reducing potential environmental risks.

Energy Conservation

The Group's energy consumption mainly comes from the fuel combustion from vehicles and electricity for offices. In addition to the above-mentioned measures taken, the Group also implements different strategies to save electricity and actively reduce damage to the ecological environment. Below are some of the Group's efforts in being environmentally sustainable:

Use of power-saving lighting	• The Beijing Office and Zhongshan Factory are using LED lighting.
Regular check-up and maintenance	• Regular repair and maintenance work is conducted on the office equipment to keep the equipment in low consumption and highly efficient condition.
Promoting energy conservation	• Regularly educate the employees on and promote energy saving practices. All employees are taught to turn off electronics that are not in-use or before going off work, in order to make energy-saving a habit in their work routine.

The Group has set a target to reduce energy consumption intensity by 2% by 2027 using 2022 as the baseline year. The Group is on track to achieve the target. During the Reporting Period, the Group's total energy consumption intensity has slightly decreased by approximately 2.50% from approximately 2,528.36 kWh/employee in FY2022 to approximately 2,465.04 kWh/employee in FY2023. To achieve the Group's target, the Group will explore ways to reduce energy consumption.

The performance of the Group's energy consumption is summarised below:

Types of energy[6]	**Units[7]**	**2023**	2022
Direct energy consumption			
Gasoline consumption by mobile sources	kWh	**34,904.98**	58,807.22
Consumption intensity	kWh/employee	**323.19**	429.25
Natural gas consumption	kWh	**94,224.13**	121,331.93
Consumption intensity	kWh/employee	**872.45**	885.63
Indirect energy consumption			
Electricity consumption of facility	kWh	**137,095.64**	166,246.22
Consumption intensity	kWh/employee	**1,269.40**	1,213.48
Total energy consumption			
Total energy consumption	kWh	**266,224.75**	346,385.37
Total energy consumption intensity	kWh/employee	**2,465.04**	2,528.36

Notes:

6. Energy data are converted to kWh with reference to lower calorific values.

7. The unit conversion method of energy consumption data is based on the "Energy Statistics Manual" issued by the International Energy Agency.

Looking forward, the Group will continue to work towards its objective to minimise its environmental impacts by seeking ways to increase the energy efficiency.

Water Management

The Group has not identified any problem with the applicable water source and has no difficulty with water supply during its day-to-day operations. Daily water consumption is accessed through the municipal water supply system, and is mainly for the purpose of office and domestic use. There is no self-contained underground water or water from other natural sources.

In order to protect precious water resources, the Group makes every effort to reduce the water resources used in business operations. The Group stuck water-saving labels on the conspicuous positions in washroom, canteen and restroom to remind staff of saving water. Should water leakage or aging of equipment and accessories be found, timely repairment or replacement by dedicated personnel would be arranged to reduce water consumption.

The Group has set a target to reduce water consumption intensity by 2% by 2027 using 2022 as the baseline year. Nonetheless, the water consumption intensity increased by approximately 18.46% from approximately 8.29 m^3/employee in FY2022 to approximately 9.82 m^3/employee in FY2023. To achieve this target, the Group will explore ways to reduce water consumption.

The performance of the Group's water consumption is summarised below:

	Unit	**2023**	2022
Water consumption	m^3	**1,060.56**	1,135.70
Water consumption intensity	m^3/employee	**9.82**	8.29

Use of Packaging Material

The Shenzhen Headquarters, Beijing Office and Zhongshan Factory are only for office operations, so their business operations were not involved in the production of packaging material for finished products. Nevertheless, the Group still advocates avoiding excessive use of packaging material and encourages external contractors to integrate green packaging concepts into the packaging design process during the product development stage. This minimised the impacts of the products on the environment throughout their life cycles. At the same time, the Group tends to accord priority to the production technologies featuring less environmental pollution and less waste generation at the process of material sourcing while actively improving to reduce pollution from wastes as well as consumption of energy and resource.

A3. The Environment and Natural Resources

In order to fulfill its due corporate social responsibilities, the Group has formulated green office policies and management measures under the abovementioned "Environmental Policy", and actively integrated environmental responsibility into its daily operations to reduce the impact on the environment and the consumption of natural resources, thereby promoting the concept of environmental protection amongst various aspects of the supply chain.

Environmental Management

A comprehensive environmental management system is the cornerstone for the Group to practice green development. In addition to strictly abiding by environmental laws and regulations, the Group is also committed to promoting green operations and development. The Group actively encourages close cooperation with external contractors to promote the environmental awareness, and requires the external contractors to fully formulate and complete an assessment of the ISO 9001 Quality Management System and ISO 14001 Environmental Management System based on their current operating conditions. Through effective enforcement and implementation, this jointly achieved the Group's sustainable development goals.

Paperless Offices

The Group is also highly concerned about resources consumption in offices and ensures minimal environmental impact from its operations. The Group continued to actively promote green office operation and encouraged employees to implement the 3R principle, which facilitates environmental protection to become self-awareness behaviour of employees:

1. Reduce: print on both sides to reduce consumption of paper, use energy-saving office equipment, and carry out environmentally friendly procurement;

2. Reuse: reuse waste paper, print on the other side of the used paper; and

3. Recycle: proper classification and clean recycling.

In daily operation, the enhanced use of electronic files is advocated and the printed files were replaced by computer files. This also includes the use of the CloudHub OA electronic approval system for maximising the paperless office implementation and resources sharing to reduce the use of printed files. It is also attributable to the arrangement of online operation during the outbreak of the pandemic.

In addition, the Shenzhen Headquarters, Beijing Office and Hong Kong Office would plant small pots in the office to help clean the air and make the office green. The Group issues energy conservation notices from time to time in the office to raise employees' concern about environmental protection, and posts slogans in prominent places to remind them to save energy, such as turning off the lights and computers in their responsible areas before getting off duty.

Promoting Environmental Awareness

The Group always commits itself to environmental protection and education in its supply chain. To ensure that employees implement the Group's environmental protection philosophy in their daily work, all new employees will go through the training in environmental protection. In addition, the Group also encourages employees to actively participate in designing of various energy conservation and energy consumption reduction programmes, with the aim of enhancing all employees' environmental protection awareness.

Ecological Conservation

The Group supports environmental protection, including protecting biodiversity, minimising its carbon footprint, as well as building an awareness of climate change. From the day the Group was found, it has been committed strictly to "Saying No to Shark Fin". All meals gatherings organised by the Group do not include any dishes with shark fin.

A4. Climate Change

In the context of the global crisis of climate change, how companies supporting the people's livelihood and the economy being affected by climate change comes to a key question nowadays. Therefore, the Group assesses and reviews regularly the risk that climate changes bring to its business. The Group has formulated the "Climate Change Policy" to identify and respond to the physical and transition risks climate change might bring, and adopt suitable practices to deal with the potential financial risks.

Physical Risks

Acute Risks

One of the Group's major operational locations, the Zhongshan Factory, is more susceptible to typhoons. More frequent natural disasters may disrupt the Group's business operation in the short term, and thus cause a direct negative impact on its revenue. In order to minimise the disruptions to its business operation, the Group checks the window condition regularly. Before extreme weather events such as typhoons, the Group will keep the windows closed and follow the instructions announced by local government, to ensure suitable precautionary measures are taken. It is believed that by making adequate preparations for extreme weather events, the potential financial impact of such events can be minimised.

Chronic Risks

Certain climate changes such as a reduction in annual rainfall precipitation could have led to an adverse effect on employees' health and operating mode. This results in a rise in the cost of medical provisions for employees, and further adjustments need to be made on working arrangements. The Group may implement related policies and health and safety measures for its employees when needed.

Transition Risks

Environmental-related regulatory requirements in operations, products and services have been tightening, leading to increasing operating costs for the Group, including costs of compliance and product development costs. To avoid cost increments, non-compliance fines or reputational risks due to delayed responses, the Group regularly monitors existing and emerging trends, policies and regulations relevant to climate and is prepared to alert the top management when necessary. The Group has also implemented a number of energy-saving and emission-reduction measures, as well as substantially complied with all environmental-related laws and regulations. Internal systems and standards will be updated and revised in a timely manner in order to improve the level of energy conservation and emission reduction as well as reduce the environmental impact while complying with regulations and maintaining production capacity.

B. SOCIAL

Employment and Labour Practices

Objectives

- Provide employees with adequate support, strengthen good relations with employees
- Foster an environment for continuous learning and encourage employees to develop their careers in the Group
- Respect the labour rights and human rights of all employees, maintain high ethical standards, clearly specify human resources management policies, and promote an inclusive culture within the Group
- Promote healthy and safe workplaces, ensure zero fatal accidents in the workplaces

The success of the Group's business depends on the untiring efforts and dedicated service of all employees. The Group understands that the recruitment, retention and cultivation of talents can help maintain its market competitiveness. The Group has formulated a series of employment policies to ensure that employees are treated in a fair and reasonable manner. The Group undertakes to take good care of its employees and encourage suppliers to fulfil their corporate social responsibility.

B1. Employment

The Group ensures full respect for the employees and understands the key to developing their value is meeting employees' needs for health, safety, development and work-life balance. Starting from recruitment, the Group continuously standardises and improves its employment measures based on local laws and regulations, and create a working environment with equal opportunity, employee diversity and compliance, thereby safeguarding the rights and interests of employees. The Group strictly abides by the "Labour Law of the People's Republic of China", "Labour Contract Law of the People's Republic of China" and "Employment Ordinance of Hong Kong", and treat every employee with respect and fairness.

During the Reporting Period, the Group was not aware of any non-compliance with applicable local laws and regulations on compensation, recruitment, promotion, dismissal, working hours, holidays, equal opportunities, diversity, anti-discrimination, benefits and welfare. There were no major employee or labour disputes that disrupted the Group's normal business operations, nor was the Group subject to any punishment for violating applicable laws and regulations.

As at 31 December 2023, the Group had a total of 109 employees including the executive Directors and senior management (as at 31 December 2022: 139). The following table sets out the Group's number of employees and distribution by gender, age group, geographical region and employment type:

Indicators[8]	**As at 31 December 2023**	As at 31 December 2022
Total	**109**	139
By gender		
Male	**64**	90
Female	**45**	49
By age group		
18–24	**1**	5
25–34	**17**	26
35–44	**34**	46
45–54	**33**	37
55–64	**21**	22
≥65	**3**	3
By geographical region		
Mainland China	**86**	118
Hong Kong, the PRC	**22**	19
Elsewhere	**1**	2
By employment category		
Full-time	**108**	138
Part-time	**–**	–
Temporary	**1**	1

Note:

8. The calculation was based on "How to prepare an ESG Report – Appendix 3: Reporting Guidance on Social KPIs" issued by the Stock Exchange.

The Group's monthly average turnover rate[9] for the Reporting Period was approximately 2.52% (FY2022: approximately 2.18%). The following table sets out the Group's monthly average turnover rate by gender, age group and geographical region:

Turnover Rate[10]	**2023**	2022
By gender		
Male	**3.02%**	0.46%
Female	**1.80%**	0.70%
By age group		
18–24	–	1.29%
25–34	**0.38%**	0.77%
35–44	**2.59%**	0.70%
45–54	**2.05%**	0.43%
55–64	**5.16%**	–
≥65	–	0.69%
By geographical region		
Mainland China	**2.69%**	0.54%
Hong Kong, the PRC	**2.23%**	0.51%
Elsewhere	–	1.39%

Notes:

9. The calculation method of monthly average turnover rate is the average of monthly turnover rate in the year.

   The calculation method of monthly turnover rate: (total number of departures in each month ÷ number of employees at the end of the month) × 100%.

10. The calculation method of monthly average turnover rate by category is the average of monthly turnover rate by category in the year.

    The calculation method of monthly turnover rate by category: (number of departures in the category in the month ÷ number of employees at the end of the month in the category of the month) × 100%.

Equal Opportunity, Diversity and Inclusion

The Group is committed to creating an inclusive and non-discriminatory workplace, providing equal opportunities for all employees regardless of gender, age, nationality, religion, sexual orientation or physical fitness, and giving fair consideration to all job applicants. The relevant systems and methods of the Group such as "Management Regulations on Prohibiting Discrimination" and "Human Resources Management Procedures" are developed according to the "Labour Law of the PRC", the "Labour Contract Law of the PRC" and the "Employment Ordinance of Hong Kong". The Group follows the principles of fairness, equality, and openness to employ outstanding talents through a variety of methods. Moreover, the Group treats all employees equally and consideration for issues such as employment, salary, welfare, bonus, promotion and dismissal are solely based on their education background, professional qualifications and competence. The Group will not discriminate against employees on the grounds of race, skin colour, social status, place of birth, nationality, religion, disability, gender, sexual orientation, trade union membership, political position or age.

Focusing on employees' development needs and career planning on a continuous basis, the Group has established a performance assessment system and promotion mechanism integrating training, thereby building a sound career platform for employees and creating a virtuous cycle of personnel cultivation, use and selection, which in turn lays a sound foundation and provides sufficient motivation for the sustainable development of the Group and the self-growth of employees.

Protection of Rights and Interests

The Group continually reforms and improves its employee compensation policy and system. The Group will enter into employment contract with employees in accordance with the local laws and regulations to protect their legal rights and interests, formulate medical insurance policies and ensure minimum wages in compliance with stipulated standards. Employees are entitled to paid holiday, sick leave, work-related injury leave and maternal leave, etc. as required by the laws.

The Group has developed a comprehensive annual salary review mechanism. The Group considers the research result for salary review in the job market in addition to the business performance, employees' duties and their annual performance appraisals for appropriate adjustment for remuneration, to provide employees with fair and competitive remuneration packages.

The Group has formulated relevant employee benefits in accordance with the "Social Insurance Law of the People's Republic of China" and the "Occupational Injury Insurance Regulations" and other standards. The Group not only makes contribution to medical insurance for employees and provides them with statutory leave and vacation in addition to those required by the law, but also the paternity and maternity leaves which are beyond the law. The Shenzhen Headquarters, Beijing Office and Zhongshan Factory offer five types of social insurances and one housing fund, namely, pension insurance, medical insurance, work injury insurance, unemployment insurance, maternity insurance and housing provident fund.

In the meanwhile, the Group has also established a rigorous and prudent dismissal process in accordance with national laws and regulations. The Group may terminate employment contract with an employee who involves in serious dereliction of duty or severe violation of national laws and regulations or the Group's rules and regulations, in that case, the Group will initiate compensation and retirement procedures (including the payment of compensation, indemnity and planned retirement arrangements) in accordance with the "Labour Law of the People's Republic of China", "Labour Contract Law of the People's Republic of China", "Employees' Compensation Ordinance of Hong Kong" as well as other relevant laws and regulations.

Employee Communication

The Group understands that cohesion among employees is a key driving force for corporate development, and good communication channels with employees serve as the cornerstone of the Group's operations. Accordingly, the Group has set up channels to collect employees' views, and actively listen to their opinions and suggestions. Employees can also express their opinions on the Group through existing opinion box, email, phone, WeChat and other channels. The Group takes timely measures in response to matters of high concern to employees to protect their interests.

B2. Health and Safety

The Group attaches great importance to safety and actively takes effective measures to reduce safety risks. The Group has formulated a set of suitable safety management plan which covers hazard identification and risk assessment and control, etc., as well as the "Health and Safety Policy", which documents the health and safety requirements necessary for the Group's operation. The policies have been adopted in accordance with the laws and regulations, such as the "Production Safety Law of the People's Republic of China", "Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases" and "Fire Protection Law of the People's Republic of China", so as to reduce and control potential occupational safety and health hazards in business operations.

During the Reporting Period, the Group was not aware of any non-compliance with the health and safety-related laws and regulations that would have a significant impact on the Group. The Group had not suffered from any accident or complaint that had a material adverse effect on its operations, nor was the Group subject to any punishment for violating applicable laws and regulations.

Health Protection

To allow employees to focus on work, in addition to providing various insurance and benefits as well as retirement funds in accordance with the laws, the Group also subsidises employees each year to visit professional health checkup centres for medical examinations and provides them with medical insurance, that safeguards employees' safety in their work and life.

Safety Management of Workplace

The Group attaches great importance to workplace safety, and includes the internal requirements as follows with reference to the "Work Safety Law of the People's Republic of China", the "Fire Protection Law of the People's Republic of China" and the "Fire Services Ordinance of Hong Kong":

1. The layout of the workplace should be reasonable, kept clean and tidy;

2. The aisles should be flat and unblocked with adequate lighting; and

3. Fire facilities must be installed and fire extinguishers must be put in the workplace.

Security Awareness Training

The Group has formulated appropriate training guidelines, which facilitates the provision of appropriate training to employees, including information such as occupational health knowledge and cases, introduction of fire evacuation routes, these familiarise employees with escape routes in emergency situations. The Group employs a variety of communication channels, such as notice boards and corporate social networks, to promote occupational safety among its employees. These channels can also be used to issue accident warnings to business teams, so as to facilitate the Group's employees to acquire necessary information on health, safety and environmental protection in an efficient manner. The Group collects health and safety information regularly, and displays such information on intranet or send it to employees via email for their reference, so as to create a safe working environment for its employees.

It has been the Group's objective to ensure zero fatal accidents in its workplaces. There were no work-related fatality in the past three years (including the Reporting Period) and no lost day due to work injury during the Reporting Period. This demonstrates the Group's achievements in actively promoting occupational health and safety.

B3. Development and Training

In a society where technology is developing rapidly, the Group believes that acquisition of new knowledge and technology can enable the Group to maintain its competitiveness. The "Employees Training Management System" has been formulated to show the Group's emphasis on continuous learning to develop a core of well-trained individuals whose performance will enhance the Group's performance. Therefore, the Group encourages its employees to be lifelong learner to grow together with the Group and foster a continuous learning culture to enhance the value of teams and the professionalism of employees, thus helping the Group sustain its success. The Group offers comprehensive employee development and training programmes to increase employees' knowledge in operational and safety practices, provides promotion opportunities and fosters employee loyalty, thereby consolidating the foundation for the sustainable development of the Group.

Induction Training

In order to speed up the adaptation of new employees, they are provided with induction training from the human resources department when joining the Group. The training introduces the Group's basic information including development history, corporate culture, business philosophy, rules and regulations, basic business knowledge, safety rules and welfare system, in order to enhance their understanding of their position and working environment.

Vocational Skills Training

In an effort to build a professional and technical team, the Group actively provides employees with adequate career development opportunities, so as to improve their professional knowledge, skills and capabilities. The Group encourages and subsidises its employees to attend external courses, such as professional qualification trainings, workshops or seminars, in order to strengthen the overall professionalism and individual calibre of employees, and help competent employees to pursue excellence and grow together with the Group.

During the Reporting Period, the percentage of employees trained[11] was approximately 100%, and the average training hours was approximately 0.79 hours[12]. The following table sets out the breakdown of trained full-time employees and average training hours completed per full-time employee by gender and employee category:

	Breakdown of employees trained[13]		Average training hours[14]	
	2023	2022	**2023**	2022
By gender				
Male	**59%**	67%	**0.75**	0.51
Female	**41%**	33%	**0.83**	0.47
By employee category				
Senior management	**8%**	7%	**3.09**	4.14
Middle management	**1%**	20%	**16.30**	0.22
Supervisors	**10%**	9%	**0.75**	0.24
General staff	**81%**	64%	**0.38**	0.34

Notes:

11. The calculation method of the percentage of employees trained: (total number of employees trained at the end of reporting period ÷ the total number of employees at the end of reporting period) × 100%.

12. The calculation method of the average training hours: the total number of training hours at the end of the reporting period ÷ the total number of employees at the end of the reporting period.

13. The calculation method of the percentage of employees who received training by category: (the number of employees trained in the specified category at the end of the reporting period ÷ the total number of employees who received training at the end of the reporting period) × 100%.

14. The calculation method of the average training hours completed per employee by category: the total training hours of employees in the specified category at the end of the reporting period ÷ the total number hours of employees in the specific category at the end of the reporting period.

B4. Labour Standards

In accordance with the "Hong Kong Employment Ordinance" and "Labor Law of the People's Republic of China", the Group strictly prohibits any forms of forced labour or forced overtime working. During the Reporting Period, the Group was not aware of any non-compliance with the relevant laws and regulations relating to preventing child and forced labour. In the event of non-compliance, the Group will immediately stop the work of the child labour or forced labour and conduct an investigation and report to the law enforcement agency for handling when necessary.

Child Labour Prevention

Pursuant to related systems and methods issued including "Management Regulations on Child Labour" and "Underage Worker and Human Resources Management Procedures", the Group strictly prohibits the recruitment of child labour. In accordance with the "Regulations of the PRC on Special Protection of Under-age Workers" and the "Employment Ordinance of Hong Kong", as well as the corresponding laws and regulations in various overseas regions, the Group would verify the identity certificates of applicants in various stages such as employee recruitment, on-the-job approval, and on-duty reporting, so as to ensure the age and nationality the applicants provide is correct.

Forced Labour Prevention

During the processes of staff employment, the Group respects the rights of job selection of each employee regarding the freedom of employment, resignation, overtime work, and movement, etc. in accordance with the "Labour Contract Law of the People's Republic of China" and the "Employment Ordinance of Hong Kong". The employment contracts of the Group comply with the requirements of local laws and regulations, specify the rights and responsibilities of both parties, protect employees' due rights, prohibit any form of forced labour, ensure that all employees work on a voluntary basis, and prohibit the use of any servitude or contract labour, corporal punishment, imprisonment, or threats of violence.

Operating Practices

Objectives

- Comply with the policies and codes established by the Group. Report the case in a transparent way and take early corrective measures if necessary
- Conduct business with integrity, comply with all relevant and applicable laws and regulations within its operational frameworks
- Innovative product design to enhance user experience with improved quality, safety and environmental/health benefits
- Comply with all applicable regulations on data protection and cybersecurity and minimise the risk of business disruption from cyberattacks
- Suppliers are required to comply with all aspects of the Group's environmental standards, including work processes, products or services, child labour, basic human rights, working conditions, compensation, occupational health and safety, and business ethics
- Only cooperate with suppliers and business partners who adhere to the requirements of the Group

The Group is dedicated to becoming the most trusted and respected enterprise and a moral leader in the industry. The Group provides products and services in a fair and responsible manner, and expand its business on the basis of compliance with laws and regulations, being people-oriented, integrity and business ethics, and environmental protection. The Group observes the highest quality and safety standards to provide customers with high-quality and reliable products and services, and insist on innovation and customisation, thus winning the long-term trust of customers to the Group. In addition, upholding the Group's sustainability philosophy by its suppliers is also an integral part of the realisation of its vision.

B5. Supply Chain Management

A reliable partnership with supplier is an important element for the steady development of the Group's business. Supplier is one of the major stakeholder groups with tight bonding with the Group who contributes to business value recreation. The Group has 9 major suppliers, of which 8 are located in mainland China and 1 is located in Hong Kong. The Group always strives to build up strong relationships with its suppliers. In order to promote suppliers' business and cooperation, the Group develops a flexible procurement work process standard to meet the different needs of the supply chain.

Appointment of Contractor

The Group has a well-established supplier admission process to ensure a level playing field for all potential contractors and provide them with equal opportunities. Before the engagement of suppliers, a series of audits would be conducted to assess their quality, environment and safety performance comprehensively. The Group will also review and assess the standard of materials provided by its suppliers regularly. Suppliers who fail to meet the Group's standards will be removed from the "List of Recognised Suppliers". During the Reporting Period, all suppliers were engaged under the standardised practices.

External Contractor Management

The Group attaches great importance to the safety of all external contractors' operators. For outsourced business, the Group requires that its external contractors must strengthen monitoring and management, and recommends that they establish relevant safety management practices and appoint dedicated supervisors. Through providing safety training and safety inspections periodically, messages of safety issues and potential hazards can be communicated properly with external contractors. It also supervises and assists them to enhance safety performance for effective implementation of safety management work.

In terms of product assurance, the Zhongshan Factory of the Group will use different agreements to control the product quality delivered by each external contractor, such as the most commonly used "RoHS Agreement". At the same time, the Group requires that external contractors must pass the certification assessment related to ISO 9001 and ISO 14001, which ensure that their management system and environmental protection policies are up to standard and are in line with the Group's sustainable development goals.

The above-mentioned requirements govern the external contractors in different aspects for reducing the supply chain risks, with the aim to assure final products not only meeting the requirements of laws and regulations, but also satisfying the needs of customers.

Sustainable Supply Chain

As a responsible corporate citizen, the Group will join hands with its contractors to mitigate environmental and social impacts that induced by business operations. In order to reduce the carbon emissions and energy consumption due to the transportation, the Group will encourage its employees to prioritise in selecting local suppliers if they are qualified for the Group's software and hardware conditions. When local suppliers are selected, the Group also adopts a centralised approach to arrange as few deliveries as possible, and optimises delivery plans to reduce exhaust emissions during transportation. When it is necessary to acquire or upgrade operating equipment, the Group will make reference to the information on the energy label to select energy-efficient models as far as possible in order to achieve better energy management efficiency.

Under the "Green Procurement Regulatory Policy", the Group incorporates sustainability considerations into its procurement and outsourcing process and require suppliers to meet basic standards. For example, all suppliers are required to abide by the sustainability principles, and to ensure that their full-time and temporary employees, suppliers and sub-suppliers confirm and comply with the requirements of the relevant policies.

B6. Product Responsibility

The Group is highly aware of improving the health and safety performance of products and services as it is crucial to long-term business development. In countries where the products are being produced by the Group's external contractors and sold by the Group, the Group strictly complies with the laws and regulations and assures the external contractors to do the same, such as the "Work Safety Law of the People's Republic of China", the "Special Equipment Safety Law of the People's Republic of China" and the regulations in the regions where the customers located. This assures the products of the Group meet the legal requirements of the business areas and needs of the customers, and hence the delivery of high-quality products to the customers.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations that have a significant impact on the Group, concerning product health and safety, advertising, labelling and privacy matters relating to products and services provided.

Quality Management

The Group strictly monitors product quality. Throughout the process from the input of raw materials to the shipment of products, employees would be appointed to the relevant external contractor's factories to perform quality control for assuring the quality standards of the products. The Group also requires external contractors' operators to be cautious during the production process to prevent shipment of sub-standard products. Employees of the Group would carry out incoming materials inspection in accordance with "Management Regulations on Routine Inspection and Verification Inspection" for assuring all specified parts and components provided by external contractors in compliance with international and local standards before mass production. The Group was not aware of any major product quality problem that caused health and safety incidents or led to any fines, product recall orders or other penalties imposed by the Chinese government or other regulatory authorities and therefore recall procedures are not applicable.

Customer Services

Customer satisfaction is the key to the success of the Group. The Group strives to improve its business performance in all aspects to exceed customer expectations. The Group provides free maintenance services for 13 months to 36 months after the product is sold, and conducts 24-hour service follow-up during the warranty period. Through after-sales service quality management, the Group has won the trust of customers and assures that products meet customer expectations. There were no material complaints about products and services during the Reporting Period.

Intellectual Property Rights

The Group understands that the intellectual property rights of all products and production technologies developed by the Group are the intangible assets of the Group, which are considered significant to its business operation. The Group relies upon relevant laws and regulations, including but not limited to the Patent Law and the Trademark Law, as well as R&D agreements entered into between the Group and its employees, to protect its intellectual property. According to the "Non-Disclosure Agreement" entered into between the Group and the employees, employees are required to keep confidentiality of the Group's technology and trade secrets and are prohibited from plagiarism during and after their tenure.

Customer Data Protection

Given the importance of protecting customer data, the Group strictly manages and keeps confidential information and documents related to customer intellectual property, in accordance with the requirements of the internally issued "Non-Disclosure Agreement". Confidential documents are managed and stored by a designated department. Without permission, employees are not allowed to copy or save them in private, nor take them away from the Group's premises.

Fair Business Practices

The Group encourages the use of good promotion practices, and forbids any description, claim or explanation inconsistent with the facts in advertisements. The Group also formulates its sales and promotion documents in accordance with relevant laws and codes of practice to ensure that its promotional materials and advertising content are true, fair and reasonable and not misleading, so as to protect the rights and interests of consumers. Such obligations of the Group's employees are mandatory and legally binding. The Group also lays emphasis on product promotion, and ensures that all product advertisements and promotional materials are reviewed and free of misstatement, so that customers can make informed purchase decisions.

B7. Anti-corruption

The Group values highly on the integrity of its business engagements. The Group follows strictly the rules and regulations in the "Anti-Unfair Competition Law of the People's Republic of China" and all ordinances against bribery, extortion or blackmailing, fraud and money-laundering. During the Reporting Period, the Group was not aware of any incidents of non-compliance with the relevant laws and regulations in relation to bribery, extortion, fraud and money laundering. There was neither any concluded legal cases regarding corrupt practices brought against the issuer nor its employees during the Reporting Period.

To enhance corporate governance, the Group implements internal control and audit supervision to reduce operating risks. The Group has established an internal audit system in accordance with relevant regulations, laws and internal rules such as the "Audit Law of the People's Republic of China", "Fundamental Management System under Regulations of the Auditing Department regarding Internal Audit Work" and the "Prevention of Bribery Ordinance of Hong Kong". Internal audit is an independent consultation, evaluation, control and supervision activity carried out within the Group. Through systematic and standardised methods, the Group reviews and evaluates within various departments their operating activities and target achievement, the establishment and implementation of internal control, the utilisation of resources, etc. It also provides relevant analysis, recommendations and assistance supervising the management personnel to perform their duties in due diligence.

The Group engages a third-party auditing firm to conduct an audit, such as financial audit. The independent agency could effectively audit the internal financial records of the Group to verify them in compliance with the financial requirements of relevant legislations, including authenticity and evidence proving that the Group's operations are true and impartial. In addition, the Group has always been committed to the core values of fair trade and operating with integrity.

The Group also has a "Whistle-blowing Policy" that allows employees and other stakeholders to report any suspicious misconduct or illegal activities to the Group in a confidential manner. It will ensure that the information of the whistle-blower is kept confidential. If there is any violation of the Group's policies, the Group will be punished according to the Group's disciplinary system. Any corruption and illegal activities will be passed to the judicial authorities for handling in accordance with the law.

The Group disseminates information on "Anti-corruption and Bribery Policy", "Whistle-blowing Policy", corporate integrity management, employee ethics training and practical guidelines for listed companies' anti-corruption systems to employees and Directors respectively at least once every year. The Group commits to raising employees' awareness through providing training on ethical conduct and anti-corruption to all employees and the Directors of the Group. The Group's Directors and staff regularly receive anti-corruption training to enhance their knowledge on anti-corruption legislation as well as necessary skills to prevent corruption. During the Reporting Period, the Group has organised an training on Board's Role and Duties under GEM Listing Rules and 9 Directors has participated.

B8. Community Investment

During the Reporting Period, the Group has formulated the "Community Investment Policy" on charitable donations. It actively pays attention to the potential impacts of its operations that may have on local economies, environment, and society. It strives to exert its own influence, resources and technological advantages for driving local employment and instilling positive energy to the local communities. During the Reporting Period, the Group has participated the "Rice for Everyone" Donation Program organised by Seeds of Art Charity Foundation Co. Ltd. and donated HK$10,000. The Group's employees together with the volunteers from the organisation distributed rice to grassroots families, the elderly and other people in need. In the future, the Group will actively seek opportunities to contribute to the community.

INDEX TABLE OF ESG REPORTING GUIDE OF THE STOCK EXCHANGE

Mandatory Disclosure Requirements	Sections
Governance Structure	Board Statement on ESG
Reporting Principles	Reporting Principles
Reporting Boundary	Reporting Scope

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	A1. Emissions
KPI A1.1	The types of emissions and respective emissions data.	A1. Emissions – Exhaust Gas Emissions
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	A1. Emissions – GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	A1. Emissions – Waste Management – Hazardous Waste (N/A – explained)
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	A1. Emissions – Waste Management – Non-hazardous Waste (N/A – explained)
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Environmental Protection; A1. Emissions – GHG Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental Protection; A1. Emissions – Waste Management – Non-hazardous Waste

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	A2. Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	A2. Use of Resources – Energy Conservation
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	A2. Use of Resources – Water Management
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	A2. Use of Resources – Energy Conservation
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	A2. Use of Resources – Water Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	A2. Use of Resources – Use of Packaging Material (N/A – explained)
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	A3. The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	A3. The Environment and Natural Resources
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	A4. Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	A4. Climate Change

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
B. Social		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	B1. Employment
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	B1. Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	B1. Employment
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	B2. Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	B2. Health and Safety – Security Awareness Training
KPI B2.2	Lost days due to work injury.	B2. Health and Safety – Security Awareness Training
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	B2. Health and Safety

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. *Note:* Training refers to vocational training. It may include internal and external courses paid by the employer.	B3. Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	B3. Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	B3. Development and Training
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	B4. Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	B4. Labour Standards – Child Labour Prevention; Forced Labour Prevention
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	B4. Labour Standards

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
Aspect B5: Supply Chain management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	B5. Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	B5. Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	B5. Supply Chain Management – Appointment of Contractor
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	B5. Supply Chain Management – External Contractor Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	B5. Supply Chain Management – Sustainable Supply Chain
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	B6. Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	B6. Product Responsibility – Quality Management (N/A – explained)
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	B6. Product Responsibility – Customer Services
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	B6. Product Responsibility – Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures.	B6. Product Responsibility – Quality Management
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	B6. Product Responsibility – Customer Data Protection

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	B7. Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	B7. Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	B7. Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	B7. Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	B8. Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	B8. Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	B8. Community Investment

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TO THE SHAREHOLDERS OF
YUXING INFOTECH INVESTMENT HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Yuxing InfoTech Investment Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 75 to 169, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of 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 financial position of the Group as at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the 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.

mazars

KEY AUDIT MATTERS *(Continued)*

Key audit matters identified in our audit are summarised as follows:

Key audit matter	How the matter was addressed in our audit
Fair value of investment properties	
As at 31 December 2023, investment properties held by the Group were stated at fair value of approximately HK$982,070,000, including investment properties classified as held-for-sale of approximately HK$850,200,000. Significant estimation and judgement are required by management to determine the fair value of the investment properties which is significant to the consolidated financial statements, including the determination of valuation techniques and the selection of financial inputs in the model. Therefore, it is considered as key audit matter. Management has engaged independent professional valuers whose work has been relied on in the estimation of the fair value of the investment properties. *Relevant disclosures are made in notes 2, 4, 7, 17 and 28 to the consolidated financial statements.*	Our key procedures in relation to management's estimation of the fair value of investment properties included: – Understanding and evaluating management's key controls over the fair value assessment process; – Evaluating the competence, capabilities and objectivity of the independent professional valuers; – Assessing the appropriateness of the work of the independent professional valuers for valuation of investment properties not classified as held-for-sale by making enquiries on the bases of valuation and obtaining corroborative evidence on the input data; – Assessing the fair value assessment calculation's assumptions and methodologies used by management on investment properties classified as held-for-sale; and – Considering the relevance and reasonableness of key assumptions and methods used, and the relevance and accuracy of the source data used.

mazars

KEY AUDIT MATTERS *(Continued)*

Key audit matters identified in our audit are summarised as follows: *(Continued)*

Key audit matter	How the matter was addressed in our audit
Impairment in respect of loans receivable	
As at 31 December 2023, the Group had loans receivable amounting to approximately HK$49,126,000. Loss allowance for expected credit losses ("ECL") amounting to approximately HK$198,104,000 has been provided on loans receivable. Management estimates the lifetime or 12-month loss allowances for loans receivable based on internal credit rating which reflect credit risk characteristics with reference to the credit loss experience, ageing of overdue receivables, debtors' repayment history and financial position, and an assessment of both the current and forecast general economic conditions. Significant degree of management judgement was involved in evaluating the ECL of the Group's loans receivable as at 31 December 2023. Management has engaged independent professional valuer whose work has been relied on in the estimation of the ECL of loans receivable. *Relevant disclosures are made in notes 2, 4, 6(a) and 26 to the consolidated financial statements.*	Our key procedures in relation to management's impairment assessment on loans receivable included: – Reviewing and testing the Group's credit control policy over grant and extension of loans and monitoring of principal and interest repayments according to the terms as stipulated in the loan agreements; – Understanding and assessing the appropriateness of management's methodology for identifying internal credit rating of loans receivable which reflects the credit risk characteristics; – Evaluating the competence, capabilities and objectivity of the independent professional valuer; – Evaluating the independent professional valuer's basis and judgement in determining ECL on loans receivable, including the identification of credit-impaired loans receivable, assessment of significant increase in credit risk on loans receivable and the basis of estimated loss rates applied on each debtor; – Examining the information used by the independent professional valuer to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current conditions and forward-looking information; and – Assessing the expected future cash flows, including assumptions in respect of the realisable value of collaterals.

KEY AUDIT MATTERS *(Continued)*

Key audit matters identified in our audit are summarised as follows: *(Continued)*

Key audit matter	How the matter was addressed in our audit
Impairment assessment of intangible assets	
As at 31 December 2023, the hash-rate capacity for cryptocurrencies mining with finite useful lives held by the Group were classified as intangible assets with carrying amount of HK$Nil (net of accumulated amortisation and accumulated impairment losses). Accumulated impairment losses amounted to approximately HK$19,297,000 has been provided on the intangible assets. For the purpose of performing impairment assessment, the recoverable amount of the intangible assets was estimated based on the higher of their fair value less cost of disposal or their value in use. The recoverable amount of the intangible assets was determined by the estimated fair value of the hash-rate capacity less cost of disposal after considering the value in use of the intangible assets. In the impairment assessment, significant judgement and estimation by management were involved, including the estimated market value and market condition for the hash-rate capacity or the cryptocurrencies mined, the estimated cost of disposal and the discount rates applied to the future discounted cash flows. These estimation and judgement may be affected by unexpected changes in future market or economic conditions or the discount rates applied. *Relevant disclosures are made in notes 2, 4 and 20 to the consolidated financial statements.*	Our key procedures in relation to management's impairment assessment on intangible assets included: – Understanding and evaluating management's key controls over the impairment assessment process; – Assessing the recoverable amount calculation's assumptions and methodologies used by management; – Considering the relevance and reasonableness of key assumptions and methods used, and the relevance and accuracy of the source data used by management in assessing the recoverable amount; and – Verifying the mathematical accuracy of the data used in the recoverable amount calculation.

mazars

KEY AUDIT MATTERS *(Continued)*

Key audit matters identified in our audit are summarised as follows: *(Continued)*

Key audit matter	How the matter was addressed in our audit
Impairment in respect of trade and other receivables	
As at 31 December 2023, the Group had trade receivables and other receivables (net of loss allowances) amounting to approximately HK$115,949,000 and HK$349,119,000 respectively. Loss allowance for ECL amounting to approximately HK$16,407,000 and HK$33,787,000 has been provided on trade receivables and other receivables respectively. Loss allowances for trade and other receivables are based on management's estimate of the lifetime or 12-month ECL which is estimated by taking into account the credit loss experience, ageing of overdue receivables, debtors' repayment history and financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement. *Relevant disclosures are made in notes 2, 4, 6(a) and 27 to the consolidated financial statements.*	Our key procedures in relation to management's impairment assessment on trade and other receivables included: – Understanding the Group's credit control policy over trade and other receivables; – Assessing whether items in the trade receivables ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with the relevant sales invoices on a sample basis; – Understanding and assessing the appropriateness of management's methodology for identifying internal credit rating of other receivables which reflects the credit risk characteristics; and – Assessing the reasonableness of management's loss allowance estimates on trade and other receivables by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowances.

KEY AUDIT MATTERS *(Continued)*

Key audit matters identified in our audit are summarised as follows: *(Continued)*

Key audit matter	How the matter was addressed in our audit
Impairment assessment of cryptocurrency mining machines	
As at 31 December 2023, the Group's property, plant and equipment included cryptocurrency mining machines with carrying amount of approximately HK$73,184,000 (net of accumulated depreciation and impairment losses). Accumulated impairment losses amounted to approximately HK$24,471,000 has been provided on these machines. For the purpose of performing impairment assessment, the recoverable amount of these machines was estimated based on the higher of their fair value less cost of disposal or their value in use. The recoverable amount of these machines was determined by their estimated fair value less cost of disposal after considering the value in use of these machines. In the impairment assessment, significant judgement and estimation by management were involved, including the estimated market value and market conditions for these machines, the estimated cost of disposal and the discount rates applied to the future discounted cash flows. These estimation and judgement may be affected by unexpected changes in future market or economic conditions or the discount rates applied. *Relevant disclosures are made in notes 2, 4 and 18 to the consolidated financial statements.*	Our key procedures in relation to management's impairment assessment on cryptocurrency mining machines included: – Understanding and evaluating management's key controls over the impairment assessment process; – Assessing the recoverable amount calculation's assumptions and methodologies used by management; – Considering the relevance and reasonableness of key assumptions and methods used, and the relevance and accuracy of the source data used by management in assessing the recoverable amount; and – Verifying the mathematical accuracy of the data used in the recoverable amount calculation.

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KEY AUDIT MATTERS *(Continued)*

Key audit matters identified in our audit are summarised as follows: *(Continued)*

Key audit matter	How the matter was addressed in our audit
Fair value of financial assets at fair value through profit or loss – Unlisted equity securities other than equity securities traded in Over-The-Counter market in the United States	
As at 31 December 2023, certain unlisted equity securities held by the Group were classified as financial assets at fair value through profit or loss and measured at fair value of approximately HK$121,528,000. Significant estimation and judgement are required by management to determine the fair value of the unlisted equity securities, including the determination of valuation techniques and the selection of financial inputs in the model. Management has relied on the valuation performed by the independent professional valuers in the estimation of the fair value of the unlisted equity securities. *Relevant disclosures are made in notes 2, 4, 7 and 22 to the consolidated financial statements.*	Our key audit procedures in relation to management's estimation of the fair value of unlisted equity securities included: – Understanding and evaluating management's key controls over the fair value assessment process; – Evaluating the competence, capabilities and objectivity of the independent professional valuers; – Assessing the appropriateness of the work of the independent professional valuers by making enquiries on the bases of valuation and obtaining corroborative evidence on the input data; and – Considering the relevance and reasonableness of key assumptions and methods used, and the relevance and accuracy of the source data used.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The Directors of the Company are responsible for the other information. The other information comprises the information included in the 2023 Annual Report of the Company but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible 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. This report is made solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda, 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.

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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 skepticism 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 those charged with governance 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 those charged with governance 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 those charged with governance, 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.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 27 March 2024

The engagement director on the audit resulting in this independent auditor's report is:
Eunice Y M Kwok
Practising Certificate number: P04604

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	2023 HK$'000	2022 HK$'000 *Re-presented*
Revenue	9	**192,569**	223,237
Cost of sales		**(138,912)**	(195,408)
Gross profit		**53,657**	27,829
Other revenue and net income/(loss)	9	**60,471**	(84,783)
Distribution and selling expenses		**(5,174)**	(6,439)
General and administrative expenses		**(122,552)**	(96,060)
Reversal of write-down/(Write-down) of cryptocurrencies	24	**49,978**	(50,356)
Other operating expenses		**(64,198)**	(16,901)
Net changes in fair value of investment properties	17	**(6,248)**	53,769
Loss allowance on loans receivable	6(a)	**(55,217)**	(83,079)
Loss allowance on trade and other receivables	6(a)	**(41,722)**	–
Loss on disposal of subsidiaries	31	**–**	(3,693)
Loss from operations	10	**(131,005)**	(259,713)
Finance costs	13	**(594)**	(2,350)
Share of results of associates	21	**(325)**	–
Loss before tax		**(131,924)**	(262,063)
Income tax credit/(expenses)	14	**14,664**	(29,002)
Loss for the year		**(117,260)**	(291,065)
Loss attributable to:			
Owners of the Company		**(113,654)**	(290,118)
Non-controlling interests		**(3,606)**	(947)
		(117,260)	(291,065)
		HK$	HK$
Loss per share	16		
– Basic		**(0.05)**	(0.12)
– Diluted		**(0.05)**	(0.12)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
Loss for the year	**(117,260)**	(291,065)
Other comprehensive (loss)/income:		
Items that will not be reclassified to profit or loss:		
Revaluation of property, plant and equipment upon transfer to investment properties		
– Gain on revaluation, net of tax	**–**	58,879
Items that are reclassified or may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(7,803)**	(39,310)
Release of translation reserves upon disposal of subsidiaries	**–**	1,434
Total other comprehensive (loss)/income for the year (net of tax)	**(7,803)**	21,003
Total comprehensive loss for the year	**(125,063)**	(270,062)
Total comprehensive loss attributable to:		
Owners of the Company	**(121,457)**	(269,115)
Non-controlling interests	**(3,606)**	(947)
	(125,063)	(270,062)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS			
Investment properties	17	**131,870**	934,696
Property, plant and equipment	18	**146,704**	179,522
Right-of-use assets	19	**71,460**	74,402
Intangible assets	20	**–**	48,686
Interests in associates	21	**3,028**	–
Deposits paid	27	**12,853**	33,459
Prepayment for construction	27	**–**	648
Financial assets at fair value through profit or loss	22	**141,965**	113,160
		507,880	1,384,573
CURRENT ASSETS			
Cryptocurrencies	24	**110,711**	61,967
Inventories	25	**32,656**	16,897
Loans receivable	26	**49,126**	103,180
Trade and other receivables	27	**451,576**	423,581
Prepayment for construction	27	**639**	–
Financial assets at fair value through profit or loss	22	**18,062**	87,001
Income tax recoverable		**559**	567
Pledged bank deposits	37	**200**	200
Cash and bank balances		**81,677**	177,089
		745,206	870,482
Assets classified as held-for-sale	28	**850,200**	–
		1,595,406	870,482
CURRENT LIABILITIES			
Trade and other payables	29	**347,049**	361,037
Dividend payables		**31**	31
Bank and other loans	30	**14,273**	12,888
Lease liabilities	19	**2,995**	2,145
		364,348	376,101
NET CURRENT ASSETS		**1,231,058**	494,381
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,738,938**	1,878,954
NON-CURRENT LIABILITIES			
Deferred tax liabilities	14	**28,261**	43,146
Income tax payable		**8,532**	8,532
Lease liabilities	19	**1,267**	1,339
		38,060	53,017
NET ASSETS		**1,700,878**	1,825,937
EQUITY			
Share capital	33	**62,193**	62,193
Reserves	34	**1,643,511**	1,764,966
Equity attributable to owners of the Company		**1,705,704**	1,827,159
Non-controlling interests		**(4,826)**	(1,222)
TOTAL EQUITY		**1,700,878**	1,825,937

These consolidated financial statements on pages 75 to 169 were approved and authorised for issue by the Board on 27 March 2024 and signed on its behalf by:

Li Qiang
Director

Cong Yu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Statutory reserves HK$'000	Contributed surplus HK$'000	Share option reserves HK$'000	Property revaluation reserves HK$'000	Translation reserves HK$'000	Other reserves HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 January 2022	62,193	280,057	8,668	234,621	8,948	26,113	54,012	4,201	1,417,461	2,096,274	(6,057)	2,090,217
Loss for the year	–	–	–	–	–	–	–	–	(290,118)	(290,118)	(947)	(291,065)
Other comprehensive income/(loss):												
Revaluation of property, plant and equipment upon transfer to investment properties												
– Gain on revaluation, net of tax	–	–	–	–	–	58,879	–	–	–	58,879	–	58,879
Exchange differences arising on translation of the foreign operations	–	–	–	–	–	–	(39,310)	–	–	(39,310)	–	(39,310)
Release of translation reserves upon disposal of a subsidiary	–	–	–	–	–	–	1,434	–	–	1,434	–	1,434
Total other comprehensive income	–	–	–	–	–	58,879	(37,876)	–	–	21,003	–	21,003
Total comprehensive loss for the year	–	–	–	–	–	58,879	(37,876)	–	(290,118)	(269,115)	(947)	(270,062)
Transaction with owners:												
Contributions and distributions												
Share options lapsed	–	–	–	–	(8,948)	–	–	–	8,948	–	–	–
Change in ownership interest												
Non-controlling interest arising from acquisition of a subsidiary *(note 31(c))*	–	–	–	–	–	–	–	–	–	–	5,782	5,782
Total transactions with owners	–	–	–	–	(8,948)	–	–	–	8,948	–	5,782	5,782
As at 31 December 2022 and as at 1 January 2023	62,193	280,057	8,668	234,621	–	84,992	16,136	4,201	1,136,291	1,827,159	(1,222)	1,825,937
Loss for the year	–	–	–	–	–	–	–	–	(113,654)	(113,654)	(3,606)	(117,260)
Other comprehensive loss:												
Exchange differences arising on translation of the foreign operations	–	–	–	–	–	–	(7,803)	–	–	(7,803)	–	(7,803)
Total other comprehensive loss	–	–	–	–	–	–	(7,803)	–	–	(7,803)	–	(7,803)
Total comprehensive loss for the year	–	–	–	–	–	–	(7,803)	–	(113,654)	(121,457)	(3,606)	(125,063)
Transaction with owners:												
Change in ownership interest												
Changes in ownership interests in a subsidiary that do not result in a loss of control *(note 32)*	–	–	–	–	–	–	–	2	–	2	2	4
Total transactions with owners	–	–	–	–	–	–	–	2	–	2	2	4
As at 31 December 2023	**62,193**	**280,057**	**8,668**	**234,621**	**–**	**84,992**	**8,333**	**4,203**	**1,022,637**	**1,705,704**	**(4,826)**	**1,700,878**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(131,924)**	(262,063)
Adjustments for:			
Share of results of associates		**325**	–
Interest income		**(6,842)**	(17,884)
Interest expenses		**594**	2,350
Dividend income		**(544)**	(370)
Amortisation of intangible assets		**32,525**	15,122
Depreciation of right-of-use assets		**6,903**	10,904
Depreciation of property, plant and equipment		**38,216**	8,423
Net changes in fair value of investment properties		**6,248**	(53,769)
Loss/(gain) on lease modification		**26**	(169)
Loss on disposal of property, plant and equipment		**68**	4
Fair value (gain)/loss on financial assets at fair value through profit or loss under non-current assets		**(28,805)**	13,538
Loss on disposal of subsidiaries	31	**–**	3,693
Impairment loss on intangible assets		**16,159**	3,138
Impairment loss on property, plant and equipment		**1,344**	23,127
Loss allowance on loans receivable		**55,217**	83,079
Loss allowance on trade and other receivables		**41,722**	–
OPERATING PROFIT/(LOSS) BEFORE CHANGES IN WORKING CAPITAL		**31,232**	(170,877)
Increase in cryptocurrencies		**(48,744)**	(2,163)
Increase in inventories		**(15,793)**	(1,833)
(Increase)/decrease in trade and other receivables		**(81,118)**	86,253
Decrease in financial assets and liabilities at fair value through profit or loss		**68,939**	48,790
Decrease in trade and other payables		**(14,896)**	(5,473)
CASH USED IN OPERATIONS		**(60,380)**	(45,303)
Income tax (paid)/refund, net		**(6)**	93
NET CASH USED IN OPERATING ACTIVITIES		**(60,386)**	(45,210)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(6,993)**	(36,706)
Purchase of investment properties		**(28,017)**	–
Deposits paid for purchase of investment properties, net		**–**	(22,776)
Proceed from disposal of property, plant and equipment		**23**	–
Decrease in prepayment for construction		**9**	456
Acquisition of interests in associates		**(3,351)**	–
Interest received		**6,842**	2,325
Purchase of financial assets at fair value through profit or loss under non-current assets		**–**	(11,800)
Grant of new loans receivable		**(7,638)**	(14,400)
Repayment of loans receivable		**6,424**	8,978
Purchase of intangible assets		**–**	(209)
Dividend received		**544**	370
Net cash outflow on disposal of a subsidiary		**–**	(2,264)
NET CASH USED IN INVESTING ACTIVITIES		**(32,157)**	(76,026)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
FINANCING ACTIVITIES	35(a)		
New bank and other loans raised		**13,109**	–
Principal elements of lease payments		**(3,294)**	(6,913)
Repayment of bank loans		**(11,565)**	(29,562)
Proceeds from disposal of ownership interests in a subsidiary that does not result in loss of control	32	**4**	–
Interest paid		**(594)**	(2,350)
NET CASH USED IN FINANCING ACTIVITIES		**(2,340)**	(38,825)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(94,883)**	(160,061)
CASH AND CASH EQUIVALENTS AT BEGINNING OF REPORTING PERIOD		**177,289**	344,361
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(529)**	(7,011)
CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD		**81,877**	177,289
Analysis of the balances of cash and cash equivalents:			
Funds held by securities brokers	(a)	**11,211**	37,471
Time deposits	(b)	**–**	52,038
Cash at bank and in hand	(b)	**70,466**	87,580
Pledged bank deposits with maturity less than three months	(c)	**200**	200
		81,877	177,289

Notes:

(a) At the end of the reporting period, there were funds held by securities brokers of approximately HK$11,211,000 *(2022: approximately HK$37,471,000)* for securities trading.

(b) At the end of the reporting period, cash at bank earned interest at floating rates based on daily bank deposit rates. At 31 December 2022, the short-term time deposits were made between one to three month depending on the immediate cash requirement of the Group and earned interest ranging from 1.35% to 3.85% per annum. As at 31 December 2023, no short-term time deposit was made by the Group.

(c) At the end of the reporting period, bank deposits of approximately HK$200,000 *(2022: approximately HK$200,000)* were pledged to secure a loan facility which had an original maturity of less than three months and therefore have been classified as cash equivalents in the consolidated statement of cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Yuxing InfoTech Investment Holdings Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal places of business of the Company are disclosed in the "Corporate Information" section of this annual report.

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are detailed in note 41. The Company and its subsidiaries are herein collectively referred to as the "Group".

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing The listing of Securities on GEM of the Stock Exchange.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2022 consolidated financial statements except for the adoption of the following new/revised HKFRSs which are relevant to the Group and effective from the current year.

Adoption of new/revised HKFRSs

The Group has applied, for the first time, the following new/revised HKFRSs:

Amendments to HKAS 1	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

Amendments to HKAS 1: Disclosure of Accounting Policies

The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies.

The amendments have no effect on the measurement, recognition or presentation of any items in the consolidated financial statements. Management has reviewed the disclosure of accounting policy information and considered it is consistent with the amendments.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Basis of preparation *(Continued)*

Amendments to HKAS 8: Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of HKAS 12 so that it no longer applies to transactions that, on recognition, give rise to equal taxable and deductible temporary differences.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 12: International Tax Reform – Pillar Two Model Rules

The amendments provide entities with temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's Pillar Two model rules. The amendments also introduce targeted disclosure requirements to help investors understand an entity's exposure to income taxes arising from the rules.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

A summary of the principal accounting policies adopted by the Group is set out below.

Change in presentation

The Directors consider that amortisation of intangible assets should be classified under "Other operating expenses" in the consolidated statement of comprehensive income. Comparatives for the year ended 31 December 2022 have been re-presented to include amortisation of intangible assets of approximately HK$15,122,000 previously under "General and administrative expenses" to "Other operating expenses".

Change in accounting estimates

The estimated useful lives and, in turn, the depreciation expenses of property, plant and equipment are affected by the continuing evolution of technology and the appearance of a large number of new technologies and services. During the year, the Group reviewed the current condition of existing property, plant and equipment and assessed the impact of the continuous technology development and determined to revise the estimated useful lives of certain data centre facilities included in property, plant and equipment from 10 years to 7.5 years. The change in accounting estimate is accounted for prospectively from 1 January 2023. Effect of change in useful lives is estimated to have increased depreciation by approximately HK$2,352,000 for the current year.

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for investment properties and financial assets at fair value through profit or loss, which are measured at fair value as explained in the accounting policies set out below.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. 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.

Non-controlling interests are presented separately from owners of the Company, in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis.

Allocation of total comprehensive income

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

Changes in ownership interest

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost; and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost.

The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position which is presented within these notes, an investment in subsidiary is stated at cost less impairment loss. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's investment in associate is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held-for-sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the investee's net assets and any impairment loss relating to the investment. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Group discontinues recognising its share of further losses when the Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interests that, in substance, form part of the Group's net investment in the investee.

Property, plant and equipment

Property, plant and equipment, other than construction in progress and freehold land, are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant 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. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Construction in progress and freehold land are stated at cost, which comprises the cost of acquisition, cost of construction and borrowing costs, if applicable, less any identified impairment loss.

The cost of construction in progress will not be depreciated until they are completed and ready for intended use and are transferred to a specific category of property, plant and equipment when the construction is completed.

Non-current assets held-for-sale

Non-current assets and disposal groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (and disposal groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for investment properties, which are continued to be measured in accordance with the Group's other accounting policies.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, other than construction in progress and freehold land, over their estimated useful lives from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method at the following rates. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Buildings	3% – 4% or over the relevant lease term, whichever is shorter
Data centre facilities	13% – 20%
Leasehold improvements	5% – 33% or over the relevant lease term, whichever is shorter
Office equipment, furniture and fixtures	10% – 33%
Plant and machinery	10% – 20%
Motor vehicles	10% – 33%
Cryptocurrency mining machines	20%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

If a property occupied by the Group as an owner-occupied property becomes an investment property measured at fair value, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation surplus or deficit. At the date of change in use, the revaluation surplus is recognised in profit or loss to the extent of impairment loss previously recognised in profit or loss, with the remaining surplus recognised in other comprehensive income as property revaluation reserves within equity. At the date of change in use, the revaluation deficit is recognised in other comprehensive income to reduce the property revaluation reserves to the extent of the amount previously recognised in property revaluation reserves, with the remaining deficit recognised in profit or loss.

After the date of change in use, the property revaluation reserves are derecognised upon the disposal of investment property.

Investment properties

Investment properties are land and/or building that are held by owner or lessee, to earn rental income and/or for capital appreciation. These include properties held for a currently undetermined future use.

Investment properties are stated at fair value at the end of the reporting period. Any gain or loss arising from a change in fair value is recognised in profit or loss. The fair value of investment properties not classified as held-for-sale is based on a valuation by independent valuers who hold a recognised professional qualification and have recent experience in the location and the category of properties being valued.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Research and development costs

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense as incurred. When the asset is available for use, the capitalised development costs are amortised on a straight-line basis over a period which reflects the pattern in which the related economic benefits are recognised.

Intangible assets

Hash-rate capacity

The initial cost of hash-rate capacity is capitalised. Hash-rate capacity with finite useful lives are carried at cost less accumulated amortisation and impairment losses. Amortisation is provided on the straight-line basis over the contractual useful lives of three years.

Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire; or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset; or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for the amounts it may have to pay.

Classification and measurement

Financial assets (except for trade receivables without a significant financing component) are initially recognised at their fair value plus, in the case of financial assets not carried at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income ("FVOCI"); (iii) equity investment measured at FVOCI; or (iv) FVPL.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Classification and measurement (Continued)

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

1) Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Group's financial assets at amortised cost include cash and bank balances, pledged bank deposits, trade and other receivables and loans receivable.

2) Financial assets at FVPL

These investments include financial assets that are not measured at amortised cost or FVOCI, including financial assets held for trading and designated upon initial recognition, financial assets resulting from a contingent consideration arrangement in a business combination to which HKFRS 3 applies and financial assets that are otherwise required to be measured at FVPL. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which includes any dividend or interest earned on financial assets. Dividend or interest income is presented separately from fair value gain or loss.

Financial assets are classified as held for trading if they are (i) acquired principally for the purpose of selling in the near future; (ii) part of a portfolio of identified financial instruments that the Group manages together and have a recent actual pattern of short-term profit-taking on initial recognition; or (iii) derivatives that are not financial guarantee contracts or not designated and effective hedging instruments.

The Group's financial assets mandatorily measured at FVPL include listed and unlisted equity securities, money market funds and contingent consideration receivable from disposal of a subsidiary.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expired.

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are directly attributable to the issue of the financial liabilities.

The Group's financial liabilities include trade and other payables and bank and other loans. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets and other items

The Group recognises loss allowances for expected credit losses ("ECL") on financial assets that are measured at amortised cost to which the impairment requirements apply in accordance with HKFRS 9. At each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets and other items (Continued)

Measurement of ECL (Continued)

Where ECL is measured on a collective basis, the financial instruments are grouped on the following bases of shared credit risk characteristics:

(i) past due information

(ii) nature of instrument

(iii) nature of collateral

(iv) industry of debtors

(v) geographical location of debtors

(vi) external credit risk ratings

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial instrument meets any of the following criteria:

(i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or

(ii) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets and other items (Continued)

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Notwithstanding the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

Low credit risk

A financial instrument is determined to have low credit risk if:

(i) it has a low risk of default;

(ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Simplified approach of ECL

For trade receivables, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets and other items (Continued)

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower.

(b) a breach of contract, such as a default or past due event.

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof, based on historical experience of recoveries of similar assets. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due. Any recovery made is recognised in profit or loss.

Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Cryptocurrencies

Cryptocurrencies are stated at the lower of cost and net realisable value. Cost, which comprises amortisation of the capitalised hash-rate capacity and depreciation of the cryptocurrency mining machines and, where appropriate, other costs that have incurred in mining the cryptocurrencies, is calculated using the weighted overage cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Cryptocurrencies are derecognised when the Group disposes of them through its trading activities or when the Group otherwise loses control and, therefore, access to the economic benefits associated with ownership of the cryptocurrencies ceases.

When cryptocurrencies are sold, the carrying amount of cryptocurrencies is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of cryptocurrencies to net realisable value and all losses of cryptocurrencies are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of cryptocurrencies is recognised as a reduction in the amount of cryptocurrencies recognised as an expense in the period in which the reversal occurs.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Rental income under operating lease is recognised when the properties are let out and on the straight line basis over the lease terms.

Dividend income from investments is recognised when the Group's rights to receive dividend is established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

Revenue from contracts with customers within HKFRS 15

Nature of goods or services

The Group is engaged in sale and distribution of information home appliances ("IHA") and complementary products.

Identification of performance obligations

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

(a) a good or service (or a bundle of goods or services) that is distinct; or

(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

(a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and

(b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers within HKFRS 15 (Continued)

Timing of revenue recognition

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

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

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Sale of IHA and complementary products are recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered to customers and the title is passed.

Contract liabilities

Within the context of HKFRS 15, if a customer pays consideration, or an entity has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group shall present the contract as a contract liability when the payment is made or the payment is due (whichever is earlier).

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Foreign currency translation

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

(a) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(b) Income and expenses for each statement of profit or loss are translated at average exchange rate;

(c) All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity;

(d) On the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest is no longer equity-accounted for, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised;

(e) On the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss; and

(f) On all other partial disposals, which includes partial disposal of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

Impairment of other assets

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment, intangible assets, right-of-use assets and deposits paid for non-current assets may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impairment of other assets *(Continued)*

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income in profit or loss immediately.

Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, (i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale), are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

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 over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Leases

The Group assesses whether a contract is, or contains, a lease at inception of the contract. 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.

As lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

As lessee (Continued)

The right-of-use asset is initially measured at cost, which comprises:

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful life of the right-of-use asset as set out below:

Buildings	1 to 3 years
Leasehold land	Over the lease term
Leasehold properties	3% or over the lease term, whichever is shorter

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate;

(c) amounts expected to be payable under residual value guarantees;

(d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

As lessee (Continued)

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

A lease modification is accounted for as a separate lease if:

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification:

(a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above.

(b) the Group determines the lease term of the modified contract.

(c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term.

(d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss.

(e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases (Continued)

As lessor

The Group classifies each of its leases as either a finance lease or an operating lease at the inception date of the lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. All other leases are classified as operating leases.

The Group accounts for each lease component within a lease contract as a lease separately from non-lease components of the contract. The Group allocates the consideration in the contract to each lease component on a relative stand-alone price basis.

The Group applies the derecognition and impairment requirements in HKFRS 9 to the operating lease receivables.

A modification to an operating lease is accounted for as a new lease from the effective date of modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payment for the new lease.

Employee benefits

Short-term employee benefits

Salaries, annual bonuses and paid annual leave are accrued in the year in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to Mandatory Provident Fund Scheme (the "MPF") in Hong Kong are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Contributions to the retirement benefit schemes in the People's Republic of China (the "PRC"), which are calculated on certain percentages of the applicable payroll costs in accordance with the statutory requirements prescribed by the relevant legal authorities, are recognised as an expense in profit or loss when employees have rendered services entitling them to the contributions.

Contributions to the voluntary retirement plans adopted in the United States are calculated based on a maximum of 6% of the eligible employees' salaries, and are recognised as an expense in profit or loss as incurred. The assets of the pension fund are held separately from those of the Group in funds under the control of trustees.

Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions

Equity-settled transactions

The Group operates a share-based compensation plan, the share option scheme, under which the Group receives services from employees including directors, and parties other than employees in exchange for the grant of rights over shares or shares of the Company ("Share(s)") as remuneration in form of equity-settled transactions. The cost of such transaction with employees is measured by reference to the fair value of the equity instruments at the grant date by using the Binomial Model, taking into account the terms and conditions of the transactions, other than conditions linked to the price of the Shares. For share options granted to parties other than employees, the total amount to be expensed is measured at fair value of the goods or services received at the date the Group obtains the goods or the counterparty renders the services, except where the fair value cannot be reliably estimated, in which case they are measured at the fair value of the equity instruments granted.

The cost of equity-settled transactions are recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied, and credited to share option reserves under equity for grant of share options.

During the vesting period, the number of share options that is expected to vest ultimately is reviewed. Any adjustment to the cumulative fair value recognised in prior periods is charged/credited to profit or loss for the year of review, with a corresponding adjustment to the share option reserves within equity.

Where the terms of an equity-settled award are modified, an additional expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

Equity-settled transactions (Continued)

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. However, if a new award is substituted for the cancelled award, and 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 above.

When the share options are exercised, the amount previously recognised in share option reserves will be transferred to share capital (nominal value) and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserves will be transferred to retained profits.

When the share options are lapsed after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

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

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Segment reporting

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

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

3. FUTURE CHANGES IN HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

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

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 The effective date to be determined

The Directors are in the process of assessing the possible impact on the future adoption of the new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Key sources of estimation uncertainty

Fair value of investment properties

In assessing the fair value of investment properties, the Group obtains the valuation of the investment properties not classified as held-for-sale provided by the independent professional qualified valuers and estimates the fair value of the investment properties classified as held-for-sale by management's assessment. As described in note 7, the valuation techniques applied by the independent professional qualified valuers for the investment properties have been discussed with the Directors. The Directors review the valuations performed by the independent professional qualified valuers and use their estimation to determine whether valuation techniques applied are appropriate to the circumstances of the Group.

For fair value estimation of the investment properties classified as held-for-sale, the Directors are required to make an estimate of the expected cash flows and to apply a suitable valuation technique appropriate to the circumstances of the Group.

Changes in the key assumptions and the methods used could affect the reported fair value of investment properties in the consolidated financial statements.

Fair value of unlisted equity securities other than equity securities delisted from the New York Stock Exchange

In assessing the fair value of unlisted equity securities other than equity securities delisted from the New York Stock Exchange, which are actively traded in the Over-The-Counter market in the United States, the Group obtains the valuation of the unlisted equity securities provided by the independent professional qualified valuers. As described in note 7, the valuation techniques applied by the independent professional qualified valuers for the unlisted equity securities have been discussed with the Directors. The Directors review the valuations performed by the independent professional qualified valuers, and use their estimation to determine whether valuation techniques applied are appropriate to the circumstances of the Group. Changes in the key assumptions and the methods used could affect the reported fair value of unlisted equity securities in the consolidated financial statements.

Fair value of contingent consideration receivable

The amount of contingent consideration to be received from disposal of a subsidiary is based on the occurrence of future events. Accordingly, the estimation of fair value contains uncertainties as it involves judgment about the likelihood and timing of achieving a specific milestone as well as the discount rate used. Changes in fair value of the contingent consideration receivable result from changes to the assumptions used to estimate the probability of success for such milestone, the anticipated timing of achieving the milestone and the discount period and rate to be applied. Changes in assumptions could affect the reported fair value of contingent consideration receivable in the consolidated financial statements. Further details are set out in note 7.

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

Key sources of estimation uncertainty *(Continued)*

Useful lives and impairment of property, plant and equipment, intangible assets and right-of-use assets

The Directors review the useful lives and depreciation/amortisation method of property, plant and equipment, intangible assets and right-of-use assets at the end of each reporting period, through careful consideration with regards to expected usage, wear-and-tear and potential technical obsolescence to usage of the assets.

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Directors have to assess whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence. If any such indication exists, the recoverable amounts of the asset would be determined by reference to value in use and fair value less costs of disposal. Value in use is determined using the discounted cash flow method while fair value less cost of disposal is determined by the estimated resale value of the assets less cost of estimated disposal.

Deferred tax liabilities

At the end of the reporting period, deferred tax liabilities of approximately HK$28,261,000 *(2022: approximately HK$43,146,000)* were provided for, in relation to the PRC land appreciation tax and corporate income tax ("CIT") and United States Federal and State Income Tax arising from revaluation of property, plant and equipment transferred to investment properties and revaluation of investment properties for investment properties situated in the PRC and United States respectively. No deferred tax liabilities in relation to the withholding tax on the distribution of retained profits of the PRC subsidiaries have been provided for as the Group is able to control the timing of reversal of the temporary differences and those profits are not to be remitted out of the PRC in the foreseeable future. Further details are set out in note 14.

Deferred tax assets

As at 31 December 2023, no deferred tax asset has been recognised on the tax losses from the PRC subsidiaries of approximately HK$207,570,000 *(2022: approximately HK$203,555,000)* due to unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient profits or taxable temporary differences will be available in the future. In cases there are changes in facts and circumstances which result in revision of future taxable profits estimation, a material recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such recognition takes place.

Loss allowance for ECL

The Group's management estimates the loss allowance for financial assets at amortised cost, including trade and other receivables and loans receivable by using various inputs and assumptions including risk of default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and loans receivable.

The Group has engaged an independent professional qualified valuer for valuation of ECL for loans receivable. The valuation techniques applied by the independent professional qualified valuer for ECL for loans receivable have been discussed with the Directors. The Directors review the valuation performed by the independent professional qualified valuer and use their estimation to determine whether valuation techniques applied are appropriate to the circumstances of the Group. Changes in assumptions could affect the reported carrying amount of loans receivable in the consolidated financial statements.

If the ECL rates on the trade receivables over 9 months past due had been 10% higher/lower at the end of the reporting period, with other assumptions held constant, the loss allowance would have been approximately HK$3,200,000 *(2022: approximately HK$964,000)* higher/lower.

Details of the key assumptions and inputs used in estimating ECL are set out in note 6(a).

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

Key sources of estimation uncertainty *(Continued)*

Discount rates for calculating lease liabilities – as lessee

The Group uses the lessee's incremental borrowing rates to discount future lease payments since interest rates implicit in the leases are not readily determinable. In determining the discounts rates for its leases, the Group refers to a rate that is readily observable as the starting point and then applies judgement and adjusts such observable rate to determine the incremental borrowing rate.

Critical judgement made in applying accounting policies

Cryptocurrencies

During the years ended 31 December 2023 and 2022, the Group received and held cryptocurrencies generated from the hash-rate capacity for cryptocurrencies mining and the cryptocurrency mining machines. In the process of developing and applying an accounting policy for cryptocurrencies, management of the Group noted that there are no HKFRSs that specifically apply to the accounting treatment for cryptocurrencies held by the Group.

Management has considered the guidance in HKAS 8 *"Accounting Policies, Changes in Accounting Estimates and Errors"* ("HKAS 8") concerning how the Group should develop its accounting policy under such circumstances. In accordance with HKAS 8, reference was made to the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practice to the extent that these do not conflict with the requirements of the HKFRSs.

Based on literature issued by staff of the International Accounting Standards Board and with reference to HKAS 2 *"Inventories"*, which defines an inventory as an asset held-for-sale in the ordinary course of business, management considers that cryptocurrencies held by the Group satisfy the elements of the definition of an inventory and therefore has determined that cryptocurrencies should be accounted for in the same manner as inventories are accounted for under HKAS 2.

5. CAPITAL MANAGEMENT

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

The Group regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders of the Company ("Shareholders"), issue new Shares, return capital to Shareholders, raise new debt financing or sell assets to reduce debt.

Meanwhile, the Group monitors its capital structure using a gearing ratio which is calculated as total debts divided by the total equity. For this purpose, the Group defines debt as total debts (which includes bank and other loans, trade and other payables, dividend payables, income tax payable, deferred tax liabilities and lease liabilities).

The gearing ratio as at 31 December 2023 and 2022 was as follows:

	Note	**2023** **HK$'000**	2022 HK$'000
Current liabilities:			
Trade and other payables	29	**347,049**	361,037
Dividend payables		**31**	31
Bank and other loans	30	**14,273**	12,888
Lease liabilities	19	**2,995**	2,145
		364,348	376,101
Non-current liabilities:			
Deferred tax liabilities	14	**28,261**	43,146
Income tax payable		**8,532**	8,532
Lease liabilities	19	**1,267**	1,339
		38,060	53,017
Total debts		**402,408**	429,118
Total equity		**1,700,878**	1,825,937
Gearing ratio		**23.7%**	23.5%

The higher gearing ratio of the Group as at 31 December 2023 was primarily resulted from impairment loss on property, plant and equipment and additional loss allowances on the Group's loans receivable and trade and other receivables during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

6. FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to price risk arising from its equity investments in other entities and movements in its own equity share price.

These risks are mitigated by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, bank balances, pledged bank deposits and loans receivable. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The carrying amount of financial assets recognised on the consolidated statement of financial position, which is net of loss allowance, represents the Group's exposure to credit risk without taking into account the value of any collateral held or other credit enhancements.

The Group has limited credit risk with its money deposited in financial institutions and securities brokers, which are leading and reputable and are assessed as having low credit risk. The Group has not suffered any significant losses arising from the non-performance by these parties in the past and management does not expect this position to change in the future.

Trade receivables

In respect of trade receivables, the Group normally grants its customers an average credit period from 30 days to 6 months *(2022: 30 days to 6 months)*. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors with balances that are more than three months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. Credit quality of a customer is assessed based on an extensive credit rating and individual credit limit assessment which is mainly based on the Group's own trading records.

At the end of the reporting period, the Group had a concentration of credit risk as 55.6% *(2022: 48.7%)* and 95.7% *(2022: 80.0%)* of the total trade receivables was due from the Group's largest debtor and the five largest debtors respectively.

The Group's customer base consists of a wide range of clients and the trade receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Group applies a simplified approach in calculating ECL for trade receivables and recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected loss rate used in the provision matrix is calculated for each category based on actual credit loss experience over the past three years and adjusted for current and forward-looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's estimate on future economic conditions over the expected lives of the receivables. There was no change in the estimation techniques or significant assumptions made during the year.

6. FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Trade receivables (Continued)

The information about the exposure to credit risk and ECL for trade receivables using a provision matrix is summarised below:

As at 31 December 2023

	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000	Credit-impaired
Not past due	–	82,122	–	No
Less than 3 months past due	–	18,494	–	No
9 months to 2 years past due	52%	28,085	14,577	Yes
Over 2 years past due	50% – 100%	3,655	1,830	Yes
		132,356	16,407	

As at 31 December 2022

	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000	Credit-impaired
Not past due	–	70,127	–	No
Less than 3 months past due	–	6,520	–	No
3 months to 6 months past due	–	1,532	–	No
6 months to 9 months past due	–	3,752	–	No
9 months to 2 years past due	–	9,639	–	No
Over 2 years past due	100%	15	15	Yes
		91,585	15	

The Group does not hold any collateral over trade receivables as at 31 December 2023 and 2022.

6. FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Trade receivables (Continued)

As at 31 December 2023, the Group recognised loss allowance of approximately HK$16,407,000 *(2022: approximately HK$15,000)* on the credit-impaired trade receivables. The movement in the loss allowance for trade receivables is summarised below:

	2023	2022
	HK$'000	HK$'000
At beginning of the reporting period	**15**	15
Increase in allowance	**16,392**	–
At end of the reporting period	**16,407**	15

Loans receivable and other receivables

At the end of the reporting period, the Group had a concentration of credit risk in respect of loans receivable and other receivable as 71.1% *(2022: 72.2%)* of total loans receivable before loss allowance was due from two *(2022: two)* independent third parties while 72.2% *(2022: 83.8%)* of total other receivables was due from one *(2022: one)* independent third party.

In estimating the ECL and in determining whether there is a significant increase in credit risk since initial recognition and whether the loans receivable is credit-impaired, management has engaged independent professional qualified valuer whose work has been relied on in estimation of the ECL of loans receivable. The Group has taken into account the historical actual credit loss experience on the debtors and the financial position of the counterparties by reference to, among others, their management or audited accounts, legal advice on claims from customers, adjusted for forward-looking factors that are specific to the debtors and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. There was no change in the estimation techniques or significant assumptions made during the year.

6. FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Loans receivable and other receivables (Continued)

In estimating the ECL of other receivables, the Group has taken into account the historical actual credit loss experience over the past 3 years *(2022: 3 years)*, adjusted for general economic conditions and future prospects of the industry in which the counterparties operate and various external sources of actual and forecast economic information such as information published by economic expert reports and financial analysts in estimating the probability of default of these financial assets, as well as the loss upon default in each case. During the year, the Group changed the techniques used in estimating probability of default as well as the loss upon default of other receivables which are more suitable for the circumstances of the Group's other receivables with reference to the various external sources of actual and forecast economic information.

The gross carrying amounts of loans receivable, by credit risk rating grades, are as follows:

At 31 December 2023

Internal credit rating	Expected loss rate %	ECL	Gross carrying amount HK$'000
Performing	0% – 5%	12-months	14,166
Underperforming (not credit-impaired)	54%	Lifetime	60,756
Not performing (credit-impaired)	86% – 100%	Lifetime	172,308
Write off (credit-impaired)	–	N/A	–
			247,230

6. FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Loans receivable and other receivables (Continued)

At 31 December 2022

Internal credit rating	Expected loss rate %	ECL	Gross carrying amount HK$'000
Performing	2%	12-month	14,165
Underperforming (not credit-impaired)	22% – 26%	Lifetime	116,937
Not performing (credit-impaired)	100%	Lifetime	114,965
Write off (credit-impaired)	–	N/A	–
			246,067

As at 31 December 2023, the Group recognised loss allowance of approximately HK$198,104,000 *(2022: approximately HK$142,887,000)* on loans receivable. The movement in the loss allowance for loans receivable during the year is summarised below:

	2023 HK$'000	2022 HK$'000
At beginning of the reporting period	**142,887**	59,808
Impairment loss	**55,217**	83,079
At end of the reporting period	**198,104**	142,887

The movement of the loss allowance on loans receivable, by measurement basis of ECL, is as follows:

For the year ended 31 December 2023

		Lifetime ECL		
	12-month ECL HK$'000	**Not credit-impaired HK$'000**	**Credit-impaired HK$'000**	**Total HK$'000**
At beginning of the reporting period	**224**	**27,698**	**114,965**	**142,887**
Changes in internal credit rating	**–**	**(13,663)**	**13,663**	**–**
Increase in allowance	**431**	**18,522**	**36,264**	**55,217**
At end of the reporting period	**655**	**32,557**	**164,892**	**198,104**

6. FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Loans receivable and other receivables (Continued)

For the year ended 31 December 2022

		Lifetime ECL		
	12-month ECL HK$'000	Not credit-impaired HK$'000	Credit-impaired HK$'000	Total HK$'000
At beginning of the reporting period	–	12,612	47,196	59,808
Increase in allowance	224	15,086	67,769	83,079
At end of the reporting period	224	27,698	114,965	142,887

The gross carrying amounts of total other receivables by credit risk rating grades, are as follows:

Internal credit rating	**Expected loss rate %**	**ECL**	**Gross carrying amount HK$'000**
At 31 December 2023			
Performing	**–**	**12-month**	**244,633**
Underperforming (not credit-impaired)	**5%**	**Lifetime**	**88,371**
Not performing (credit-impaired)	**39 – 100%**	**Lifetime**	**49,902**
Write off (credit-impaired)	**–**	**N/A**	**–**
At end of the reporting period			**382,906**

As at 31 December 2023, the Group recognised loss allowance of approximately HK$33,787,000 *(2022: approximately HK$8,467,000)* on other receivables. The movement in the loss allowance for other receivable during the year is summarised below:

	2023 HK$'000	2022 HK$'000
At beginning of the reporting period	**8,467**	8,467
Impairment loss	**25,330**	–
Exchange realignment	**(10)**	–
At end of the reporting period	**33,787**	8,467

6. FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Loans receivable and other receivables (Continued)

The movement of the loss allowance on other receivables, by measurement basis of ECL, is as follows:

At 31 December 2023

	12-month ECL HK$'000	Not credit-impaired HK$'000	Credit-impaired HK$'000	Total HK$'000
At beginning of the reporting period	–	–	8,467	8,467
Increase in allowance	–	4,083	21,247	25,330
Exchange realignment	–	–	(10)	(10)
At end of the reporting period	–	4,083	29,704	33,787

As at 31 December 2022, the Group considered that the other receivables had low credit risk based on the borrowers' strong capacity to meet their contractual cash flow obligations in the near term and low risk of default, except for the credit-impaired other receivable from the former chief executive officer, which was considered to have significant risk of default. Impairment on other receivables was measured on 12-month ECL and reflected the short maturities of the exposures, except for the credit-impaired other receivable from the former chief executive officer which was measured on lifetime ECL.

(b) Liquidity risk

In management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group has unutilised bank borrowing facilities of approximately HK$135,560,000 *(2022: approximately HK$138,228,000)* at the end of the reporting period to meet liquidity needs.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates prevailing at the end of the reporting period) and the earliest dates the Group is required to pay.

Specifically, bank loans with a repayment on demand clause are included in the earliest period that the Group is required to repay regardless of the probability of the banks choosing to exercise their rights at the end of the reporting period. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

	Note	2023 Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000	More than one year but less than two years HK$'000	More than two years but less than five years HK$'000	More than five years HK$'000
Non-derivative financial liabilities							
Trade and other payables	29	**329,999**	**329,999**	**329,405**	**188**	**406**	**–**
Dividend payables		**31**	**31**	**31**	**–**	**–**	**–**
Bank and other loans	30	**14,273**	**14,273**	**14,273**	**–**	**–**	**–**
Lease liabilities	19	**4,262**	**4,365**	**3,079**	**1,286**	**–**	**–**
		348,565	**348,668**	**346,788**	**1,474**	**406**	**–**

	Note	2022 Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000	More than one year but less than two years HK$'000	More than two years but less than five years HK$'000	More than five years HK$'000
Non-derivative financial liabilities							
Trade and other payables	29	333,859	333,859	333,510	216	133	–
Dividend payables		31	31	31	–	–	–
Bank and other loans	30	12,888	12,888	12,888	–	–	–
Lease liabilities	19	3,484	3,593	2,228	1,365	–	–
		350,262	350,371	348,657	1,581	133	–

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

The amounts repayable under loan agreements that include a clause that gives lenders the unconditional right to call loans at any time are classified under the "within one year or on demand" bracket. In this regard, term loans from banks of approximately HK$1,238,000 *(2022: approximately HK$1,694,000)* (note 30) at the end of the reporting period have been so classified even though the Directors do not expect that lenders would exercise their rights to demand repayment and thus these borrowings (including the aggregate principal and interest cash outflows) would be repaid according to the following schedule as set out in the loan agreements:

	2023 **HK$'000**	2022 HK$'000
Term loans from banks, including interest, with a repayment on demand clause		
Within one year	**325**	667
More than one year but less than two years	**235**	310
More than two years but less than five years	**352**	338
Over five years	**538**	741
	1,450	2,056

(c) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's secured interest-bearing borrowings, bank balances and pledged bank deposits. Bank balances and interest-bearing borrowings with floating interest rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group has not entered into significant hedging activities to hedge against the exposure to interest rate risk. The Group closely monitors its interest rate exposure and the level of interest-bearing borrowings, in consideration of economic atmosphere and the strategies of the Group.

At the end of the reporting period, if interest rates had been 100 basis points higher or lower (but on condition that interest rate would not fall below zero) and all other variables were held constant, the Group's net loss would be decreased by approximately HK$963,000 *(2022: approximately HK$1,571,000)* or increased by approximately HK$430,000 *(2022: approximately HK$558,000)* respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of next annual reporting period. The analysis is performed on the same basis for 2022.

6. FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk

The Group has transactional currency exposure. Such exposure arises from trading and investing transactions denominated in a currency other than the functional currency of an operating unit to which they relate. The Group's exposure to foreign currency risk principally arises from changes in exchange rate of United States dollars ("USD") and Renminbi ("RMB") against HKD. The management considers that the Group has limited exposure to foreign currency risk of USD against HKD since the relevant exchange rate has remained relatively stable.

The Group is exposed to foreign exchange risk since the Group's certain financial assets at fair value through profit or loss and bank balances were denominated in RMB. The Group has not entered into significant hedging activities to hedge against the exposure to foreign exchange risk because the main operations of the subsidiaries of the Group are conducted in their functional currency. The Group monitors currency risk exposure of RMB and will consider hedging significant exposure should the need arise.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in HKD, translated using the spot rate at the end of the reporting period.

	Exposure to foreign currency	
	2023	2022
	RMB	RMB
	HK$'000	HK$'000
Financial assets at fair value through profit or loss	**64,241**	47,315
Cash and bank balances	**94**	103
Net exposure	**64,335**	47,418

At the end of the reporting period, if RMB had been 5% *(2022: 8%)* strengthened/weakened against HKD while all other variables were held constant, the Group's net loss would be decreased/increased by approximately HK$3,216,000 *(2022: approximately HK$3,712,000) respectively.*

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the Group's exposure to currency risk for all financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes in foreign currency represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of next annual reporting period. The analysis is performed on the same basis for 2022.

6. FINANCIAL INSTRUMENTS *(Continued)*

(e) Price risk

The Group is exposed to price risk arising from investments in equity securities classified as financial assets at fair value through profit or loss (note 22). For the Group's equity securities investments and money market funds that are publicly traded, the fair value is determined with reference to quoted market prices.

Financial assets at fair value through profit or loss

At the end of the reporting period, if the quoted market price of equity securities had been 15% *(2022: 12%)* higher/lower while all other variables held constant, the Group's net loss would be decreased/increased by approximately HK$2,709,000 *(2022: approximately HK$9,416,000)* due to change in the fair value of equity securities which were stated at FVPL.

At the end of the reporting period, if the quoted price for equity securities delisted from the New York Stock Exchange on trading platform had been 15% *(2022: 12%)* higher/lower while all other variables held constant, the Group's net loss would decreased/increased by approximately HK$3,066,000 *(2022: approximately HK$1,971,000)* due to change in the fair value of the unlisted equity securities which were stated at FVPL.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to the exposure to price risk in existence at that date. It is also assumed that the fair values of the Group's investments would change in accordance with the historical correlation with the relevant stock market index or other relevant risk variables and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables. The analysis is performed on the same basis for 2022.

7. FAIR VALUE MEASUREMENTS

In the opinion of the Directors, the carrying amounts of financial assets approximate their fair values.

The following presents the assets measured at fair value or required to disclose their fair value in these consolidated financial statements on a recurring basis at 31 December 2023 across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair Value Measurement*, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly; and
- Level 3 (lowest level): unobservable inputs for the assets or liabilities.

7. FAIR VALUE MEASUREMENTS *(Continued)*

Assets measured at fair value on a recurring basis

		2023			
	Note	**Carrying amount HK$'000**	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**
Investment properties	17	**131,870**	**–**	**79,343**	**52,527**
Financial assets at fair value through profit or loss	22	**160,027**	**18,062**	**20,437**	**121,528**
Investment properties classified as held-for-sale	28	**850,200**	**–**	**–**	**850,200**

		2022			
	Note	Carrying amount HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Investment properties	17	934,696	–	84,496	850,200
Financial assets at fair value through profit or loss	22	200,161	79,789	16,429	103,943

During the year ended 31 December 2022, upon obtaining the certificate of occupancy from the United States authority in respect of the construction of Phase I of the Group's IDC in the United States (the "US IDC"), the Group ceased occupying the US IDC on 31 May 2022 and was actively seeking potential buyer/leasee for the US IDC. Upon the change in use of the US IDC, management reassessed the use of the US IDC and the Group would lease out the US IDC and/or hold it for capital appreciation. Therefore, such land and building are considered investment properties rather than owner-occupied properties and resulted in the transfer of their revaluated amounts of totalling approximately HK$796,848,000 previously classified as property, plant and equipment to investment properties. These investment properties were classified as Level 3 fair value measurements, upon transferring to investment properties.

During the years ended 31 December 2023 and 2022, there was no transfer between Level 1 and Level 2, or transfers into or out of Level 3 fair value measurements.

The Group's policy is to recognise transfers into and out of Level 3 as of the end of the reporting period or the date of the event or change in circumstances that caused the transfer, if applicable.

Valuation techniques and inputs in Level 2 fair value measurement

(a) Investment properties

The investment properties situated in the PRC of approximately HK$79,343,000 *(2022: approximately HK$84,496,000)* were revalued by Roma Appraisals Limited, an independent professional qualified valuer, on the market value basis using direct comparison approach.

7. FAIR VALUE MEASUREMENTS *(Continued)*

Valuation techniques and inputs in Level 2 fair value measurement *(Continued)*

(b) Financial assets at fair value through profit or loss: Unlisted equity securities outside Hong Kong

Included in financial assets at fair value through profit or loss are equity securities delisted from the New York Stock Exchange amounted to approximately HK$20,437,000 *(2022: approximately HK$16,429,000)* which are actively traded in the Over-The-Counter market in the United States. The fair value of the equity securities is based on the price quoted by the investment manager with reference to quoted price on trading platform.

Movements in Level 3 fair value measurements

The details of the movements of the recurring fair value measurements categorised as Level 3 are shown as follows:

	Investment properties HK$'000	Financial assets at fair value through profit or loss HK$'000	Investment properties classified as held-for-sale HK$'000
As at 1 January 2022	–	174,290	–
Additions	–	11,800	–
Net changes in fair value recognised in profit or loss	53,352	(82,147)	–
Transfer from property, plant and equipment	796,848	–	–
As at 31 December 2022 and as at 1 January 2023	850,200	103,943	–
Additions	54,810	–	–
Exchange realignment	(12)	–	–
Net changes in fair value recognised in profit or loss	(2,271)	17,585	–
Transfer to investment properties classified as held-for-sale	(850,200)	–	850,200
As at 31 December 2023	**52,527**	**121,528**	**850,200**

7. FAIR VALUE MEASUREMENTS *(Continued)*

Valuation techniques and inputs in Level 3 fair value measurement

(a) *Financial assets at fair value through profit or loss: Unlisted equity securities*

The fair value of one of the unlisted equity securities without an active market classified in Level 3 was valued by Fairdex Valuation Advisory Limited *(2022: Fairdex Valuation Advisory Limited)*, an independent professional qualified valuer, using direct comparison approach with unobservable inputs. The significant unobservable input used in the fair value measurement is the enterprise-value-to-revenue ratio of 10.617 *(2022: 10.936)*.

As at 31 December 2023, if the expected enterprise-value-to-revenue ratio had been 10% *(2022: 10%)* higher/lower while all other variables were held constant, the Group's net loss would be decreased/increased by approximately HK$12,496,000 *(2022: approximately HK$15,958,000) respectively*.

The fair value of certain other unlisted equity securities without an active market classified in Level 3 was valued by Peak Vision Appraisals Limited *(2022: Peak Vision Appraisals Limited)*, an independent professional qualified valuer, using income approach with unobservable inputs. The significant unobservable input used in the fair value measurement is the discount rate for calculating the present value of future earnings of 19.3% *(2022: 18.6%)*.

As at 31 December 2023, if the expected discount rate had been 10% *(2022: 10%)* higher/lower while all other variables were held constant, the Group's net loss would be increased by approximately HK$24,608,000 *(2022: approximately HK$18,470,000)* or decreased by approximately HK$32,995,000 *(2022: approximately HK$24,515,000)* respectively.

The fair value of the rest of unlisted equity securities without an active market classified in Level 3 was valued by Peak Vision Appraisals Limited *(2022: Peak Vision Appraisals Limited)*, an independent professional qualified valuer, using income approach with unobservable inputs. The significant unobservable input used in the fair value measurement is the discount rate for calculating the present value of future earnings of 19.9% *(2022: 19.28%)*.

As at 31 December 2023, if the expected discount rate had been 10% *(2022: 10%)* higher/lower while all other variables were held constant, the Group's net loss would be increased by approximately HK$3,118,000 *(2022: approximately HK$1,193,000)* or decreased by approximately HK$4,116,000 *(2022: approximately HK$1,500,000)* respectively.

(b) *Financial assets at fair value through profit or loss: Contingent consideration receivable*

The fair value of contingent consideration receivable classified as Level 3 is derived from the estimated cash consideration to be received by the Group from disposal of a subsidiary in previous years estimated by the management of the Group with reference to the up-to-date progress of the relevant reconstruction registration with unobservable inputs. The significant unobservable input used in fair value measurement is the weighted distribution of the possible outcomes of 0% *(2022: 5%)*.

7. FAIR VALUE MEASUREMENTS *(Continued)*

Valuation techniques and inputs in Level 3 fair value measurement *(Continued)*

(c) Investment properties situated in the United States (classified as held-for-sale)

The fair value of investment properties situated in the United States of approximately HK$850,200,000 at 31 December 2022, were revalued by Roma Appraisals Limited, an independent professional qualified valuer, on the market value basis using direct comparison approach with unobservable inputs. The significant unobservable input used in fair value measurement at 31 December 2022 is the average adjusted unit price on gross floor area of US$1,360 per square feet.

As at 31 December 2022, if the overall adjustments on the average adjusted unit price on gross floor area had been 5% higher/lower while all other variables were held constant, the Group's net loss would be decreased/increased by approximately HK$42,505,000 respectively.

The fair value of investment properties situated in the United States and classified as held-for-sale of approximately HK$850,200,000 at 31 December 2023 was revalued by the Directors, on the market value basis using direct comparison approach with unobservable inputs, which is based on the real property purchase and sale and escrow agreement entered into by the Group and a third party on 29 May 2023.

(d) Investment properties situated in the PRC

The investment properties situated in the PRC of approximately HK$52,527,000 *(2022: HK$Nil)* were revalued by MOSS Valuation & Advisory Limited, an independent professional qualified valuer, by using the discounted cash flow approach. Discounted cash flow approach analyses the cash flow and income generation ability over a projection period of 12 years of the investment properties. The net operating income was discounted to the present value as at 31 December 2023 with an appropriate discount rate. The property is assumed to be disposed at the end of the projection period and the projected disposal consideration (terminal value) is discounted to the present value as at 31 December 2023 which is also considered in the cash flow analysis to formulate the reasonable market value. Quantitative information of the significant unobservable inputs and description of valuation techniques used in Level 3 fair value measurement, including the description of the sensitivity to changes in unobservable inputs for recurring Level 3 fair value measurement, are as follows:

Valuation techniques	Unobservable input	Range
Discounted cash flow approach	Discount rate	6.25%
	Terminal capitalisation rate	6.75%

8. SEGMENT INFORMATION

Information reported to executive Directors and chief executive officer of the Company, being the chief operating decision-makers, for the purposes of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The Group's reportable segments under HKFRS 8 are as follows:

– IHA: Sale and distribution of IHA and complementary products and provision of ancillary services

– IDC: Development, construction, operation, mergers, acquisitions and leasing out of properties used as IDC and facilities used in IDC

– Investing: Investing in digital assets and financial instruments

– Leasing: Leasing out of properties

Other operations segment of the Group mainly consists of trading of miscellaneous goods, provision of office and smart-home living solution services and provision of distribution storage services.

For the purpose of assessing the performance of the operating segments and allocating resources between segments, the executive Directors assess segment profit or loss before tax without allocation of interest income from bank deposits, finance costs, legal and professional fees and other corporate income and administrative costs and the basis of preparing such information is consistent with that of the consolidated financial statements.

All assets are allocated to reportable segments other than head office's bank balances and other unallocated financial and corporate assets which are managed on a group basis. All liabilities are allocated to reportable segments other than unallocated head office and corporate liabilities which are managed on a group basis.

Inter-segment sales transactions are charged at prevailing market rates. There was no change in the estimation techniques or significant assumptions made during the year. The accounting policies of the reporting segments are the same as the Group's accounting policies as described in note 2.

8. SEGMENT INFORMATION *(Continued)*

Business segments

An analysis of the Group's segment revenue, segment results and segment assets and liabilities by business segments are as follows:

For the year ended 31 December 2023

	IHA HK$'000	IDC HK$'000	Investing HK$'000	Leasing HK$'000	Other operations HK$'000	Elimination HK$'000	Consolidated HK$'000
REVENUE							
Sale of goods	152,340	–	–	–	648	–	152,988
Lease of properties used as IDC and facilities used in IDC	–	39,581	–	–	–	–	39,581
OTHER REVENUE AND NET (LOSS)/ INCOME	(1,449)	(7,026)	33,869	10,494	55	(29)	35,914
NET CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES	–	(4,076)	–	(2,172)	–	–	(6,248)
Segment revenue	150,891	28,479	33,869	8,322	703	(29)	222,235
RESULTS							
Segment results	3,206	(2,989)	16,626	2,909	(19,078)	–	674
Unallocated corporate net income							7,161
Interest income from bank deposits							1,004
Loss allowance on loans receivable							(55,217)
Loss allowance on other receivables							(25,330)
Other unallocated corporate expenses							(59,297)
Loss from operations							(131,005)
Finance costs							(594)
Share of results of associates							(325)
Loss before tax							(131,924)
Income tax credit							14,664
Loss for the year							(117,260)

8. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

As at 31 December 2023

	IHA HK$'000	IDC HK$'000	Investing HK$'000	Leasing HK$'000	Other operations HK$'000	Unallocated HK$'000	Consolidated HK$'000
ASSETS							
Segment assets	146,382	82,497	364,840	151,278	218,852	–	963,849
Assets classified as held-for-sale	–	850,200	–	–	–	–	850,200
Unallocated corporate assets	–	–	–	–	–	289,237	289,237
Consolidated total assets							2,103,286
LIABILITIES							
Segment liabilities	119,279	33,284	95,190	20,975	3,082	–	271,810
Unallocated corporate liabilities	–	–	–	–	–	130,598	130,598
Consolidated total liabilities							402,408
OTHER INFORMATION							
Capital expenditures							
– Property, plant and equipment	53	–	–	1,287	641	5,012	6,993
– Right-of-use assets	573	–	–	–	664	175	1,412
– Investment properties	–	4,076	–	50,734	–	–	54,810
Depreciation							
– Property, plant and equipment	84	9,607	26,997	539	421	568	38,216
– Right-of-use assets	1,406	–	–	343	591	4,563	6,903
Amortisation of intangible assets	–	–	32,318	–	207	–	32,525
Impairment loss on intangible assets	–	–	16,159	–	–	–	16,159
Impairment loss on property, plant and equipment	–	–	1,344	–	–	–	1,344
Loss allowance on loans receivable	–	–	–	–	–	55,217	55,217
Loss allowance on trade receivables	1,815	14,577	–	–	–	–	16,392
Loss allowance on other receivables	–	–	–	–	–	25,330	25,330
Reversal of write-down of inventories, net	(868)	–	–	–	–	–	(868)
Reversal of write-down of cryptocurrencies	–	–	(49,978)	–	–	–	(49,978)
Foreign exchange (gains)/losses, net	(188)	–	3,348	–	136	(1,285)	2,011
Net fair value (gains)/losses on financial assets at fair value through profit or loss	(55)	7,212	(54,184)	–	(5)	–	(47,032)

8. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

For the year ended 31 December 2022

	IHA HK$'000	IDC HK$'000	Investing HK$'000	Leasing HK$'000	Other operations HK$'000	Elimination HK$'000	Consolidated HK$'000
REVENUE							
Sale of goods	208,177	–	–	–	60	–	208,237
Lease of properties used as IDC and facilities used in IDC	–	15,000	–	–	–	–	15,000
OTHER REVENUE AND NET INCOME/ (LOSS)	636	(57,701)	(58,085)	9,462	591	(42)	(105,139)
NET CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES	–	53,268	–	501	–	–	53,769
Segment revenue	208,813	10,567	(58,085)	9,963	651	(42)	171,867
RESULTS							
Segment results	(5,329)	(11,806)	(125,738)	5,651	(11,730)	–	(148,952)
Unallocated corporate net income							14,338
Interest income from bank deposits							2,325
Loss allowance on loans receivable							(83,079)
Other unallocated corporate expenses							(44,345)
Loss from operations							(259,713)
Finance costs							(2,350)
Loss before tax							(262,063)
Income tax expenses							(29,002)
Loss for the year							(291,065)

8. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

As at 31 December 2022

	IHA HK$'000	IDC HK$'000	Investing HK$'000	Leasing HK$'000	Other operations HK$'000	Unallocated HK$'000	Consolidated HK$'000
ASSETS							
Segment assets	117,373	937,335	422,234	133,099	232,271	–	1,842,312
Unallocated corporate assets	–	–	–	–	–	412,743	412,743
Consolidated total assets							2,255,055
LIABILITIES							
Segment liabilities	94,751	53,741	124,101	19,256	124,715	–	416,564
Unallocated corporate liabilities	–	–	–	–	–	12,554	12,554
Consolidated total liabilities							429,118
OTHER INFORMATION							
Capital expenditures							
– Property, plant and equipment	–	536	141,595	219	926	21,737	165,013
Depreciation							
– Property, plant and equipment	93	7,254	17,055	560	7	393	25,362
– Allocated to cost of cryptocurrencies	–	–	(16,939)	–	–	–	(16,939)
– Right-of-use assets	1,498	–	522	360	263	8,261	10,904
Amortisation of intangible assets	–	–	36,292	–	–	–	36,292
– Allocated to cost of cryptocurrencies	–	–	(21,170)	–	–	–	(21,170)
Impairment loss on intangible assets	–	–	3,138	–	–	–	3,138
Impairment loss on property, plant and equipment	–	–	23,127	–	–	–	23,127
Loss allowance on loans receivable	–	–	–	–	–	83,079	83,079
Reversal of write-down of inventories, net	(1,796)	–	–	–	–	–	(1,796)
Write-down of cryptocurrencies	–	–	50,356	–	–	–	50,356
Foreign exchange losses/(gains), net	518	–	–	–	(575)	(59)	(116)
Net fair value (gains)/losses on financial assets at fair value through profit or loss	(58)	64,909	32,305	–	–	–	97,156

8. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group operates in the following principal geographical areas: the PRC, Hong Kong, Australia, Laos, Republic of the Congo, the United States and other overseas markets in both 2023 and 2022.

The following tables set out information about the geographical location of (a) the Group's revenue and non-current assets other than financial assets at fair value through profit or loss and interests in associates; and (b) other revenue and net income/(loss) other than unallocated corporate net income and interest income from bank deposits. The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the non-current assets is based on the physical location of the assets while the geographical location of intangible assets is based on the location of the company holding the assets. The geographical location of other revenue and net income/(loss) is based on the location at which other revenue and net income/(loss) is generated.

(a) Revenue and non-current assets

	Revenue		Non-current assets	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**75,241**	80,423	**149,975**	129,020
Hong Kong	**28,085**	53,012	**103,158**	164,544
Australia	**60,142**	58,082	**–**	–
Laos	**–**	–	**51,881**	103,867
Republic of the Congo	**–**	–	**31,446**	–
The United States	**20,581**	–	**166**	852,440
Other overseas markets	**8,520**	31,720	**26,261**	21,542
	192,569	223,237	**362,887**	1,271,413

8. SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

(b) Other revenue and net income/(loss)

	For the year ended 31 December 2023					
	IHA HK$'000	IDC HK$'000	Investing HK$'000	Leasing HK$'000	Other operations HK$'000	Consolidated HK$'000
The PRC	**1,071**	**(7,026)**	**9**	**10,451**	**55**	**4,560**
Hong Kong	**(2,520)**	**–**	**35,204**	**14**	**–**	**32,698**
Laos	**–**	**–**	**(917)**	**–**	**–**	**(917)**
Republic of the Congo	**–**	**–**	**(427)**	**–**	**–**	**(427)**
	(1,449)	**(7,026)**	**33,869**	**10,465**	**55**	**35,914**

	For the year ended 31 December 2022					
	IHA HK$'000	IDC HK$'000	Investing HK$'000	Leasing HK$'000	Other operations HK$'000	Consolidated HK$'000
The PRC	905	(57,701)	5,644	9,384	591	(41,177)
Hong Kong	(269)	–	(40,602)	36	–	(40,835)
Laos	–	–	(23,127)	–	–	(23,127)
	636	(57,701)	(58,085)	9,420	591	(105,139)

Information about major customers

Revenue from customers individually contributing 10% or over of the total revenue of the Group is as follows:

	2023 HK$'000	2022 HK$'000
Customer A (IHA segment)	**74,018**	78,528
Customer B (IHA segment)	**60,142**	58,082
Customer C (IDC segment)	**20,581**	–*
Customer D (IHA segment)	**–***	23,507
	154,741	160,117

* These customers individually contributed less than 10% of the total revenue.

9. REVENUE, OTHER REVENUE AND NET INCOME/(LOSS)

	2023	2022
	HK$'000	HK$'000
Revenue		
Sale of goods *(Note)*	**152,988**	208,237
Rental income from IDC properties and facilities	**39,581**	15,000
	192,569	223,237
Other revenue		
Dividend income from listed securities	**544**	370
Rental income from investment properties	**9,928**	8,918
Interest income calculated using the effective interest method:		
Interest income from bank deposits	**1,004**	2,325
Interest income from loans receivable	**5,838**	15,559
	17,314	27,172
Other net income/(loss)		
Foreign exchange (losses)/gains, net	**(2,011)**	116
Net fair value gains/(losses) on financial assets at fair value through profit or loss	**47,032**	(97,156)
Impairment loss on intangible assets	**(16,159)**	(3,138)
Impairment loss on property, plant and equipment	**(1,344)**	(23,127)
Loss on disposal of property, plant and equipment	**(68)**	(4)
(Loss)/Gain on disposal/utilisation of cryptocurrencies	**(10)**	713
Government subsidies	**–**	432
Insurance claim	**–**	9,461
Reversal of over-provision for income tax payable and stamp duty payable in relation to disposal of a subsidiary in prior years	**14,753**	–
Sundry income	**964**	748
	43,157	(111,955)
	60,471	(84,783)

Note:

The revenue from contracts with customers for sale of goods within HKFRS 15 is based on fixed price and recognised at a point in time.

The amount of revenue recognised for the year ended 31 December 2023 that was included in the contract liabilities at the beginning of the year is approximately HK$16,599,000 *(2022: approximately HK$16,645,000).*

10. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging/(crediting):

	2023 HK$'000	2022 HK$'000
Auditor's remuneration		
– Audit services	**1,700**	1,650
– Non-audit services	**330**	125
Amortisation of intangible assets	**32,525**	36,292
– Allocated to cost of cryptocurrencies	**–**	(21,170)
Depreciation of property, plant and equipment*	**38,216**	25,362
– Allocated to cost of cryptocurrencies	**–**	(16,939)
Depreciation of right-of-use assets	**6,903**	10,904
Cost of inventories	**123,621**	176,965
Cost of cryptocurrencies	**–**	1,719
Loss/(Gain) on lease modifications	**26**	(169)
Loss on disposal of property, plant and equipment	**68**	4
Reversal of write-down of inventories, net	**(868)**	(1,796)
Research and development costs	**1,501**	2,280
(Reversal of write-down)/Write-down of cryptocurrencies	**(49,978)**	50,356
Direct operating expenses arising from investment properties that generating rental income from:		
– Leasing of IDC properties (included in cost of sales)	**8,395**	–
– Leasing of other investment properties (included in other operating expenses)	**1,275**	1,104
– An IDC property that did not generate rental income (included in general and administrative expenses)	**–**	4,002
Staff costs (including Directors' emoluments *(note 11)*):		
Salaries and allowances#	**47,239**	51,410
Retirement benefits scheme contributions#	**3,669**	4,224
Severance payment	**6,558**	3,465
Total staff costs	**57,466**	59,099

* *Depreciation of property, plant and equipment included depreciation of IDC facilities of approximately HK$9,581,000 (2022: approximately HK$7,229,000) recognised as cost of sales for the year.*

\# *Staff costs included salaries and allowances and retirement benefits scheme contributions for research and development staff of approximately HK$14,159,000 and HK$1,645,000 respectively (2022: approximately HK$15,978,000 and HK$1,967,000 respectively) recognised as general and administrative expenses for the year.*

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the nine *(2022: nine)* Directors were as follows:

	Qualifying services					
		Other services in connection with the management of the affairs				
Name of Director	**Directors' fee HK$'000**	**Salaries, allowances and other benefits in kind HK$'000**	**Discretionary bonuses HK$'000**	**Retirement benefits scheme contributions HK$'000**	**Share option benefit HK$'000**	**Total HK$'000**
Executive Directors						
Mr. Li Qiang	**–**	**1,300**	**–**	**65**	**–**	**1,365**
Mr. Cong Yu	**–**	**3,002**	**–**	**150**	**–**	**3,152**
Mr. Gao Fei	**–**	**1,300**	**–**	**65**	**–**	**1,365**
Mr. Shi Guangrong	**–**	**930**	**–**	**46**	**–**	**976**
Mr. Zhu Jiang	**–**	**696**	**–**	**22**	**–**	**718**
Mr. Chen Biao	**–**	**563**	**–**	**24**	**–**	**587**
Independent Non-Executive Directors						
Ms. Shen Yan	**120**	**–**	**–**	**–**	**–**	**120**
Ms. Dong Hairong	**120**	**–**	**–**	**–**	**–**	**120**
Ms. Huo Qiwei	**120**	**–**	**–**	**–**	**–**	**120**
Total for 2023	**360**	**7,791**	**–**	**372**	**–**	**8,523**
Executive Directors						
Mr. Li Qiang	–	1,300	–	65	–	1,365
Mr. Cong Yu	–	3,002	1,200	150	–	4,352
Mr. Gao Fei	–	1,300	–	65	–	1,365
Mr. Shi Guangrong	–	930	–	46	–	976
Mr. Zhu Jiang	–	708	–	25	–	733
Mr. Chen Biao	–	845	–	–	–	845
Independent Non-Executive Directors						
Ms. Shen Yan	120	–	–	–	–	120
Ms. Dong Hairong	120	–	–	–	–	120
Ms. Huo Qiwei	120	–	–	–	–	120
Total for 2022	360	8,085	1,200	351	–	9,996

11. DIRECTORS' EMOLUMENTS *(Continued)*

During the years ended 31 December 2023 and 2022, no emolument was paid by the Group to any Director as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emolument during both years.

There were no loans, quasi-loans or other dealings in favour of the Directors that were entered into or subsisted during the years ended 31 December 2023 and 2022.

The Directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company was a party and in which a Director or a connected entity of the Director had a material interest, whether directly or indirectly, subsisted at the end of the reporting period or at any time during the years ended 31 December 2023 and 2022.

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, three *(2022: four)* Directors are included in the five highest paid individuals of the Group. Details of Directors' emoluments are set out in note 11 above. The emoluments of the remaining two *(2022: one)* highest paid individual, who is an employee of the Group, are as follows:

	2023 **HK$'000**	2022 HK$'000
Basic salaries, allowances and other benefits in kind	**2,592**	1,511
Discretionary bonuses	**94**	552
Retirement benefits scheme contributions	**15**	222
	2,701	2,285

The emoluments of the above two *(2022: one)* highest paid individuals fell within the following bands:

	2023 **Number of individuals**	2022 Number of individuals
HK$1,000,001 – HK$1,500,000	**2**	–
HK$2,000,001 – HK$2,500,000	**–**	1
	2	1

During the years ended 31 December 2023 and 2022, no emolument was paid by the Group to the above highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. FINANCE COSTS

	2023 HK$'000	2022 HK$'000
Borrowing costs for bank and other loans	437	2,065
Imputed interest expenses on lease liabilities	157	285
	594	2,350

14. INCOME TAX (CREDIT)/EXPENSES

The taxation (credited)/charged to profit or loss represents:

	2023 HK$'000	2022 HK$'000
Current tax		
Hong Kong Profit tax		
– Underprovision in respect of prior year	–	3
PRC corporate income tax		
– Current year	6	726
Overseas withholding tax		
– Current year	–	3,046
	6	3,775
Deferred taxation		
Origination and reversal of temporary differences	(14,670)	25,227
(Credit)/Charge for the year	(14,664)	29,002

Taxation recognised directly in other comprehensive income

	2023 HK$'000	2022 HK$'000
Deferred tax relating to revaluation of property, plant and equipment upon transfer to investment properties	–	2,576

For the years ended 31 December 2023 and 2022, Hong Kong Profits Tax has not been provided as the Group neither generate any assessable profit from Hong Kong nor its estimated assessable profits for the years were wholly absorbed by unrelieved tax losses brought forward from previous years.

14. INCOME TAX (CREDIT)/EXPENSES *(Continued)*

The income tax provision in respect of operations in the PRC is calculated at the corporate income tax ("CIT") rate of 25% on the estimated assessable profits for 2023 and 2022 based on existing legislation, interpretations and practices in respect thereof. Certain subsidiaries of the Company have been designated as "Small-Scale and Low-Profit Enterprises" which are charged at the effective preferential CIT rates of 2.5% or 10% *(2022: 2.5% or 10%)* respectively on condition that the annual taxable income was no more than RMB1.0 million or between RMB1.0 million to RMB3.0 million for 2023 and 2022.

The operation of the Group in the United States is subject to the United States Federal and State Income Tax. For the years ended 31 December 2023 and 2022, the United States Federal and State Income Tax has not been provided as the Group did not generate any assessable profit in the United States.

Under the United States domestic tax laws, a foreign person is subject to 30% income tax on the gross amount of certain United States-source (non-business) income. As such, withholding tax was provided at 30% for the interest income derived from the loans to a wholly-owned subsidiary in the United States by the Company for the year ended 31 December 2022. Withholding tax has not been provided for the year ended 31 December 2023 because no interest income was charged to the subsidiary during the year.

The operation of the Group in Germany is subject to the Germany Corporate Tax and Municipal Trade Tax. For the years ended 31 December 2023 and 2022, the Germany Corporate Tax and Municipal Trade Tax has not been provided as the Group did not generate any assessable profit in Germany.

The Group has investment properties (including investment properties classified as held-for-sale) situated in the PRC and the United States which are stated at fair value. Deferred taxes are recognised on changes in fair value of investment properties in the PRC and the United States taking into account the PRC land appreciation tax and CIT payable for the investment properties located in the PRC or the Federal and the State Income Tax payable for the investment properties located in the United States upon sales of those investment properties.

Reconciliation of tax (credit)/expenses

	2023 **HK$'000**	2022 HK$'000
Loss before tax	**(131,924)**	(262,063)
Tax at a weighted average rate of 19.8% *(2022: 18.3%)* applicable to the jurisdictions concerned	**(26,136)**	(47,944)
Tax effect of non-deductible expenses	**29,923**	72,932
Tax effect of non-taxable income	**(28,717)**	(20,614)
Tax effect of share of results of associates	**54**	–
Tax effect of utilisation of tax losses not previously recognised	**(2,597)**	(3,271)
Tax effect of unrecognised tax losses and temporary differences	**26,512**	24,925
Tax effect of under provision in prior year	**–**	3
Tax effect of (reversal)/provision of deferred taxation	**(13,255)**	238
Withholding tax for offshore interest income	**–**	3,045
Others	**(448)**	(312)
Tax (credit)/expenses for the year	**(14,664)**	29,002

14. INCOME TAX (CREDIT)/EXPENSES *(Continued)*

Recognised deferred tax assets and liabilities

The movements for the year in the Group's deferred tax assets and liabilities are as follows:

	Assets		Liabilities	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
At beginning of the reporting period	**–**	–	**(43,146)**	(16,772)
Exchange realignment	**–**	–	**215**	1,429
Recognised directly in other comprehensive income	**–**	–	**–**	(2,576)
Recognised in profit or loss	**–**	–	**14,670**	(25,227)
At end of the reporting period	**–**	–	**(28,261)**	(43,146)

Recognised deferred tax assets and liabilities at the end of the reporting period represent the following:

	Assets		Liabilities	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
Revaluation of property, plant and equipment upon transfer to investment properties	**–**	–	**(35,563)**	(35,863)
Revaluation of investment properties	**–**	–	**(21,226)**	(19,598)
Depreciation allowances	**–**	–	**(651)**	(2,504)
Tax losses	**29,179**	14,819	**–**	–
Deferred tax assets/(liabilities)	**29,179**	14,819	**(57,440)**	(57,965)
Offsetting	**(29,179)**	(14,819)	**29,179**	14,819
Net deferred tax assets/(liabilities)	**–**	–	**(28,261)**	(43,146)

14. INCOME TAX (CREDIT)/EXPENSES *(Continued)*

Unrecognised deferred tax assets arising from

	2023	2022
	HK$'000	HK$'000
Deductible temporary differences	**2,741**	502
Tax losses	**801,826**	604,124
	804,567	604,626

At 31 December 2023, the Group had unrecognised deferred tax assets of approximately HK$156,006,000 *(2022: approximately HK$129,168,000)* in respect of the tax losses and other temporary differences. As it is not probable that future taxable profits will be available against which the deductible temporary differences and the unused tax losses of the Group can be utilised, deferred tax assets have not been recognised. The deductible temporary differences do not expire under the current tax legislation.

The expiry of unrecognised tax losses are as follows:

	2023	2022
	HK$'000	HK$'000
Tax losses without expiry date	**594,255**	459,212
Tax losses expiring on 31 December 2028	**31,199**	–
Tax losses expiring on 31 December 2027	**96,031**	89,490
Tax losses expiring on 31 December 2026	**35,676**	35,668
Tax losses expiring on 31 December 2025	**30,313**	32,596
Tax losses expiring on 31 December 2024	**14,352**	15,148
Tax losses expiring on 31 December 2023	**–**	30,653
	801,826	662,767

The profits earned by the PRC subsidiaries from 1 January 2008 onwards would be subject to withholding tax if they are distributed. In the opinion of the Directors, all undistributed profits are expected to be retained in the PRC subsidiaries and associates and not to be remitted out of the PRC in the foreseeable future. Accordingly, no provision for deferred tax has been made. As at 31 December 2023 and 2022, retained profits earned by the PRC subsidiaries and associates amounted to HK$Nil.

15. DIVIDENDS

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

16. LOSS PER SHARE

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

	2023	2022
	HK$'000	HK$'000
Loss attributable to owners of the Company	**(113,654)**	(290,118)

	2023	2022
	'000	'000
Issued ordinary Shares at 1 January and 31 December	**2,487,705**	2,487,705
Weighted average number of ordinary Shares for basic loss per Share	**2,487,705**	2,487,705
Weighted average number of ordinary Shares for diluted loss per Share	**2,487,705**	2,487,705

	HK$	HK$
Loss per Share:		
– Basic	**(0.05)**	(0.12)
– Diluted *(Note)*	**(0.05)**	(0.12)

Note:

Diluted loss per Share was the same as the basic loss per Share as there were no dilutive potential ordinary Shares in existence during the years ended 31 December 2023 and 2022.

17. INVESTMENT PROPERTIES

	2023 HK$'000	2022 HK$'000
At fair value		
At beginning of the reporting period	**934,696**	91,793
Additions	**54,810**	–
Transfer from property, plant and equipment	**–**	796,848
Net changes in fair value	**(6,248)**	53,769
Re-classified as assets held-for-sale	**(850,200)**	–
Exchange realignment	**(1,188)**	(7,714)
At end of the reporting period	**131,870**	934,696

As at 31 December 2023, the carrying amounts of the investment properties held under medium-term leases and situated in the PRC and held as freehold and situated in the United States were approximately HK$131,870,000 *(2022: approximately HK$84,496,000)* and HK$Nil *(2022: approximately HK$850,200,000)* respectively.

During the year ended 31 December 2023, one of the Group's investment properties situated in the PRC were leased to Chengdu Wuhou Ganluhai Zang Hospital Co., Ltd* (成都武侯甘露海藏醫院有限公司) ("Chengdu Ganluhai") with a term of three years commencing from 1 August 2023 to 31 July 2026 at a monthly rent of approximately RMB368,000 (tax inclusive) for the first term year, approximately RMB379,000 (tax inclusive) for the second term year and approximately RMB390,000 (tax inclusive) for the third term year. Chengdu Ganluhai is indirectly owned as to 45.8% by Mr. Cong Yu, a substantial Shareholder, the chief executive officer of the Company and an executive Director, and as to 9.3% by Ms. Feng Yaping, the spouse of Mr. Cong Yu. Details of the related party transactions please refer to note 40(a).

The valuation techniques of investment properties are disclosed in note 7.

Commitments under operating leases – as lessor

The Group leases certain of its properties to third parties under operating leases, which have an initial non-cancellable lease term of one to fifteen years *(2022: one to ten years)*. The leases do not include any purchase, termination and extension options.

These properties are exposed to residual value risk. The lease contracts, as a result, impose a restriction that, unless approval is obtained from the Group as lessor, the properties can only be used by the lessees. The lessees are also required to keep the properties in a good state of repair and return the properties in their original condition at the end of the leases.

Below is a maturity analysis of undiscounted lease payments to be received from the leasing of investment properties:

	2023 HK$'000	2022 HK$'000
Year 1	**5,490**	3,086
Year 2	**5,147**	1,209
Year 3	**4,739**	513
Year 4	**1**	134
Year 5	**2**	112
After Year 5	**11**	–
Undiscounted lease payments to be received	**15,390**	5,054

* English names for identification purpose only

18. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Data centre facilities HK$'000	Freehold land HK$'000	Buildings held for own use HK$'000	Leasehold improvements HK$'000	Office equipment, furniture and fixtures HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Cryptocurrency mining machines HK$'000	Total
Reconciliation of carrying amounts – year ended 31 December 2022										
At beginning of the reporting period	621,787	55,134	74,880	38,220	7,490	1,053	194	176	–	798,934
Additions	565	–	17,649	4,027	219	964	–	–	141,589	165,013
Transfer to building	(622,293)	–	–	622,293	–	–	–	–	–	–
Revaluation	–	–	6,258	55,197	–	–	–	–	–	61,455
Transfer to investment properties	–	–	(81,138)	(715,710)	–	–	–	–	–	(796,848)
Disposals	–	–	–	–	–	(4)	–	–	–	(4)
Depreciation	–	(7,229)	–	(134)	(710)	(285)	(30)	(35)	(16,939)	(25,362)
Impairment loss	–	–	–	–	–	–	–	–	(23,127)	(23,127)
Exchange realignment	1	–	–	–	(446)	(55)	(25)	(14)	–	(539)
At end of the reporting period	60	47,905	17,649	3,893	6,553	1,673	139	127	101,523	179,522
Reconciliation of carrying amounts – year ended 31 December 2023										
At beginning of the reporting period	60	47,905	17,649	3,893	6,553	1,673	139	127	101,523	179,522
Additions	–	–	–	–	5,780	883	–	330	–	6,993
Transfer to inventories	(58)	–	–	–	–	–	–	–	–	(58)
Disposals	–	–	–	–	–	(91)	–	–	–	(91)
Depreciation	–	(9,581)	–	(161)	(837)	(553)	(29)	(60)	(26,995)	(38,216)
Impairment loss	–	–	–	–	–	–	–	–	(1,344)	(1,344)
Exchange realignment	(2)	–	–	–	(62)	(36)	(1)	(1)	–	(102)
At end of the reporting period	**–**	**38,324**	**17,649**	**3,732**	**11,434**	**1,876**	**109**	**396**	**73,184**	**146,704**
As at 31 December 2022										
Cost	60	66,146	17,649	4,027	19,586	7,196	1,290	4,117	141,589	261,660
Accumulated depreciation and impairment losses	–	(18,241)	–	(134)	(13,033)	(5,523)	(1,151)	(3,990)	(40,066)	(82,138)
	60	47,905	17,649	3,893	6,553	1,673	139	127	101,523	179,522
As at 31 December 2023										
Cost	–	66,146	17,649	4,027	24,711	7,598	1,271	4,439	141,589	267,430
Accumulated depreciation and impairment losses	–	(27,822)	–	(295)	(13,277)	(5,722)	(1,162)	(4,043)	(68,405)	(120,726)
	–	**38,324**	**17,649**	**3,732**	**11,434**	**1,876**	**109**	**396**	**73,184**	**146,704**

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

During the year ended 31 December 2022, upon obtaining the certificate of occupancy from the United States authority in respect of the construction of Phase I of the US IDC, the Group ceased occupying the US IDC on 31 May 2022 and was actively seeking potential buyer/leasee for the US IDC. Upon the change in use of the US IDC, management reassessed the use of the US IDC and the Group will lease out the US IDC and/or hold it for capital appreciation. Therefore, such land and building were considered investment properties rather than owner-occupied properties and resulted in the transfer of their revaluated amounts of totalling approximately HK$796,848,000 previously classified as property, plant and equipment to investment properties during the year ended 31 December 2022.

In view of the relocation of certain cryptocurrency mining machines from Laos to Republic of the Congo *(2022: temporary suspension of cryptocurrency mining activities)*, the management has reviewed the carrying value of property, plant and equipment and determined that the recoverable amount of the cryptocurrency mining machines has declined below their carrying amount. Accordingly, the carrying value of the cryptocurrency mining machines has been reduced by approximately HK$1,344,000 *(2022: approximately HK$23,127,000)* to reflect this impairment loss during the year. The recoverable amount of the cryptocurrency mining machines amounted to approximately HK$73,184,000 *(2022: approximately HK$101,523,000)* is determined by reference to the fair value less costs of disposal by reference to the market price of an active market. The fair value of the cryptocurrency mining machines is categorised as Level 2 measurement on the market value basis using direct comparison approach.

Sales prices of comparable cryptocurrency mining machines in term of hash-rate capacity, age and other relevant factors in close proximity adjusted for differences in key valuation attributes, such as market location were used to value the cryptocurrency mining machines, which were determined based on the management's expectations for the market performance and consistent with external sources of information. One of the key unobservable inputs used in this valuation approach is price per each unit of hash-rate capacity. A decrease in the price per each unit of hash-rate capacity would result in decrease in fair value measurement of the properties by the same percentage and vice versa.

Commitments under operating lease – as lessor

The Group leases certain of its IDC facilities to a third party under operating lease, which has a non-cancellable lease term of five years. The lease does not include any purchase, termination and extension options.

These IDC facilities are exposed to residual value risk. The lease contract, as a result, imposes a restriction that, unless approval is obtained from the Group as lessor, the IDC facilities can only be used by the lessee. The lessee is also required to keep the IDC facilities in a good state of repair and return the IDC facilities in their original condition at the end of the lease.

Below is a maturity analysis of undiscounted lease payments to be received from the leasing of IDC facilities:

	2023 **HK$'000**	2022 HK$'000
Year 1	**20,000**	19,000
Year 2	**5,000**	20,000
Year 3	**–**	5,000
Undiscounted lease payments to be received	**25,000**	44,000

19. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The movements of right-of-use assets and lease liabilities within HKFRS 16 during the years ended 31 December 2023 and 2022 are set out below:

	Right-of-use assets				
	Leasehold land HK$'000	Leasehold properties HK$'000	Buildings HK$'000	Total HK$'000	Lease liabilities HK$'000
At 1 January 2022	10,000	64,904	11,398	86,302	(10,824)
Depreciation of right-of-use assets	(360)	(3,003)	(7,541)	(10,904)	–
Imputed interest expenses on lease liabilities	–	–	–	–	(285)
Lease payments	–	–	–	–	7,198
Lease modification	–	–	176	176	(7)
Exchange realignment	(833)	–	(339)	(1,172)	434
At 31 December 2022 and at 1 January 2023	8,807	61,901	3,694	74,402	(3,484)
Additions	–	–	1,412	1,412	(1,412)
Depreciation of right-of-use assets	(343)	(3,003)	(3,557)	(6,903)	–
Imputed interest expenses on lease liabilities	–	–	–	–	(157)
Lease payments	–	–	–	–	3,451
Lease modification	–	–	2,685	2,685	(2,711)
Exchange realignment	(123)	–	(13)	(136)	51
At 31 December 2023	**8,341**	**58,898**	**4,221**	**71,460**	**(4,262)**
At 31 December 2022					
Current portion	–	–	–	–	(2,145)
Non-current portion	8,807	61,901	3,694	74,402	(1,339)
	8,807	61,901	3,694	74,402	(3,484)
At 31 December 2023					
Current portion	–	–	–	–	(2,995)
Non-current portion	8,341	58,898	4,221	71,460	(1,267)
	8,341	**58,898**	**4,221**	**71,460**	**(4,262)**

19. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(Continued)*

The Group as lessee

The leasehold land of approximately HK$8,341,000 *(2022: approximately HK$8,807,000)* represents upfront payment for medium-term leasehold land situated in the PRC, which is amortised over the lease period of 45 years. At the end of the reporting period, the remaining lease term of the land was 25 years *(2022: 26 years)*.

The interests in leasehold properties, which comprise leasehold lands and the buildings thereon (including the whole or part of undivided share in the underlying land), in Hong Kong of approximately HK$58,898,000 *(2022: approximately HK$61,901,000)* are held by the Group as the registered owner. Those property interests were acquired from the previous registered owners by making lump sum payments at the upfront. Except for the variable amounts to be charged by the government subsequently that are reviewed regularly with reference to a few factors such as the rateable values, there are no ongoing payments to be made under the terms of the land lease. At the end of the reporting period, the remaining lease term of the land were 24 to 25 years *(2022: 25 to 26 years)*.

The leasehold properties were held for own use and were depreciated over the shorter of the lease term and the estimated useful life.

The Group leases various office premises and staff quarters for its daily operations with fixed lease payment terms. Lease terms range from one to four years *(2022: one to four years)*.

Restrictions or covenants

Most of the leases impose a restriction that, unless approval is obtained from the lessor, the right-of-use asset can only be used by the Group and the Group is prohibited from selling or pledging the underlying assets. The Group is also required to keep those properties in a good state of repair and return the properties in their original condition at the end of the leases.

The Group has recognised the following amounts for the year:

	2023 **HK$'000**	2022 HK$'000
Lease payments:		
Short-term leases	**492**	527
Total cash outflow for leases	**3,943**	7,725

During the year ended 31 December 2023, lease expenses charged to profit or loss amounted to approximately HK$492,000 *(2022: approximately HK$527,000)*.

Commitments under operating leases – as lessee

At 31 December 2023, the Group was committed to lease contracts in relation to office premises that have not yet commenced. The related lease payments that were not paid and not reflected in the measurement of lease liabilities were approximately HK$10,032,000 *(2022: HK$Nil)*.

At 31 December 2023, the Group was committed to short-term leases of HK$Nil *(2022: approximately HK$96,000)*.

20. INTANGIBLE ASSETS

Intangible assets which represented the hash-rate capacity for cryptocurrencies mining which enabling the Group to mine the Ethereum (being a mainstream cryptocurrency based on market value) for a contractual term of three years from the year ended 31 December 2021. The hash-rate capacity is initially measured at cost and amortised over three years using the straight-line method.

	Hash-rate capacity HK$'000
Reconciliation of carrying amount – year ended 31 December 2022	
At beginning of the reporting period	87,907
Additions	209
Amortisation	(36,292)
Impairment loss	(3,138)
At end of the reporting period	48,686
Reconciliation of carrying amount – year ended 31 December 2023	
At beginning of the reporting period	48,686
Amortisation	(32,525)
Impairment loss	(16,159)
Exchange realignment	(2)
At end of the reporting period	–
As at 31 December 2022	
Cost	109,085
Accumulated amortisation and impairment losses	(60,399)
	48,686
As at 31 December 2023	
Cost	109,085
Accumulated amortisation and impairment losses	(109,085)
	–

The management has reviewed the carrying value of intangible assets and determined that the recoverable amount of the intangible assets has declined below their carrying amount. Accordingly, the carrying value of the intangible assets has been reduced by approximately HK$16,159,000 *(2022: approximately HK$3,138,000)* to reflect this impairment loss during the year. The recoverable amount of the intangible assets was HK$Nil as at 31 December 2023 as no future economic benefits are expected from the hash-rate capacity due to the change of the network's consensus mechanism for Ethereum mining. As at 31 December 2022, the recoverable amount of intangible assets of approximately HK$48,686,000 was determined by reference to the fair value less costs of disposal by reference to the market price of an active market of hash-rate capacity. The fair value of the hash-rate capacity as at 31 December 2002 was categorised as Level 2 measurement on the market value basis using direct comparison approach.

21. INTERESTS IN ASSOCIATES

	2023 HK$'000	2022 HK$'000
Unlisted shares, at cost	3,351	–
Share of results	(325)	–
Exchange realignment	2	–
At end of the reporting period	**3,028**	–

On 10 August 2023, YX Capital Model Limited ("YX Capital") was established in Hong Kong, with 40% of its equity interest held by the Group since incorporation by making capital contribution of HK$40,000.

On 31 July 2023, the Group acquired 33.4% equity interest in Hangzhou Chengli Moonlight Technology Company Limited* (杭州城里月光科技有限公司) ("Chengli Moonlight"), by making capital contribution of RMB3,000,000 (equivalent to approximately HK$3,311,000) to Chengli Moonlight. The Group's capital injection includes RMB2,500,000 in the share capital and RMB500,000 in the capital reserve of Chengli Moonlight.

Details of the associates at the end of the reporting period are as follows:

Name of associates	Principal place of business and incorporation	Issued and paid-up capital	Proportion of issued share/ registered capital indirectly held by the Group 2023	2022	Principal activities
Chengli Moonlight	PRC	RMB3,607,508	33.4%	–	Provision of artificial intelligence ("AI") technology and solution
YX Capital	HK	HKD100,000	40%	–	Cross-border investing, funding, and talent recruitments

All of the above associates are accounted for using the equity method in the consolidated financial statements.

Fair Value of investments

As at 31 December 2023, the associates are private companies and there are no quoted market price available for the investments.

Relationship with associates

Chengli Moonlight, a technology startup company in provision of entertainment application with AI technology and solution, allows the Group to penetrate the AI market through its technological know-how.

YX Capital, in partnership with investors and entities in Mainland China and overseas and engaging in cross-border investment, funding, and recruitment of talents and specialists, is a strategic partner of the Group in investing activities.

* English name for identification purpose only

21. INTERESTS IN ASSOCIATES *(Continued)*

Financial information of associates

Summarised financial information of each of the associates of the Group is set out below, which represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs and adjusted by the Group for equity accounting purposes including any differences in accounting policies and fair value adjustments:

	Chengli Moonlight 2023 HK$'000	YX Capital 2023 HK$'000
Gross amount		
Non-current assets	31	–
Current assets	8,010	100
Current liabilities	(158)	(18)
Non-current liabilities	–	–
Equity	7,883	82
Reconciliation		
Gross amount of equity	7,883	82
Group's ownership interests	33.4%	40%
Group's share of equity	2,995	33

	Chengli Moonlight 2023 HK$'000	YX Capital 2023 HK$'000
Gross amount		
Revenue	–	–
Loss for the year	(951)	(18)
Total comprehensive loss	(951)	(18)
Dividends received from associates	–	–
Reconciliation		
Group's ownership interests	33.4%	40%
Group's share of results	(318)	(7)
Group's share of other comprehensive loss	–	–

Contingent liabilities

At the end of the reporting period, there were no contingent liabilities incurred by the Group in relation to its interests in associates.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	2023 HK$'000	2022 HK$'000
Equity securities listed in Hong Kong	(a)	**16,608**	58,165
Equity securities listed outside Hong Kong	(a)	**1,454**	20,304
Money market funds	(a)	–	1,320
Unlisted equity securities	(b)	**141,965**	113,160
Contingent consideration receivable from disposal of a subsidiary	(c)	–	7,212
		160,027	200,161
Current portion		**18,062**	87,001
Non-current portion		**141,965**	113,160
		160,027	200,161

Notes:

(a) The fair values of listed equity securities and money market funds are based on quoted market prices in active markets at the end of the reporting period.

(b) The investments in unlisted equity securities of companies incorporated in the Cayman Islands and Hong Kong of approximately HK$121,528,000 *(2022: approximately HK$96,731,000)* are not held for trading. The valuation techniques and inputs applied for fair value measurement have been disclosed in note 7.

As at 31 December 2023, the fair value of equity securities delisted from the New York Stock Exchange but traded actively in the Over-The-Counter market in the United States amounted to approximately HK$20,437,000 *(2022: approximately HK$16,429,000)* is based on the price quoted by the investment manager with reference to quoted price on trading platform. The fair value measurement have been disclosed in note 7.

(c) Fair value of contingent consideration receivable from disposal of a subsidiary is HK$Nil *(2022: approximately HK$7,212,000)* which represents a receivable from an independent third party in respect of the disposal of the entire equity interest of Shanghai Indeed Technology Co., Ltd. ("Shanghai Indeed"), a former indirect wholly-owned subsidiary of the Company.

The contingent consideration receivable represents 27.1951% of the consideration of US$68,000,000 (equivalent to approximately HK$530,400,000) after adjusting for the likelihood of the registration of and obtaining the relevant certificates for the reconstruction project of the land and property held by Shanghai Indeed and the obtaining of the renewed real property certificate from the relevant land authority in the PRC (the "Reconstruction Registration") within six months after the date of the agreement. The contingent consideration would be transferred to the Group by Empress Investments Pte Ltd ("Empress Investments"), the purchaser of Shanghai Indeed, within five business days after the receipt of written notice that the Reconstruction Registration is completed and the receipt of the relevant property certificates. If the Reconstruction Registration cannot be obtained after six months or eighteen months after the date of the agreement, Empress Investments would no longer be required to make the payment of the contingent consideration receivable. The deadline of the Reconstruction Registration was further extended to eighteen months after the date of the agreement during the year ended 31 December 2021.

The fair value of contingent consideration receivable is derived from the estimated cash consideration to be received by the Group, taken into account the weighted distribution of the possible outcomes (i.e. the likelihood of obtaining the Reconstruction Registration within eighteen months after the date of the agreement) of 0% *(2022: 5%)*, estimated by the management of the Group with reference to the up-to-date progress of the Reconstruction Registration. As at 31 December 2023, the Reconstruction Registration was not completed. Accordingly, the fair value of the contingent consideration receivable is estimated to be HK$Nil *(2022: approximately HK$7,212,000)*.

23. INVESTMENT PORTFOLIO

The Group's ten largest investments, including individual investments with value exceeding 5% of the Group's total assets, as at 31 December 2023 and 2022 with brief description of the investee companies as follows:

As at 31 December 2023

Stock code	Name of investee company	Note	Number of shares held	Effective shareholding interest	Acquisition cost HK$'000	Fair value HK$'000	Accumulated unrealised holding gain/(loss) arising on revaluation from the date of acquisition to 31 December 2023 HK$'000	Net gain/(loss) for the year ended 31 December 2023 HK$'000	Dividend received for the year ended 31 December 2023 HK$'000	Classification of financial assets
	Listed equity securities									
0641	CHTC Fong's International Company Limited		1,176,000	0.11%	2,629	291	(2,338)	(180)	–	FVPL
1918	Sunac China Holdings Limited		250,000	*	469	68	(401)	(401)	–	FVPL
8137	Honbridge Holdings Limited		43,212,000	0.44%	58,395	15,557	(42,838)	648	–	FVPL
9988	Alibaba Group Holdings Limited		7,500	*	712	567	(145)	(145)	–	FVPL
CNG.L	China Nonferrous Gold Ltd		7,070,134	1.85%	21,707	914	(20,793)	(1,041)	–	FVPL
LU	Lufax Holding Ltd (American depositary shares)		90,000	*	9,427	539	(8,888)	(838)	62	FVPL
	Unlisted equity securities									
	APAL Holdings Limited ("APAL")	(i)	100,000,000	9.47%	78,000	49,750	(28,250)	10,697	–	FVPL
DIDIY	DiDi Global Inc. ("DiDi") (American depositary shares)	(ii)	662,600	–	12,729	20,437	7,708	4,008	–	FVPL
	HK Zxoud Limited ("Zxoud")	(iii)	–	10%	11,800	7,537	(4,263)	(2,825)	–	FVPL
	Profound View Group ("Profound")	(iv)	918	8.41%	48,000	64,241	16,241	16,925	–	FVPL

The above investments represented in aggregate over 99% in value of the Group's investments. Apart from the ten largest investments listed above, the Group also held various other individual investments with value representing below 1% of the Group's total assets as at 31 December 2023.

* The effective shareholding interest is below 0.01%.

23. INVESTMENT PORTFOLIO *(Continued)*

As at 31 December 2022

Stock code	Name of investee company	Note	Number of shares held	Effective shareholding interest	Acquisition cost HK$'000	Fair value HK$'000	Accumulated unrealised holding gain/(loss) arising on revaluation from the date of acquisition to 31 December 2022 HK$'000	Net gain/(loss) for the year ended 31 December 2022 HK$'000	Dividend received for the year ended 31 December 2022 HK$'000	Classification of financial assets
	Listed equity securities									
0700	Tencent Holdings Limited		125,100	*	35,873	41,783	5,910	5,910	–	FVPL
8137	Honbridge Holdings Limited		43,212,000	0.44%	58,395	14,908	(43,487)	(648)	–	FVPL
AAPL	Apple Inc.		15,600	*	16,357	15,810	(547)	(547)	–	FVPL
CNG.L	China Nonferrous Gold Ltd		7,070,134	1.85%	21,707	1,955	(19,752)	(3,243)	–	FVPL
LU	Lufax Holding Ltd (American depositary shares)		90,000	*	9,427	1,377	(8,050)	(2,574)	358	FVPL
TSM	Taiwan Semiconductor Manufacturing Company		2,000	*	1,170	1,162	(8)	(8)	–	FVPL
	Unlisted equity securities									
	APAL	(i)	100,000,000	9.47%	78,000	39,053	(38,947)	(15,069)	–	FVPL
DIDIY	DiDi (American depositary shares)	(ii)	662,600	–	12,729	16,429	3,700	3,700	–	FVPL
	Zxoud	(iii)	–	10%	11,800	10,362	(1,438)	(1,438)	–	FVPL
	Profound	(iv)	918	8.41%	48,000	47,316	(684)	(731)	–	FVPL

The above investments represent in aggregate 100% in value of the Group's investments.

Notes:

(i) APAL is an exempt company incorporated in the Cayman Islands with limited liability. APAL and its subsidiaries are principally engaged in the business of global aircraft leasing, aircraft trading, securitised aircraft leasing financial products, aircraft parts trading, maintenance of aircraft, dismantling aircraft and other related consulting services. As at 31 December 2023, the fair value of the entire unlisted equity securities is approximately HK$525,359,000 *(2022: approximately HK$412,405,000)* by reference to the valuation provided by an independent professional qualified valuer using direct comparison approach with unobservable inputs.

(ii) DiDi was delisted from the New York Stock Exchange in June 2022 and its shares are traded at Over-The-Counter market in the United States after the delisting. The Group received 178,600 shares of DiDi from the Altive Fund in March 2022 upon redemption and additionally acquired 484,000 shares of DiDi before delisting from the New York Stock Exchange. As at 31 December 2023, 662,600 shares of DiDi at fair value of HK$20,437,000 *(2022:approximately HK$16,429,000)* were held by the Group.

(iii) Zxoud is a company incorporated in Hong Kong with limited liability. Zxoud and its subsidiaries are principally engaged in the business of developing cloud-based codec technology and distributed storage technology. As at 31 December 2023, the fair value of the entire unlisted equity securities is approximately US$11,900,000 (equivalent to approximately HK$92,820,000) *(2022: approximately RMB112,750,000 (equivalent to approximately HK$126,217,000))* by reference to the valuation provided by an independent professional qualified valuer using discounted cash flow method.

(iv) Profound is a company incorporated in the Cayman Islands with limited liability. Profound and its subsidiaries are principally engaged in the business of biotechnology and new drug research and development. As at 31 December 2023, the fair value of the entire unlisted equity securities is approximately RMB699,500,000 (equivalent to approximately HK$763,864,000) *(2022: approximately RMB586,500,000) (equivalent to approximately HK$692,035,000))* by reference to the valuation provided by an independent professional qualified valuer using discounted cash flow method.

24. CRYPTOCURRENCIES

The amounts represented the cryptocurrencies held by the Group as at the end of the reporting period.

	2023	2022
	HK$'000	HK$'000
Mainstream:		
Ethereum	**56,384**	35,192
Bitcoin	**53,849**	25,097
USDC	**478**	1,678
	110,711	61,967

Note:

Cryptocurrencies held by the Group are generated from the hash-rate capacity under the intangible assets (note 20) and the cryptocurrency mining machines under property, plant and equipment (note 18), purchased from the cryptocurrency market and received from redemption of a private investment fund . At the end of the reporting period, cryptocurrencies were stated at the lower of cost and net realisable value, except for cryptocurrencies of HK$Nil *(2022: approximately HK$60,289,000)* which are carried at fair value less cost to sell. The Group estimated the net realisable value of the cryptocurrencies with reference to their market prices in the relevant cryptocurrencies markets less the estimated costs necessary to make the sale. The cost of cryptocurrencies recognised as an income *(2022: expenses)* during the year was HK$49,978,000 *(2022: approximately HK$52,075,000)*, in respect of which approximately HK$49,978,000 *(2022: approximately HK$50,356,000)* represents reversal of write down (2022: write-down) of cryptocurrencies to net realisable value.

As a result of the increases in market value of mainstream cryptocurrencies, there was an increase in the net realisable value of approximately HK$49,978,000 *(2022: HK$Nil)*. Accordingly, provisions made in previous years against the carrying value of cryptocurrencies of approximately HK$49,978,000 *(2022: HK$Nil)* have been reversed and recognised as an income in the consolidated statement of comprehensive income.

25. INVENTORIES

	2023	2022
	HK$'000	HK$'000
Raw materials	**2,757**	14,019
Finished goods	**29,899**	2,878
	32,656	16,897

Due to a change in consumer preference, there was an increase in the net realisable value of approximately HK$868,000 *(2022: HK$Nil)*. Accordingly, provisions made in previous years against the carrying value of inventories of approximately HK$868,000 *(2022: HK$Nil)* have been reversed and recognised as a reduction in the amount of inventories recognised as expense.

26. LOANS RECEIVABLE

	2023 HK$'000	2022 HK$'000
Loans receivable from third parties	**247,230**	246,067
Less: Loss allowance	**(198,104)**	(142,887)
	49,126	103,180

At the end of the reporting period, loans receivable comprise:

(i) A RMB90,000,000 loan to an independent third party borrower. The loan was interest-bearing at 8% per annum, repayable in December 2021 and secured by a corporate guarantee provided by an independent third party and a personal guarantee provided by a shareholder of the borrower. During the year ended 31 December 2021, the loan was extended to be repayable in September 2022 and further secured by a corporate guarantee provided by another independent third party (the "Third Guarantor") and the collateral of the share charges of a company incorporated in the PRC which is 2.4987% owned by the Third Guarantor (the "Loan Extension").

The Loan Extension was subject to certain conditions to be fulfilled by the borrower within 45 days from the date of the Loan Extension, being 16 December 2021 (the "Conditions"), details of which are disclosed in the Company's announcement dated 16 December 2021. By the end of the 45 days, none of the terms under the Conditions was completed and the Loan Extension became ineffective. On 10 February 2022, the Group issued a demand letter to the borrower and the guarantors demanding repayment of the outstanding loans principal and accrued interests. On 14 February 2022, the borrower proposed a new repayment schedule of the outstanding loans and accrued interest thereon. Subsequently, the Group continually issued another two demand letters to the borrower and a partial repayment was received during the year ended 31 December 2022. As at the date of this report, no consent to the repayment schedule was reached by both parties.

At the end of the reporting period, the principal of RMB86,000,000 (equivalent to approximately HK$96,272,000) *(2022: RMB86,000,000 (equivalent to approximately HK$96,272,000))* and accrued interest receivable of approximately HK$18,693,000 *(2022: approximately HK$18,693,000)* were recognised as loans receivable under current assets. Loss allowance of approximately HK$114,965,000 *(2022: approximately HK$114,965,000)* in respect of this credit impaired loan receivable had been recognised at the end of the reporting period. Details of the loan were disclosed in the Company's announcements dated 19 December 2019, 18 September 2020, 17 December 2020, 16 December 2021 and 11 February 2022 respectively.

(ii) A HK$41,000,000 loan to an independent third party borrower which is secured by a corporate guarantee provided by a substantial shareholder of the Company. The loan was interest-bearing at 8% per annum. During the year ended 31 December 2022, the loan was further extended to be repayable in June 2023. Pursuant to the extension of the loan agreement, the loan is further secured by accounts receivable of the borrower of approximately HK$18,732,000 as collateral, with other terms remain unchanged. No further extension was granted after June 2023 and a demand letter was sent during the year ended 31 December 2023. Subsequent to the reporting period, another demand letter was sent to the borrower demanding repayment of the outstanding loans principal and accrued interest thereon. As at the date of this report, neither of the interest nor principal was settled by the borrower.

26. LOANS RECEIVABLE *(Continued)*

(ii) (Continued)

At the end of the reporting period, the principal of HK$41,000,000 *(2022: HK$41,000,000)* and accrued interest receivable of approximately HK$2,453,000 *(2022: approximately HK$827,000)* were recognised as loans receivable under current assets. Loss allowance of approximately HK$37,361,000 *(2022: approximately HK$10,482,000)* in respect of this loan receivable had been recognised at the end of the reporting period. Details of the loan were disclosed in the Company's announcements dated 9 December 2019, 12 December 2019, 29 June 2020, 31 December 2020, 31 December 2021, 30 September 2022 and 13 July 2023 respectively.

(iii) A HK$60,000,000 loan to an independent third party borrower. The loan was secured by corporate guarantees provided by two independent third parties and interest-bearing at 5% per annum. During the year ended 31 December 2023 approximately HK$5,000,000 was repaid and the principal of HK$60,000,000 was further extended to be repayable in March 2024. Pursuant to the extension of the loan agreement, the loan is secured by accounts receivable and deposits of the borrower of approximately HK$55,403,000 as collateral, with other terms remain unchanged.

At the end of the reporting period, the principal of HK$60,000,000 *(2022: HK$60,000,000)* and accrued interest receivable of approximately HK$756,000 *(2022: approximately HK$2,756,000)* were recognised as loans receivable under current assets. Loss allowance of approximately HK$32,557,000 *(2022: approximately HK$14,036,000)* in respect of this loan receivable has been recognised at the end of the reporting period. Details of the loan were disclosed in the Company's announcements dated 18 March 2020, 17 June 2020, 30 September 2021, 1 October 2022 and 28 September 2023 respectively.

(iv) A RMB10,000,000 loan to an independent third party borrower which is unsecured and interest-bearing at 5% per annum. During the year ended 31 December 2023, the loan was further extended to be repayable in June 2023, with other terms remain unchanged. No further extension of the loan was granted after June 2023, and the Group is in negotiation with the borrower to repay the remaining loan receivable and accrued interest.

At the end of the reporting period, the principal of RMB10,000,000 (equivalent to approximately HK$11,035,000) *(2022: RMB10,000,000 (equivalent to approximately HK$11,194,000))* and accrued interest receivable of approximately HK$1,531,000 *(2022: approximately HK$1,160,000)* were recognised as loans receivable under current assets. Loss allowance of approximately HK$12,566,000 *(2022: approximately HK$3,180,000)* in respect of this loan receivable had been recognised at the end of the reporting period.

(v) A HK$14,000,000 loan to an independent third party borrower which is unsecured and interest-bearing at 5% per annum. During the year ended 31 December 2023, the loan was further extended to be repayable in April 2024, with other terms remain unchanged.

At the end of the reporting period, the principal of HK$14,000,000 *(2022: HK$14,000,000)* and accrued interest receivable of approximately HK$167,000 *(2022: approximately HK$165,000)* were recognised as loans receivable under current assets. Loss allowance of approximately HK$655,000 *(2022: approximately HK$224,000)* in respect of this loan receivable had been recognised at the end of the reporting period.

(vi) During the year, a new loan of RMB1,100,000 (equivalent to approximately HK$1,213,000) was granted to an independent third party borrower which is unsecured, interest-bearing at 12% per annum and repayable in August 2023. No extension of loan was granted after August 2023 and the Group is in negotiation with the borrower to repay the loan receivable and accrued interest. At the end of the reporting period, the principal of approximately HK$1,213,000 and accrued interest receivable of approximately HK$110,000 were recognised as loans receivable under current assets. No loss allowance in respect of this loan receivable had been recognised at the end of the reporting period.

27. TRADE AND OTHER RECEIVABLES AND PREPAYMENT FOR CONSTRUCTION

	Note	2023 HK$'000	2022 HK$'000
Trade receivables		**132,356**	91,585
Less: Loss allowance		**(16,407)**	(15)
	(a)	**115,949**	91,570
Receivables from disposal of a subsidiary	(b)	**257**	257
Earnest money paid for procurement of intangible assets	(c)	**62,900**	63,808
Deposit paid for purchase of investment properties	(d)	**–**	26,793
Other receivables, net of loss allowance	(e)	**15,465**	3,612
Prepayments and deposits, net of loss allowance	(f)	**269,858**	271,000
Prepayment for construction	(g)	**639**	648
		465,068	457,688
Current portion		**452,215**	423,581
Non-Current portion		**12,853**	34,107
		465,068	457,688

Notes:

(a) The ageing analysis of trade receivables (net of loss allowance) by invoice date at the end of the reporting period is as follows:

	2023 HK$'000	2022 HK$'000
0–30 days	**49,516**	42,238
31–60 days	**27,963**	20,100
61–90 days	**14,001**	7,790
Over 90 days	**24,469**	21,442
	115,949	91,570

(b) The receivables from disposal of a subsidiary of approximately HK$257,000 *(2022: approximately HK$257,000)* represent the receivable from an independent third party in respect of the disposal of the entire equity interest of Shanghai Indeed.

(c) Earnest money of RMB57,000,000 (equivalent to approximately HK$62,900,000) *(2022: RMB57,000,000 (equivalent to approximately HK$63,808,000))* was paid for the procurement of hash-rate capacity which was recognised as intangible assets of the Group. The earnest money will be refunded to the Group upon settlement of the remaining outstanding payables for the procurement of hash-rate capacity (note 29(c)(i)). Details of the procurement of hash-rate capacity were disclosed in the Company's announcements dated 14 May 2021, 31 May 2021 and 2 June 2021, respectively.

27. TRADE AND OTHER RECEIVABLES AND PREPAYMENT FOR CONSTRUCTION *(Continued)*

Notes: (Continued)

(d) During the year ended 31 December 2022, an indirect wholly-owned subsidiary of the Company, Meishan E-rich Shengda Medical Service Co., Ltd* (眉山裕睿盛達醫藥服務有限公司) and Meishan Yaoxingtianxia Business Incubator Co., Ltd* (眉山藥行天下創業孵化器有限公司), an independent third party, entered into a provisional agreement to acquire a property located in the PRC at a consideration of approximately RMB24,675,000. The property would be held to earn rental income or sell for a profit if considered appropriate. As at 31 December 2022, approximately RMB23,932,000 (equivalent to approximately HK$26,793,000) was paid and recognised as prepayment under non-current assets. During the year ended 31 December 2023, the Group had completed the purchase of the property upon obtaining the registration certificate and the property is recognised as an investment property in the consolidated financial statements.

(e) Included in other receivables are prepayments made for set-up of cryptocurrency mining facilities amounting to approximately HK$7,800,000 *(2022: HK$Nil)* which are subsequently utilised during 2024.

(f) Included in prepayments and deposits, net of loss allowances are trading deposits for the purchase of cryptocurrency mining machines which will be held for trading purpose of approximately HK$209,757,000 *(2022: approximately HK$212,786,000)* and earnest money for a investment project of approximately HK$24,496,000 *(2022: approximately HK$24,496,000)*.

As at 31 December 2023, a total sum of approximately RMB190,082,000 (equivalent to approximately HK$209,757,000) *(2022: approximately RMB190,082,000 (equivalent to approximately HK$212,786,000))* were paid to Zhongda Bocheng Energy Technology (Shenzhen) Limited* (中達博誠能源科技(深圳)有限公司) ("Zhongda Bocheng"), an independent third party as trading deposits for the purchase of cryptocurrency mining machines which will be held for trading purpose. On the other hand, RMB110,000,000 (equivalent to approximately HK$121,386,000) *(2022: RMB110,000,000 (equivalent to approximately HK$123,139,000))* were received from Zhongda Bocheng as a performance bond, which is not available to set-off against the trading deposits aforesaid and recognised as other payables (note 29(c)(ii)). The Group partially terminated the purchase of cryptocurrency mining machines and the trading deposits of approximately RMB49,977,000 (equivalent to approximately HK$55,150,000) will be refunded to the Group before 31 December 2024 in accordance with the termination agreement signed with Zhongda Bocheng. For the remaining prepayments of approximately RMB140,105,000 (equivalent to approximately HK$154,607,000), the Group and Zhongda Bocheng entered into an extension agreement during the reporting period to extend the delivery of the cryptocurrency machines to December 2024.

As at 31 December 2023, an aggregate of approximately US$3,200,000 (equivalent to approximately HK$29,496,000) was paid by the Group to an independent third party (the "Vendor") as earnest money (the "Earnest Money") for a global sale project under a corporation agreement (the "Agreement"). The interest of a wholly-owned subsidiary of the Vendor was charged as collateral of the Earnest Money. During the year ended 31 December 2023, the Group had notified the Vendor for termination of the Agreement and is in negotiation with the Vendor in the refund of the Earnest Money.

(g) In relation to the construction of US IDC, the Group had entered into a holding escrow agreement with a bank in the United States and the construction company pursuant to which the Group agrees to maintain an amount of US$20,000,000 (equivalent to approximately HK$156,000,000) or the amount due to the construction company, whichever is lower, in the escrow account.

At the end of the reporting period, the Group maintained approximately US$82,000 (equivalent to approximately HK$639,000) *(2022: approximately US$83,000 (equivalent to approximately HK$648,000))* in the escrow account. Subsequent to the end of the reporting period, the Group had utilised the balance in the escrow account.

28. ASSETS CLASSIFIED AS HELD-FOR-SALE

On 29 May 2023, pursuant to a real property purchase and sale and escrow agreement, the Group agreed to conditionally dispose of its property consisting of (a) the real estate situated at 6580 Via Del Oro, San Jose, California 95119 and with an area of approximately 4.725 acres; and (b) one storey mission critical data center building with an area of approximately 80,158 square feet located on the land (collectively, the "Land and Property") at a consideration of US$110,000,000 (equivalent to approximately HK$858,000,000) (the "Disposal").

* English names for identification purpose only

28. ASSETS CLASSIFIED AS HELD-FOR-SALE *(Continued)*

On 12 July 2023, the Disposal was approved by the shareholders in a special general meeting of the Company. Details of the Disposal are set out in the Company's announcement dated 29 May 2023, the circular dated 23 June 2023 and the poll result announcement dated 12 July 2023.

The assets classified as held-for-sale of approximately HK$850,200,000 *(2022: HK$Nil)* referred to the carrying amount of the Land and Properties transferred from investment properties under non-current assets. The Disposal that resulted in the reclassification of assets held-for-sale as at 31 December 2023 is expected to be completed during the course of 2024.

29. TRADE AND OTHER PAYABLES

	Note	2023 HK$'000	2022 HK$'000
Trade payables	(a)	**79,151**	52,748
Contract liabilities	(b)	**11,054**	18,184
Other payables	(c)	**234,924**	269,284
Accruals		**21,920**	20,821
		347,049	361,037

Notes:

(a) The ageing analysis of trade payables by invoice date at the end of the reporting period is as follows:

	2023 HK$'000	2022 HK$'000
0–30 days	**23,192**	42,047
31–60 days	**46,404**	6,338
61–90 days	**9,555**	1,527
Over 90 days	**–**	2,836
	79,151	52,748

The payment terms with suppliers are generally 30 to 60 days *(2022: 30 to 60 days)*.

(b) The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities from contracts with customers within HKFRS 15 during the year are as follows:

	2023 HK$'000	2022 HK$'000
As at 1 January	**18,184**	18,026
Exchange realignment	**(3)**	(32)
Recognised as revenue	**(16,599)**	(16,645)
Receipt of advances or recognition of receivables	**9,472**	16,835
As at 31 December	**11,054**	18,184

29. TRADE AND OTHER PAYABLES *(Continued)*

Notes: (Continued)

(b) *(Continued)*

As at 31 December 2023 and 2022, no contract liabilities are expected to be settled after more than 12 months.

Unsatisfied or partially unsatisfied performance obligations

All the performance obligations that are unsatisfied (or partially unsatisfied) at 31 December 2023 and 2022 are part of contracts that have an original expected duration of one year or less. Given that the Group applies the practical expedient in paragraph 121(a) of HKFRS 15, the transaction price allocated to these performance obligations is not disclosed.

(c) Included in other payables are the following balances:

(i) Outstanding payable of RMB67,000,000 (equivalent to approximately HK$79,748,000) *(2022: RMB67,000,000 (equivalent to approximately HK$79,748,000))* for the procurement of hash-rate capacity, which has been recognised as intangible assets of the Group since the year ended 31 December 2021. The outstanding payable, which is repayable on demand, is not available to set-off against the earnest money of RMB57,000,000 (equivalent to approximately HK$62,900,000) *(2022: RMB57,000,000 (equivalent to approximately HK$63,808,000))* paid for the procurement of hash-rate capacity (note 27(c)).

(ii) A performance bond, which is repayable on demand, received from Zhongda Bocheng in relation to the purchase of cryptocurrency mining machines amounted to RMB110,000,000 (equivalent to approximately HK$121,386,000) *(2022: RMB110,000,000 (equivalent to approximately HK$123,139,000))* (note 27(e)).

(iii) Outstanding payables of approximately HK$12,304,000 *(2022: approximately HK$44,128,000)* for the purchase of cryptocurrency mining machines, which was recognised as property, plant and equipment of the Group during the year ended 31 December 2022. The outstanding payable is repayable on demand.

30. BANK AND OTHER LOANS

	Note	**2023 HK$'000**	2022 HK$'000
Current and secured			
Bank loans with repayment on demand clause	(a)	**11,035**	11,194
Term loans from banks with repayment on demand clause	(a)	**1,238**	1,694
Current and unsecured			
Other loan	(b)	**2,000**	–
		14,273	12,888
Analysis of the amounts due based on scheduled payment dates set out in the loan agreements (ignoring the effect of any repayment on demand clause) is as follows:			
On demand or within one year		**13,320**	11,660
After one but within two years		**85**	281
After two but within five years		**274**	270
After five years		**594**	677
		14,273	12,888

Notes:

(a) As at 31 December 2023, the bank loans carried variable interest rates ranging from 3.33% to 3.53% *(2022: 2.45% to 4.50%)* per annum. The bank loans are secured by the assets of the Group as set out in note 37.

(b) As at 31 December 2023, other loan represented a short-term loan from a non-controlling interest of a subsidiary with principal of HK$2,000,000 *(2022: HK$Nil)*. The other loan was unsecured, interest-free and has no fixed repayment term.

31. DISPOSAL AND ACQUISITION OF SUBSIDIARIES

(a) Disposal of Lasaruida Investment Consultation Management Company Limited*

During the year ended 31 December 2022, the Group disposed of the entire equity interests in a subsidiary in the PRC, Lasaruida Investment Consultation Management Company Limited* (拉薩睿達投資諮詢管理有限公司) through deregistration which was completed in April 2022.

	2022 HK$'000
Net assets disposed of:	
Reclassification adjustment from equity to profit or loss upon disposal:	
Translation reserves	1,696
Loss on disposal	(1,696)
Consideration received or receivable	–

(b) Disposal of Beijing Yuxing Jiqun Investment Management Company Limited*

During the year ended 31 December 2022, the Group disposed of the entire equity interests in a subsidiary in the PRC, Beijing Yuxing Jiqun Investment Management Company Limited* (北京裕興集群投資管理有限公司) through deregistration which was completed in July 2022.

	2022 HK$'000
Net liabilities disposed of:	
Other payables	(5)
Reclassification adjustment from equity to profit or loss upon disposal:	
Translation reserves	(262)
Gain on disposal	267
Consideration received or receivable	–

(c) Acquisition of HK Orient Phoenix Limited

In December 2022, Yuxing Treasury Limited, an indirect wholly owned subsidiary of the Company, acquired 51% equity interest in HK Orient Phoenix Limited ("HK Orient Phoenix") through share allotment of HK Orient Phoenix, a company aiming to develop distributed storage technology. The Group is expected to develop in the business in cloud-based application from the acquisition of HK Orient Phoenix. Non-controlling interests amounted to approximately HK$5,782,000 was arisen from the acquisition of HK Orient Phoenix.

* English names for identification purpose only

32. CHANGES IN OWNERSHIP INTERESTS IN A SUBSIDIARY THAT DO NOT RESULT IN A LOSS OF CONTROL

	2023 HK$'000
Net consideration received	–
Disposal of interests in a subsidiary without loss of control	2
Difference recognised in equity	2

Allotment of shares in a subsidiary without loss of control

On 2 May 2023, the Group allotted 40% equity interest out of the 100% interest held in an indirect-wholly owned subsidiary, Grand InfoTech (HK) Limited ("Grand InfoTech") at a consideration of HK$4,000 to independent third parties of the Group. The carrying amount of the non-controlling interests in Grand InfoTech on the date of share allotment was net liabilities of approximately HK$2,000. This resulted in a decrease in non-controlling interests and an increase in equity attributable to owners of the Company of approximately HK$2,000.

33. SHARE CAPITAL

	Number of Shares		Amount	
	2023 **'000**	2022 '000	**2023** **HK$'000**	2022 HK$'000
Authorised:				
At beginning and end of the reporting period				
Ordinary Shares of HK$0.025 each	**8,000,000**	8,000,000	**200,000**	200,000
Issued and fully paid:				
At beginning of the reporting period				
Ordinary Shares of HK$0.025 each	**2,487,705**	2,487,705	**62,193**	62,193
At end of the reporting period				
Ordinary Shares of HK$0.025 each	**2,487,705**	2,487,705	**62,193**	62,193

34. RESERVES

	Share premium HK$'000 (Note (a)(i))	Statutory reserves HK$'000 (Note (a)(ii))	Contributed surplus HK$'000 (Note (a)(iii))	Share option reserves HK$'000 (Note (a)(iv))	Property revaluation reserves HK$'000 (Note (a)(v))	Translation reserves HK$'000 (Note (a)(vi))	Other reserves HK$'000 (Note (a)(vii))	Retained profits HK$'000	Total HK$'000
As at 1 January 2022	280,057	8,668	234,621	8,948	26,113	54,012	4,201	1,417,461	2,034,081
Loss for the year	–	–	–	–	–	–	–	(290,118)	(290,118)
Other comprehensive income/(loss):									
Revaluation of property, plant and equipment upon transfer to investment properties									
– Gain on revaluation, net of tax	–	–	–	–	58,879	–	–	–	58,879
Exchange differences arising on translation of the foreign operations	–	–	–	–	–	(39,310)	–	–	(39,310)
Release of translation reserves upon disposal of subsidiaries	–	–	–	–	–	1,434	–	–	1,434
Total other comprehensive income	–	–	–	–	58,879	(37,876)	–	–	21,003
Total comprehensive loss for the year	–	–	–	–	58,879	(37,876)	–	(290,118)	(269,115)
Transactions with owners:									
Contributions and distributions									
Share options lapsed	–	–	–	(8,948)	–	–	–	8,948	–
Total transactions with owners	–	–	–	(8,948)	–	–	–	8,948	–
As at 31 December 2022 and as at 1 January 2023	280,057	8,668	234,621	–	84,992	16,136	4,201	1,136,291	1,764,966
Loss for the year	–	–	–	–	–	–	–	(113,654)	(113,654)
Other comprehensive loss:									
Exchange differences arising on translation of the foreign operations	–	–	–	–	–	(7,803)	–	–	(7,803)
Total other comprehensive loss	–	–	–	–	–	(7,803)	–	–	(7,803)
Total comprehensive loss for the year	–	–	–	–	–	(7,803)	–	(113,654)	(121,457)
Transactions with owners:									
Changes in ownership interest									
Changes in ownership interests in a subsidiary that do not result in a loss of control *(note 32)*	–	–	–	–	–	–	2	–	2
Total transactions with owners	–	–	–	–	–	–	2	–	2
As at 31 December 2023	**280,057**	**8,668**	**234,621**	**–**	**84,992**	**8,333**	**4,203**	**1,022,637**	**1,643,511**

34. RESERVES *(Continued)*

Notes:

(a) *Nature and purpose of reserves*

(i) Share premium

The application of the share premium account is governed by Section 46(2) of the Companies Act 1981 of Bermuda.

(ii) Statutory reserves

Statutory reserves comprise statutory surplus reserves fund of the subsidiaries in the PRC and form part of shareholders' fund. According to the articles of association of certain subsidiaries, the subsidiaries are required to transfer 10% of the profit after tax to the statutory surplus reserves fund until the fund balance reaches 50% of the registered capital. The transfer to the funds must be made before distributing dividends to Shareholders.

(iii) Contributed surplus

The contributed surplus represents the difference between the underlying net assets of the subsidiaries which were acquired by the Company and the nominal amount of Shares issued by the Company for each acquisition at the time of the Group reorganisation.

Under the Companies Act 1981 of Bermuda, the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

(iv) Share option reserves

The share option reserves comprise the fair value of the actual or estimated number of unexercised share options granted to eligible participants of the Group recognised in accordance with the accounting policy adopted for share-based payments.

(v) Property revaluation reserves

The property revaluation reserves comprise the net changes in fair value arising on the revaluation of properties held for own use upon transfer to investment properties.

(vi) Translation reserves

The translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(vii) Other reserves

The other reserves have been set up and dealt with in accordance with the accounting policies adopted for the changes in ownership interests in subsidiaries that do not result in a loss of control.

35. OTHER CASH FLOW INFORMATION

(a) Changes in liabilities arising from financing activities

Details of the changes in the Group's liabilities from financing activities are as follows:

	Bank and other loans HK$'000	Lease liabilities HK$'000
As at 1 January 2022	44,957	10,824
Lease modification	–	7
Net cash flows	(29,562)	(7,198)
Interest accrued	2,065	285
Exchange differences	(4,572)	(434)
As at 31 December 2022 and as at 1 January 2023	12,888	3,484
New leases	–	1,412
Lease modification	–	2,711
Net cash flows	1,107	(3,451)
Interest accrued	437	157
Exchange differences	(159)	(51)
As at 31 December 2023	**14,273**	**4,262**

(b) Major non-cash transactions

During the year ended 31 December 2022, the Group redeemed two private investment funds and received equity securities delisted from the New York Stock Exchange but traded actively in the Over-The-Counter market in the United States amounted to approximately HK$5,273,000 and cryptocurrencies amounted to approximately HK$18,257,000 respectively.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries		**1,793,990**	1,849,250
CURRENT ASSETS			
Prepayments, deposits paid and other receivables		**19,702**	29,589
Financial assets at fair value through profit or loss		**539**	1,377
Pledged bank deposits		**–**	–
Cash and bank balances		**8,280**	64,687
		28,521	95,653
CURRENT LIABILITIES			
Other payables		**2,414**	3,491
Dividend payables		**31**	31
Amounts due to subsidiaries		**1,481,649**	1,489,140
		1,484,094	1,492,662
NET CURRENT LIABILITIES		**(1,455,573)**	(1,397,009)
TOTAL ASSETS LESS CURRENT LIABILITIES		**338,417**	452,241
NON-CURRENT LIABILITIES			
Income tax payable		**8,532**	8,532
NET ASSETS		**329,885**	443,709
CAPITAL AND RESERVES			
Share capital		**62,193**	62,193
Reserves	(a)	**267,692**	381,516
TOTAL EQUITY		**329,885**	443,709

This statement of financial position was approved and authorised for issue by the Board on 27 March 2024 and signed on its behalf by:

Li Qiang
Director

Cong Yu
Director

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

(a) Reserves

	Share premium HK$'000 (note 34(a)(i))	Contributed surplus HK$'000 (note 34(a)(iii))	Share option reserves HK$'000 (note 34(a)(iv))	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2022	280,057	380,621	8,948	(219,690)	449,936
Loss for the year	–	–	–	(68,420)	(68,420)
Total comprehensive loss for the year	–	–	–	(68,420)	(68,420)
Transactions with owners:					
Contributions and distributions					
Share options lapsed	–	–	(8,948)	8,948	–
Total transactions with owners	–	–	(8,948)	8,948	–
As at 31 December 2022 and as at 1 January 2023	280,057	380,621	–	(279,162)	381,516
Loss for the year	–	–	–	(113,824)	(113,824)
Total comprehensive loss for the year	–	–	–	(113,824)	(113,824)
As at 31 December 2023	**280,057**	**380,621**	**–**	**(392,986)**	**267,692**

37. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to secure the loan facilities:

		2023	2022
		HK$'000	HK$'000
(a)	Investment properties	61,112	66,652
(b)	Leasehold improvements	35	53
(c)	Right-of-use assets	63,728	67,001
(d)	Financial assets at fair value through profit or loss	–	1,377
(e)	Bank deposits	200	200

38. SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") pursuant to the ordinary resolutions passed by the Shareholders at the special general meeting ("SGM") on 14 January 2015 (the "Option Adoption Date"). The Share Option Scheme is valid for ten years from the Option Adoption Date and shall expire at the close of business on the day immediately preceding the 10 anniversary thereof unless terminated earlier by Shareholders in general meeting. As at the date of this report, the remaining life of the Share Option Scheme is less than 1 year.

The purpose of the Share Option Scheme is to enable the Company to grant share options to the selected eligible participants as incentives or rewards for their contribution or potential contribution to the growth and development of the Group.

The Directors may, at their absolute discretion, invite any person belonging to any of the following categories of participants (the "Eligible Participants") to take up share options to subscribe for the Shares:

Category A Eligible Participants

(a) any Director or proposed Director (whether executive or non-executive, including any independent non-executive director), employee or proposed employee (whether full-time or part-time) of any member of the Group or any substantial Shareholder or any company controlled by a substantial Shareholder; or

(b) any individual for the time being seconded to work for any member of the Group or any substantial Shareholder or any company controlled by a substantial Shareholder.

Category B Eligible Participants

Any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group and shall include any company controlled by one or more persons belonging to any of the above classes of participants.

Options granted to the Eligible Participants are subject to vesting conditions. Options granted to an eligible participant who has joined the Group for more than three years are subject to a vesting scale in tranches of 40%, 30% and 30% each per annum starting from the date of grant and will become fully vested on the third anniversary of the grant. Options granted to an eligible participant who has joined the Group for less than three years are subject to a vesting scale in tranches of 10%, 20%, 35% and 35% each per annum from the second to the fifth year after the grant and will become fully vested on the fifth anniversary of the grant.

38. SHARE OPTION SCHEME *(Continued)*

Category B Eligible Participants *(Continued)*

The total number of Shares which may be issued upon the exercise of all share options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total issued share capital of the Company on the Option Adoption Date (the "Scheme Mandate") unless the Company obtains an approval from the Shareholders to renew the 10% limit on the basis that the maximum number of Shares in respect of which share options may be granted under the Share Option Scheme together with any share options outstanding and yet to be exercised under the Share Option Scheme and any other share option schemes shall not exceed 30% of the total issued share capital of the Company from time to time. At the SGM which was held on the Option Adoption Date, the Scheme Mandate was approved by the Shareholders and the total number of Shares that may be allotted and issued under the Share Option Scheme would be 179,211,680 Shares, representing 10% of the total number of Shares in issue as at the Option Adoption Date and 7.20% of the total number of Shares in issue as at the date of this report.

The maximum number of Shares issued and to be issued upon the exercise of the share options granted under the Share Option Scheme and any other share option schemes of the Company to any eligible participant (including cancelled, exercised and outstanding share options), in any 12-month period up to the date of grant shall not exceed 1% of the number of Shares in issue, without prior approval from the Shareholders. Any grant of a share option to a Director, chief executive of the Company or substantial Shareholder (or any of their respective associates) must be approved by the Independent Non-Executive Directors. Where any grant of share options to a substantial Shareholder or an Independent Non-Executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon the exercise of the share options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of the Company (including share options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant: (i) representing in aggregate over 0.1% of the Shares in issue; and (ii) having an aggregate value, based on the closing price of the Shares at each date of grant, in excess of HK$5,000,000, such further grant of share options is required to be approved by the Shareholders in general meeting.

An offer for the grant of share options must be accepted within 30 days inclusive of the day on which such offer was made. The amount payable by the grantee of a share option to the Company on acceptance of the offer for the grant of a share option is HK$1.0. A share option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period commencing on such date on or after the date on which the share option is granted as the Board may determine in granting the share options and expiring at the close of business on such date as the Board may determine in granting the share options but in any event shall not exceed ten years from the date of grant (which is the date of offer of grant if the offer for the grant of the share options is accepted). The exercise price of the share option is to be determined by the Board provided always that it shall be at least the higher of: (i) the closing price of the Shares on the date of offer of grant; and (ii) the average closing price of the Shares for the five business days immediately preceding the date of offer of grant, provided that the option price per Share shall in no event be less than the nominal amount of the Shares.

No share options were granted or exercised during the years ended 31 December 2023 and 2022 or outstanding at 31 December 2023 and 2022. As at 1 January 2023 and 31 December 2023, no share options were available for grant under the Share Option Scheme.

39. RETIREMENT BENEFITS SCHEME

The Group operates a MPF for all eligible employees in Hong Kong. The assets of the MPF are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of the relevant payroll costs of each eligible employee to the MPF, subject to a maximum amount of HK$1,500 per month. Since 1 July 2017, the Group has made voluntary contributions to the MPF for executive Directors and senior management up to 5% of their relevant monthly income.

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefits scheme operated by the government of the PRC. The subsidiaries are required to contribute certain percentage of their payroll costs to the retirement benefits scheme to fund the benefits. The principal obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions. At the end of the reporting period, there was no forfeited contribution available to reduce the contribution payable in future years.

The Group has made voluntary contributions to the 401(K) retirement plan for all eligible employees in the United States since 1 August 2020. The group contributes up to 6% of the relevant monthly income of each eligible employee to the plan. The assets of the pension fund are held separately from those of the Group in funds under the control of trustees.

The total cost charged to profit or loss of approximately HK$3,669,000 for the year ended 31 December 2023 *(2022: approximately HK$4,224,000)* represents contributions paid and payable to these schemes by the Group in respect of the current year.

40. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

During the year, the Group had the following transactions with related parties:

	2023	2022
	HK$'000	HK$'000
Amrtan Ocean Traditional Chinese Medicine Co. Ltd. a company which the Executive Director and substantial shareholder of the Company, Mr. Cong Yu, is one of its directors and beneficial owner		
– Interest expenses	**–**	1,492
Chengdu Ganluhai		
– Rental income	**1,873**	–
Mr. Zhu Weisha, a substantial shareholder of the Company		
– Consultancy fee expenses	**2,283**	1,977

(b) Key management compensation

The emoluments of the Directors and other members of key management during the year are as follows:

	2023	2022
	HK$'000	HK$'000
Salaries	**9,157**	9,016
Discretionary bonus	**–**	1,200
Retirement benefits scheme contributions	**363**	394
	9,520	10,610

41. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2023 are as follows:

Name of subsidiary	Place of incorporation/ kind of legal entity	Principal activities/ place of operation	Particulars of issued and paid-up capital	2023 Interest held	2022 Interest held
Direct subsidiaries:					
Billion State Limited	British Virgin Islands ("BVI")/limited liability company	Trustee/Hong Kong ("HK")	100 ordinary shares of US$1 each	100%	100%
Yuxing Capital Limited	BVI/limited liability company	Investment holding/HK	100 ordinary shares of US$1 each	100%	100%
Yuxing Treasury Limited	BVI/limited liability company	Investment holding/HK	100 ordinary shares of US$1 each	100%	100%
Cloud Rich Holdings Limited	BVI/limited liability company	Investment holding/HK	100 ordinary shares of US$1 each	100%	100%
Yuxing Group (International) Limited	BVI/limited liability company	Investment holding/the PRC and HK	2,000 ordinary shares of US$1 each	100%	100%
Wealthy Well Limited	Cayman Islands/ limited liability company	Investment/HK	100 ordinary shares of US$1 each	100%	100%
Golden Rich Asia Investment Limited	HK/limited liability company	Investment holding/HK	1 ordinary share of HK$1	100%	100%
HyBroad Vision Holdings Limited	HK/limited liability company	Investment holding/HK	1 ordinary share of HK$1	100%	100%
Noble Rich Investment Limited	HK/limited liability company	Investment holding/HK	100 ordinary share of HK$1 each	–	100%
Rich Universe International Limited	HK/limited liability company	Investment/HK	100 ordinary shares of HK$1 each	100%	100%
Full Profit Enterprises Limited	BVI/limited liability company	Investment/HK	100 ordinary shares of US$1 each	100%	100%
Grand Choice Developments Limited	BVI/limited liability company	Investment/HK	1 ordinary share of US$1	100%	100%
Indirect subsidiaries:					
Harmony Wealthy Investments Limited	BVI/limited liability company	Investment/HK	1 ordinary share of US$1	100%	100%
Up Spacious Global Investments Limited	BVI/limited liability company	Trading of securities/HK	3 ordinary shares of US$1 each	100%	100%

41. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ kind of legal entity	Principal activities/ place of operation	Particulars of issued and paid-up capital	2023 Interest held	2022 Interest held
Indirect subsidiaries: *(Continued)*					
Yield Lasting Investments Limited	BVI/limited liability company	Property holding/HK	1 ordinary share of US$1	100%	100%
Cloud Digit Investment LP	BVI/limited partnership	Investment/HK	HK$60,000,000	100%	100%
RiCloud Corp.	The United States/ limited liability company	IDC/the United States	100 common stock of US$0.01 each	100%	100%
Cloud Digital Co., Limited	HK/limited liability company	IDC/HK	100 ordinary shares of HK$1 each	100%	100%
HyBroad Vision (HK) Technology Company Limited	HK/limited liability company	Trading and distribution of IHA and electronic components/HK	10,000,000 ordinary shares of HK$1 each	100%	100%
Yuxing Technology Company Limited	HK/limited liability company	Trading and distribution of IHA and electronic components and investment holding/ HK	2 ordinary shares of HK$1 each	100%	100%
HK Orient Phoenix Limited	HK/limited liability company	Technology development and software design/HK	10,000,000 ordinary shares of RMB1 each	51%	51%
Shenzhen Orient Phoenix Limited	The PRC/foreign wholly owned enterprise	Distributed storage, technology development and software design/ the PRC	RMB10,000,000	51%	51%
Beijing E'rich Investment Management Co., Ltd*	The PRC/foreign wholly owned enterprise	Investment consultancy/ the PRC	RMB14,000,000	100%	100%
Beijing Yuxing Software Company Limited*	The PRC/foreign wholly owned enterprise	Research and development ("R&D") and software design/the PRC	HK$15,000,000	100%	100%

* English names for identification purpose only

41. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ kind of legal entity	Principal activities/ place of operation	Particulars of issued and paid-up capital	2023 Interest held	2022 Interest held
Guangdong HyBroad Vision Electronics Technology Company Limited*	The PRC/domestic wholly owned enterprise	Manufacturing, distribution and sales of IHA and R&D and software design/the PRC	RMB90,000,000	100%	100%
Zhongshan HyBroad Vision Trading Company Limited*	The PRC/domestic wholly owned enterprise	Trading and distribution of IHA and electronic components/the PRC	RMB5,000,000	100%	100%
Sheng Bang Qiang Dian Electronics (Zhongshan) Company Limited*	The PRC/foreign wholly owned enterprise	Property holding/ the PRC	RMB123,000,000	100%	100%
Tibetan Crane (Shenzhen) Investment Company Limited*	The PRC/foreign wholly owned enterprise	Investment consultancy/ the PRC	RMB74,400,000	100%	100%
Beijing 5th Forces Technology Ltd*	The PRC/domestic wholly owned enterprise	Technology development and software design/the PRC	RMB13,265,176	100%	100%
Meishan E-rich Shengda Medical Service Co., Ltd*	The PRC/domestic wholly owned enterprise	Property holding/the PRC	RMB28,000,000	100%	–

The above table contains only the particulars of subsidiaries of the Company which principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the reporting period or at any time during the year.

* English names for identification purpose only

PARTICULARS OF PROPERTIES

Location	Usage	Tenure	Attributable interest of the Group
Investment properties			
No. a, b, c, d, Building B6, Yaoxing Tianfu Pioneering Park, South Section of Bencao Avenue, Dongpo District, Meishan City, Sichuan Province, the PRC	An industrial complex for rental and/or capital appreciation	Medium-term	100%
Yuxing Industrial Park, Yanjiang Road East, Torch Development Zone, Zhongshan, the PRC	An industrial complex for rental and/or capital appreciation	Medium-term	100%
6580 Via Del Oro, San Jose, California, the United States	Internet data centre for rental and/or capital appreciation	Freehold interest	100%
Land and Building			
Land Register of Baden-Baden, Sheet 5320 district of Baden-Baden, parcel of land 256019, yard and building space, zeppe-linstraBe 5, Germany	Office complex	Freehold interest	100%