



TECH

MAIYUE TECHNOLOGY LIMITED

邁越科技股份有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 2501

ANNUAL REPORT 2023

CONTENTS

2	CORPORATE INFORMATION
4	DIRECTORS AND SENIOR MANAGEMENT
10	CHAIRMAN'S STATEMENT
13	MANAGEMENT DISCUSSION AND ANALYSIS
20	DIRECTORS' REPORT
34	CORPORATE GOVERNANCE REPORT
47	ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
65	INDEPENDENT AUDITOR'S REPORT
70	CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
72	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
74	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
75	CONSOLIDATED CASH FLOW STATEMENTS
76	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
152	FINANCIAL SUMMARY

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Changqing (*Chairman of the Board*)
Mr. Wang Yufei
Mr. Hui Chi Chung Nevin
Ms. Deng Caidie
Mr. Zhang Guangbai

Independent Non-executive Directors

Mr. Hou Chang
Mr. Hu Zhongqiang
Mr. Lin Peigan

AUDIT COMMITTEE

Mr. Lin Peigan (*Chairman*)
Mr. Hou Chang
Mr. Hu Zhongqiang

REMUNERATION COMMITTEE

Mr. Hu Zhongqiang (*Chairman*)
Mr. Hou Chang
Mr. Lin Peigan

NOMINATION COMMITTEE

Mr. Li Changqing (*Chairman*)
Mr. Hou Chang
Mr. Hu Zhongqiang

JOINT COMPANY SECRETARIES

Ms. Dai Tianqiao
(resigned on 12 January 2024)
Ms. Li Hoi Mei
(appointed on 18 September 2023)
Mr. Yeung Kwong Wai
(appointed on 12 January 2024)

AUTHORISED REPRESENTATIVES

Mr. Li Changqing
Mr. Hui Chi Chung Nevin

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 806, 8th Floor
Office Area, Block B, East Tower
Guangxi Sports Centre Supporting Project Complex
9 Gehai Road
Nanning, Guangxi, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1412, 14/F, COSCO Tower
183 Queen's Road Central
Sheung Wan, Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111, Cayman Islands

INDEPENDENT AUDITOR

KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

LEGAL ADVISERS

As to Hong Kong law:
Deacons
5th Floor, Alexandra House
18 Chater Road
Central, Hong Kong

As to PRC law:
Zhong Lun Law Firm
22/F, Tower A
China Resources Building
1366 Qianjiang Road
Shangcheng District
Hangzhou 301120, P.R. China

COMPLIANCE ADVISOR

Quam Capital Limited
5/F and 24/F (Rooms 2401 and 2412)
Wing On Centre, 111 Connaught Road Central
Hong Kong

**CAYMAN ISLANDS PRINCIPAL SHARE
REGISTRAR AND TRANSFER OFFICE**

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANK

Guilin Bank Nanning Branch
111 Minzu Avenue
Qingxiu District
Nanning, Guangxi, PRC

STOCK CODE

2501

COMPANY'S WEBSITE

<http://www.maiyuesoft.com/>

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Li Changqing (李常青), aged 45, is the executive Director, chief executive officer and Chairman. He joined the Group in August 2003 and was appointed as the Director on 21 March 2019 and redesignated as the executive Director on 20 April 2021. Mr. Li is primarily responsible for formulating corporate strategy, planning, business development, supervising the overall operations of the Group, and overseeing daily business operations of the Group. Mr. Li also serves as the chairman of the Nomination Committee.

Mr. Li has over 25 years of experience in the IT industry, with over 20 years of experience with the Group. Prior to joining the Group, Mr. Li worked at Guangxi Anyi Accounting Software Co., Ltd. (廣西安易會計軟件有限公司), a company principally engaged in provision of office automation software and consultancy services on technology related to accounting and enterprise management, in 1999. Mr. Li then worked at the Guangxi office of Panyang Neusoft Holdings Ltd. (瀋陽東軟軟件股份有限公司) (currently known as Neusoft Corporation (東軟集團股份有限公司)), a company listed on the Shanghai Stock Exchange (stock code: 600718) and a prominent technology solutions service provider in the PRC.

Mr. Li obtained a bachelor degree in law from University of International Business and Economics (對外經濟貿易大學) in February 2005 through long distance learning course. In August 2021, Mr. Li was appointed as a member of the Fourth Nanning City Liangqing District Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第四屆南寧市良慶區委員會委員).

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang Yufei (王宇飛), aged 44, is the executive Director and deputy general manager. He joined the Group in June 2008 as a deputy general manager with primary responsibility on sales and marketing, daily business operations and administration activities. and was appointed as the Director on 15 October 2020 and redesignated as the executive Director on 20 April 2021. Mr. Wang is primarily responsible for overseeing daily business operations and administration activities of the Group.

Mr. Wang has over 20 years of experience in sales and corporate management in the IT industry, with over 15 years of experience with our Group. Prior to joining the Group, Mr. Wang worked at Nanning Yinggui Communication Electronics Co., Ltd. (南寧市盈桂通訊電器有限公司), a company principally engaged in sales of electrical appliances and education related electronic products, from 2003 to 2004.

Mr. Wang completed his studies at a vocational education institution in 1999.

Mr. Hui Chi Chung Nevin (許智聰), aged 49, is the executive Director. He joined the Group on 15 October 2020 and was appointed as the Director on the same day and redesignated as the executive Director on 20 April 2021. Mr. Hui is primarily responsible for assisting the Chairman and vice-chairman in developing and implementing corporate strategies of the Group and overseeing the investor relations of the Group. With his years of experience in corporate management and his academic qualifications as mentioned below, it is expected that Mr. Hui will be able to provide insights in relation to corporate management and business administration as well as investor relations after the Listing.

Mr. Hui has approximately ten years of experience in corporate management. Prior to joining the Group, since April 2011, Mr. Hui serves as a director of Pacific Bulk (Western China) Holdings Limited, an investment holding company. Since 2014 and 2015, Mr. Hui also serves as a director at both Quadrolink Finance Limited, an investment holding company, and BDH Quadrolink International Holdings Limited, a company that is principally engaged in logistics, respectively. Since 2018, Mr. Hui has been a director of Pearl Bridge Securities Limited, a securities firm, and Pearl Bridge Asset Management Limited, a company that is principally engaged in asset management.

Mr. Hui obtained his bachelor degree in commerce from McGill University in 1997. He also obtained a Master of Business Administration from California State University in 1999.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Deng Caidie (鄧彩蝶), aged 43, is the executive Director and deputy general manager. She joined the Group in June 2011 as a deputy general manager with primary responsibility on daily business operations and administration activities and was appointed as the Director on 15 October 2020 and redesignated as the executive Director on 20 April 2021. Ms. Deng is primarily responsible for overseeing daily business operations and administration activities of the Group.

Ms. Deng has over 20 years of experience in the IT industry, with over ten years of experience with the Group. Prior to joining the Group, Ms. Deng worked at Nanning City Luoze Technology Co., Ltd. (南寧市洛澤科技有限 公司), a company principally engaged in the provision of information technology consultancy services, from 2002 to 2007. From 2009 to 2010, Ms. Deng worked at Guangxi Zhongze Technology Industry & Trade Co., Ltd. (廣西中澤科工貿有限公司), a company principally engaged in the sales of hardware.

Ms. Deng graduated with a degree in law from Guangxi University for Nationalities (廣西民族大學) by way of correspondence education in January 2008.

Mr. Zhang Guangbai (張光柏), aged 40, is the executive Director and director of technology. He joined the Group in July 2006 and was appointed as the Director on 15 October 2020 and redesignated as the executive Director on 20 April 2021. Mr. Zhang is primarily responsible for overseeing the project management department and the information technology functions of the Group.

Mr. Zhang has over 15 years of experience in the IT industry working with the Group. Mr. Zhang joined Nanning Maiyue as a technician in 2006 and was promoted to the manager of the technology department in 2009. From 2013, Mr. Zhang serves as the director of technology of Nanning Maiyue.

Mr. Zhang completed his studies in e-commerce at Guangxi Agricultural Vocational-Technical College (廣西農業 職業技術學院) in July 2006.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hou Chang (侯昶), aged 38, was appointed as an independent non-executive Director with effect upon Listing. Mr. Hou is responsible for providing independent advice to the Board. Mr. Hou also serves as a member of the Audit Committee, the Nomination Committee and the Remuneration Committee.

Mr. Hou has over ten years of experience in legal compliance and corporate management in Guangxi. Mr. Hou was the head of legal compliance department in Sealand Securities Co. Ltd. (國海證券股份有限公司), a securities company based in Guangxi, shares of which are listed on the Shenzhen Stock Exchange (stock code: 000750), from 2010 to 2018. Since 2018, Mr. Hou has served at Fuzhou Baowei Private Equity Fund Management Company Limited (福州豹蔚私募基金管理有限公司) (previously known as Guangxi Baowei Asset Management Limited (廣西豹蔚資產管理有限公司)), a private equity fund management company, as an executive director and the general manager.

In June 2007, Mr. Hou graduated with a bachelor degree in law from Guangxi University (廣西大學). In June 2010, Mr. Hou graduated with a master degree in civil and commercial law from Guangxi University (廣西大學).

Mr. Hu Zhongqiang (胡忠強), aged 49, was appointed as an independent non-executive Director with effect upon Listing. Mr. Hu is responsible for providing independent advice to the Board. Mr. Hu also serves as the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee.

Mr. Hu has over 15 years of experience in corporate management, with experience in managing various companies across different sectors in Guangxi. In 2006 and 2007, Mr. Hu founded and became an executive director of Guangxi Jiuxi City Real Estate Co., Ltd. (廣西九系城市置業有限公司), a property development company in Guangxi, and Guangxi Chuneng Electric Power Materials Co., Ltd. (廣西礎能電力物資有限公司), an electrical machinery company in Guangxi, respectively. In 2014, Mr. Hu founded Guangxi Geyan Rehabilitation Medical Stock Investment Co., Ltd. (廣西格琰康復醫療股份投資有限公司), a company principally engaged in investment and operation of rehabilitation centres, and became the chairman of its board. In 2020, Mr. Hu founded Guangxi Weijun Somnology Clinic Co., Ltd. (廣西衛君睡眠醫學診所有限公司), a company principally engaged in provision of medical services, and became its executive director. Mr. Hu also has served as an external tutor for the Business School of Guangxi University (廣西大學) since July 2019.

Mr. Hu graduated with a master degree in business administration from Guangxi University (廣西大學) in July 2012.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lin Peigan (林培干), aged 53, was appointed as an independent non-executive Director with effect upon Listing. Mr. Lin is responsible for providing independent advice to the Board. Mr. Lin also serves as the chairman of the Audit Committee and a member of the Remuneration Committee.

Mr. Lin has over 15 years of experience in accounting and corporate management in Guangxi. From 2007 to 2019, Mr. Lin served for various positions under Guangxi Beibu Gulf Investment Group (廣西北部灣投資集團). From 2019 to 2023, Mr. Lin was the executive director, the general manager and the accountant in chief of Guangxi Kegui Certified Public Accountants Co., Ltd. (廣西科桂會計師事務所有限公司). Since 2023, Mr. Lin has been the deputy director of the Guangxi office of Zhongruicheng Certified Public Accountants Co., Ltd. (Special General Partnership) (中瑞誠會計師事務所(特殊普通合伙)).

Mr. Lin graduated with a postgraduate qualification of business and administration from Guangxi University (廣西大學) in October 2012. Mr. Lin is a member of Chinese Institute of Certified Public Accountants.

SENIOR MANAGEMENT

Ms. Dai Tianqiao (戴恬俏), aged 31, was the chief financial officer of the Group (the “CFO”). She joined the Group in April 2021. Ms. Dai was primarily responsible for the corporate financial planning and management. Ms. Dai has over five years of experience in auditing. Prior to joining the Group, Ms. Dai worked in PricewaterhouseCoopers Limited from September 2016 to April 2021, with her last position as a senior associate in the assurance practice department.

Ms. Dai graduated with a bachelor degree in business administration from the Hong Kong Baptist University in November 2015. Ms. Dai has been a certified public accountant of the Hong Kong Institutes of Certified Public Accountants since January 2020.

Ms. Dai resigned as the CFO in January 2024.

Mr. Li Linfu (李林甫), aged 37, is the director of sales of the Group. Mr. Li is primarily responsible for overseeing the sales and marketing department of the Group.

Mr. Li has over ten years of experience in sales and marketing. Prior to joining the Group, Mr. Li worked as the sales manager in two different PRC retailing companies for over three years. In 2012, he joined Nanning Maiyue as a sales manager and was promoted to sales director in 2020.

Mr. Li graduated from Zhejiang Gongshang University (浙江工商大學) in marketing in June 2010.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Liu Man (劉曼), aged 41, is the finance manager of the Group. Ms. Liu is primarily responsible for the financial management of the Group.

Ms. Liu has over ten years of experience in financial management. Prior to joining the Group, Ms. Liu worked as a sales assistant and an accounting assistant for two different PRC companies for over four years. In 2011, Ms. Liu joined Nanning Maiyue as a treasury and was then promoted to an accountant in 2013. Since 2016, Ms. Liu serves as a finance manager at Nanning Maiyue.

Ms. Liu graduated with a bachelor degree in packaging and material engineering at Hunan University of Technology (湖南工業大學) in June 2005.

JOINT COMPANY SECRETARIES

Ms. Dai Tianqiao (戴恬俏), aged 31, was appointed as the joint company secretary of the Company (the “**Joint Company Secretary**”) on 26 April 2022 with effect upon Listing. Ms. Dai was primarily responsible for overall corporate governance. She resigned as the Joint Company Secretary in January 2024.

Details of her experience and academic background are disclosed on page 8 of this annual report.

Ms. Li Hoi Mei (李海薇), aged 34, was appointed as the Joint Company Secretary on 18 September 2023 with effect upon Listing. Ms. Li is primarily responsible for performing company secretarial matters.

Ms. Li has more than 12 years of experience in the fields of corporate governance and compliance, corporate finance and investor relations. Ms. Li has been an associate member of The Chartered Governance Institute in the United Kingdom and The Hong Kong Chartered Governance Institute since November 2020.

Ms. Li graduated with a bachelor of social sciences in communication (journalism) degree from Hong Kong Baptist University in November 2011, and has been awarded the postgraduate diploma in finance and law from The University of Hong Kong School of Professional and Continuing Education in March 2018. Ms. Li has also been awarded the degree of master of corporate governance by The Hong Kong Polytechnic University in September 2020.

Mr. Yeung Kwong Wai (楊光偉), aged 50, was appointed as the Joint Company Secretary on 12 January 2024. Mr. Yeung is primarily responsible for overall corporate governance.

Mr. Yeung has over 24 years of auditing, accounting, financial management and corporate governance experience. Mr. Yeung obtained a bachelor of commerce degree in accounting from Concordia University, Montreal, Canada in 1997. Mr. Yeung is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Mr. Yeung is also a Chartered Financial Analyst.

CHAIRMAN'S STATEMENT

Dear Shareholders,

Maiyue Technology Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) has completed the listing in 2023, an essential milestone during its development, and become the first private technology innovation group in Guangxi listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), which marks a new stage in its business development.

Industry overview

The education IT solutions industry is experiencing rapid development. With the continuously updated technology and further implementation of education reform, the education industry has presented growing demands for IT solutions and intelligence. The application of advanced technologies such as cloud computing, big data and artificial intelligence is changing the traditional education model and bringing unprecedented development opportunities to the education industry.

In terms of policy, various local governments have issued relevant policies to support development of education IT solutions service. For example, the PRC government has introduced the “Action Plan for Education IT Solutions 2.0 (教育信息化2.0行動計劃)”, which aims to promote fairness and quality of education through IT solutions. The implementation of these policies has provided the education IT solutions industry with large room for further development. Meanwhile, driven by the digital transformation of education, there is a growing demand for smart campus solutions. Schools and educational institutions are seeking for efficient and intelligent solutions to enhance the quality of teaching and management, which provides us with huge market and development potential.

In terms of market demand, with the accelerated digital transformation of education, schools and educational institutions endeavor to push forward their digitalisation process on a constant basis. In particular, the rapid development in the fields of online education, smart campuses, digital classrooms and others has led to unprecedented market opportunities for the education IT solutions industry. Besides, the market demand for education IT solutions will become more diversified and personalised along with the continuous improvement of education fairness and quality.

The education IT solutions industry possesses huge potential of development. The application of advanced technologies such as cloud computing, big data, internet of things and artificial intelligence means infinite business opportunities. At the same time, with further reform in education sector, the education IT solutions industry will embrace more development opportunities and challenges. To maintain our competitive edge, we will continue to increase our investment in research and development to promote technology innovation and product upgrades. We will keep close eyes on the latest industry development and keep up with the market demands to continuously enhance the innovation and competitiveness of our solutions.

As an integrated IT solutions services provider in the education IT solutions industry, the Group has formed a set of solution system with years of industry experience and technology accumulation, which make us capable of providing customers with range of personalised services. We have established reputation among the industry and won trust and support from many customers. We are therefore confident that we can leverage on our strengths to stand out from the competition in future, and we will continue to make our best to create more value for our Shareholders and deliver more contribution to the education industry.

Business review

The Group continued to be an active integrated IT solutions services provider in the education and government IT solutions markets in Guangxi, which principally engaged in the provision of customised integrated IT solutions services to customers in the education sector, primarily formal public education institutions, for the purpose of their digitalised campus development.

In FY2023, the Group's revenue stood at approximately RMB259.1 million, representing a growth of 6.5% as compared to that for FY2022. The Group had an increase in demand from customers for the sales of hardware and/or software and standalone IT services segments, while the Group recorded a decrease in the number of integrated IT solutions projects undertaken by the Group during FY2023, which was primarily due to the delay of the tendering progress of certain potential projects. Yet, the Group has successfully expanded its presence through undertaking projects in Hunan, Sichuan, Shaanxi and other provinces in the PRC. The Group also continued to invest in research and development and enrich its self-developed product portfolio. In particular, the Group had begun to set up the research and development centre in Shenzhen and started research & development projects in cloud computing and artificial intelligence during the year.

In terms of honour, the Group won multiple recognitions such as Guangxi Strategic Emerging Industry Enterprises in 2022 (2022年廣西戰略性新興產業企業認定) and Nanning SME Credit Rating A-class Enterprises in 2023 (2023年南寧市中小企業信用評級A級企業認定). In terms of research and development achievements, the Group's projects were awarded as one of the Top 100 Excellent Cases of Data Management in 2023 (2023年數據管理百項優秀案例), and won the second prize of the Achievement Award granted by Guangxi Computer Society in 2023 (2023年廣西計算機學會成果獎二等獎). These honour and awards demonstrated the Group's technical strength and market competitiveness.

CHAIRMAN'S STATEMENT

Outlook

Looking ahead, considering the increasing policy support and market demand in the fields of smart education, digital transformation and IT solutions in education sector, we believe that the industry will witness a broader space of development. In particular, in the context of the current era highlighting digitalisation and intelligence, transformation and upgrading of the education industry has become an irreversible trend, which will bring more development opportunities for the Group.

In the years ahead, the Group will continue to devote its resources in the area of research and development and particularly, complete the establishment of its research and development centre in Shenzhen, which will focus on research and development of products relating to cloud computing and artificial intelligence, with a view to enhancing the Group's technology capabilities. The Group will further improve the quality and competitiveness of its self-developed products through collaborations with tertiary institutions and marketing campaigns and actively explore business opportunities through cooperations with reputable customers and/or business partners so as to enhance the Group's brand awareness and expand its market presence in different segments or regions in the PRC.

In a word, we will continue to enhance the Group's core competitiveness with firm confidence to conquer any possible challenge in the face of future challenges and opportunities, and create more value for all Shareholders. We believe that the Group will embrace a better future with the unwavering support and concern from all Shareholders.

Chairman of the Board

Li Changqing

FINANCIAL REVIEW

Revenue

The following table sets forth the breakdown of revenue by business segments for the financial year ended 31 December 2023 (“FY2023”) and the comparative figures for the financial year ended 31 December 2022 (“FY2022”):

	FY2023 <i>RMB'000</i>	FY2022 <i>RMB'000</i>
– Integrated IT solutions services	141,094	198,491
– Sales of hardware and/or software	75,655	40,980
– Standalone IT services	42,336	3,784
	259,085	243,255

The Group’s overall revenue increased by approximately RMB15.8 million or 6.5% from approximately RMB243.3 million for FY2022 to approximately RMB259.1 million for FY2023. This increase was mainly attributable to the increase in revenue derived from the sales of hardware and/or software and standalone IT services segments, which was partially offset by the decrease in revenue derived from the integrated IT solutions services segment.

The Group’s revenue from the integrated IT solutions services segment decreased by approximately RMB57.4 million or 28.9% from approximately RMB198.5 million for FY2022 to RMB141.1 million for FY2023. The decrease was largely due to the decrease in the number of integrated IT solutions projects, particularly those which contributed over RMB5.0 million of revenue, undertaken by the Group during FY2023. To the best knowledge of the directors of the Company (the “**Directors**”) after reasonable enquiries, such decrease in number of integrated IT solutions projects undertaken by the Group was primarily due to delay of the tendering progress of certain potential integrated IT solutions projects during the year.

The Group’s revenue from the sales of hardware segment increased by approximately RMB34.7 million or 84.6% from approximately RMB41.0 million for FY2022 to RMB75.7 million for FY2023. The increase was largely due to an increasing demand from customers.

The Group’s revenue from the standalone IT services segment increased by approximately RMB38.5 million or 1018.8% from approximately RMB3.8 million for FY2022 to RMB42.3 million for FY2023. The increase was largely due to an increasing demand from customers.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

The following table sets forth the breakdown of gross profit and gross profit margin by business segments for FY2023 and the comparative figures for FY2022:

	FY2023		FY2022	
	Gross profit <i>RMB'000</i>	Gross profit margin %	Gross profit <i>RMB'000</i>	Gross profit margin %
– Integrated IT solutions services	55,928	39.6	94,775	47.7
– Sales of hardware and/or software	13,762	18.2	7,346	17.9
– Standalone IT services	15,750	37.2	2,510	66.3
	<u>85,440</u>	<u>33.0</u>	<u>104,631</u>	<u>43.0</u>

The Group's overall gross profit decreased by approximately RMB19.2 million or 18.4% from approximately RMB104.6 million for FY2022 to approximately RMB85.4 million for FY2023. The gross profit margin also decreased by approximately 10.0 percentage points from approximately 43.0% to approximately 33.0%.

The Group's gross profit from the integrated IT solutions services segment decreased by approximately RMB38.9 million or 41.0% from approximately RMB94.8 million for FY2022 to RMB55.9 million for FY2023. The gross profit margin also decreased by approximately 8.1 percentage points from approximately 47.7% to approximately 39.6%. The decrease was mainly attributable to (i) the decrease in revenue from the segment as stated above; and (ii) the decrease in gross profit margin from the segment, which was due to the lower gross profit margin of certain projects undertaken due to different project requirements and circumstances. Particularly, the number of integrated IT solutions projects with its self-developed products involved and projects under which the Group was directly engaged by end-users, both of which usually have higher gross profit margin, in FY2023 was fewer than in FY2022 and thus led to a decrease in gross profit margin.

The Group's gross profit from the sales of hardware segment increased by approximately RMB6.5 million or 87.3% from approximately RMB7.3 million for FY2022 to RMB13.8 million for FY2023, which was generally in line with increase in revenue from the segment as stated above. The gross profit margin also remained stable at approximately 18.2% in FY2023 (FY2022: approximately 17.9%).

The Group's gross profit from the standalone IT services segment increased by approximately RMB13.3 million or 527.5% from approximately RMB2.5 million for FY2022 to RMB15.8 million for FY2023. The increase was largely due to an increase in revenue from the segment as stated above, which was partially offset by the decrease in gross profit margin from the segment, which was due to the lower gross profit margin of certain projects undertaken due to different project requirements and circumstances.

Selling expenses

The selling expenses mainly comprise of staff costs, tendering fees, warranty expenses and others. The selling expenses increased by approximately RMB0.3 million or 4.4% from approximately RMB6.8 million for FY2022 to approximately RMB7.1 million for FY2023, which were generally in line with the increase in revenue of the Group during the year.

Administrative expenses

The administrative expenses mainly comprise staff costs, listing expenses, depreciation and amortisation, travelling expenses, legal and professional fee and others. The administrative expenses increased by approximately RMB17.3 million or 70.9% from approximately RMB24.4 million for FY2022 to approximately RMB41.7 million for FY2023, which was mainly due to the increase in the listing expenses and the legal and professional fees incurred after the Listing.

Research and development expenses

The research and development expenses refer to the research and development expenditure expensed for the year, which mainly comprise staff costs, project development expenses, depreciation and amortisation and others. These expenses increased by approximately RMB0.3 million or 5.3% from approximately RMB5.7 million for FY2022 to approximately RMB6.0 million for FY2023, as a result of the Group's continuous investment in research and development.

Reversal/(impairment loss) on trade receivables and contract assets

The Group assesses the recoverability of trade receivables and performs impairment analysis at each reporting date using a loss rate approach to measure expected credit losses. The loss rates are based on groupings of ageing. The Group develops loss rate statistics on the basis of actual loss experience over the recent past years. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, the Group writes off trade receivables when there is any information indicating that the customer is in severe financial difficulty and there is no realistic prospect of future recovery.

The reversal of impairment loss on trade receivables and contract assets of approximately RMB1.3 million were recognised for FY2023, as compared to the impairment loss on trade receivables and contract assets of RMB6.4 million recognised for FY2022. The reversal of impairment loss on trade receivables and contract assets were mainly due to the settlement of certain long-aged trade receivables.

Nonetheless, the Group recorded trade receivable balance of approximately RMB323.4 million as at 31 December 2023 (31 December 2022: approximately RMB198.7 million). The increase in trade receivables balance was mainly due to (i) the increase in revenue for FY2023 and a significant portion of projects were merely completed around the 2023 year end and such trade receivables were not yet due as at 31 December 2023; (ii) the increase in long-aged trade receivables as a result of the extended payment period granted by the Group for certain projects and the delay in settlement of trade receivables due from certain customers for FY2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

The finance costs mainly consist of interest expenses for bank and other loans and lease liabilities. The Group's finance costs increased by approximately RMB1.6 million or 18.0% from approximately RMB8.9 million for FY2022 to approximately RMB10.5 million for FY2023, which was mainly due to the increase in the average bank and other loans balances for the year.

Income tax

The Group is subject to income tax on an entity basis for profit arising in or derived from the jurisdiction in which members of the Group domicile or operate.

The income tax expense decreased by approximately RMB2.4 million or 33.8% from approximately RMB7.1 million for FY2022 to approximately RMB4.7 million for FY2023. Such decrease was mainly due to the decrease in profit before income tax for the year. The increased amount of listing expenses, being the non-deductible items for the calculation of assessable profit, led to a higher effective tax rate of approximately 17.30% for FY2023, as compared to approximately 12.71% for FY2022.

Profit for the year

In light of the above factors, the Group's profit for the year decreased by approximately RMB26.5 million or 54.0% from approximately RMB49.1 million for FY2022 to approximately RMB22.6 million for FY2023.

The board of the Directors (the "**Board**") believes that the financial data and comparison analysis contained in this annual report could effectively demonstrate the financial performance and position of the Group for FY2023 and FY2022.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations mainly through a combination of cash flow from operations, borrowings and issuance of the Shares. As at 31 December 2023, the Group had cash and cash equivalents of approximately RMB47.8 million (31 December 2022: RMB62.6 million) that were mainly denominated in Renminbi and Hong Kong dollar.

On 11 October 2023, the Company issued a total of 125,000,000 ordinary Shares at a price of HK\$1.18 per Share upon the completion of the Global Offering. The number of total issued Shares of the Company was increased to 500,000,000 Shares upon completion of the Capitalisation Issue and the Global Offering.

Capital structure

Bank and other borrowings

As at 31 December 2023, our current bank and other loans were approximately RMB135.54 million (31 December 2022: approximately RMB86.06 million), non-current bank and other loans were approximately RMB47.60 million (31 December 2022: approximately RMB71.87 million).

Treasury policies

The Group has adopted a prudent financial management approach for its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of its assets, liabilities, and other commitments can meet its funding needs all the time.

Future development and prospects

In the years ahead, the Group will continue to devote its resources in the area of research and development and particularly, complete the establishment of its research and development centre in Shenzhen, which will focus on research and development of products relating to cloud computing and artificial intelligence, with a view to enhancing the Group's technology capabilities. The Group will further improve the quality and competitiveness of its self-developed products through collaborations with tertiary institutions and marketing campaigns and actively explore business opportunities through cooperations with reputable customers and/or business partners so as to enhance the Group's brand awareness and expand its market presence in different segments or regions in the PRC.

Material investments

In April 2022, the Group reached an agreement with Guangxi Qianlong Education Technology Co., Ltd. (廣西千龍教育科技有限責任公司), in relation to the development and operation of a business park in Nanning (the "Business Park"). Pursuant to the agreement, the Group has established a project company, Guangxi Qianyue Information Technology Company (廣西千越信息科技有限公司) ("Guangxi Qianyue") in the PRC in April 2022, which is held as to 19% and 81% by the Group and Guangxi Qianlong Education Technology Co., Ltd., designated for the development of the Business Park. Details of the Investment are set out in the section headed "Business – Properties – Business park development" in the prospectus of the Company dated 28 September 2023 (the "Prospectus").

In view that (i) in accordance with the memorandum and articles of Guangxi Qianyue, relevant activities of the entity require consent with simple majority of shareholding; and (ii) the Group only own 19% of Guangxi Qianyue's equity interest and therefore cannot exercise significant influence over Guangxi Qianyue. The Group designated its investment in Guangxi Qianyue at FVOCI (non-recycling), as the investment is held for strategic purposes.

As at 31 December 2023, the financial assets were valued as approximately RMB39.0 million, representing approximately 6.5% of the total assets of the Group, of which the net movement in fair value through other comprehensive income (non-recycling) decreased approximately RMB1.0 million.

The Directors consider that the investment in the Business Park will be in line with the Group's business strategies, where the Group can leverage to strengthen its collaboration with other IT solutions services providers and expand the Group's office to support its business expansion. Going forward, while the Group intends to benefit from the investment in Guangxi Qianyue by utilising part of the Business Park area to expand its office and receiving return of investment, the Group may also consider to sell, partially or wholly, the equity interest in Guangxi Qianyue to realise the capital appreciation, taking into accounts factors such as the prevailing market rate of the corresponding properties.

MANAGEMENT DISCUSSION AND ANALYSIS

Material acquisitions and disposals of subsidiaries, associates and joint ventures

Save for the reorganisation of the Group in preparation for the listing, there were no significant investments or material acquisitions and disposals of subsidiaries, associates and joint ventures during FY2023.

Employees' information and remuneration policies

As at 31 December 2023, the Group had approximately 204 employees. The Group offers comprehensive and competitive remuneration, retirement plans and benefit packages to its employees, and offers discretionary bonuses to its employees based on their performance. In addition, the Group regularly evaluates employee performance and rewards good performers with higher compensation or promotions. The Group is obligated to make contributions to the social insurance schemes for its employees in the PRC. The Group adopts high standards and strict procedures in job market recruitments to meet its needs for different types of talents. The Group provides regular and specialised trainings on the basis of the needs of employees in different departments. Employees can also improve their skills through provision of services for the Group's customers and mutual learning among colleagues. Emoluments of Directors are decided by the Board as recommended by the Remuneration Committee of the Company, having regard to the Group's operating results, individual performance and comparable market statistics.

Charge on the Group's assets

As at 31 December 2023, the Group's bank borrowings were secured and/or guaranteed by:

- (i) At 31 December 2023, the bank and other loans were secured by assets of the Group and the carrying amounts of these assets are as below:

	2023 RMB'000	2022 RMB'000
Pledged bank deposits	9	2,743
Trade receivables	78,395	75,665
Property, plant and equipment	8,161	8,448
	<u>86,565</u>	<u>86,856</u>

- (ii) As at 31 December 2023, bank and other loans of RMB8,650,000 (2022: RMB119,000) are guaranteed by the shareholders of the Group.
- (iii) As at 31 December 2023, bank and other loans of RMB8,000,000 (2022: RMB8,000,000) are guaranteed by third parties.

Future plan for material investments and capital assets

Save as disclosed elsewhere in this annual report, the Group currently has no other plans for material investments or capital assets.

Gearing ratio

Gearing ratio is calculated by dividing the sum of bank loans, loans from related parties and lease liabilities by total equity and multiplied by 100%. As at 31 December 2023, the gearing ratio of the Group was approximately 57.9% (as at 31 December 2022: approximately 88.3%).

Exposure to fluctuations in exchange rates

The Group conducts most of the businesses in Renminbi. Certain bank balances, other receivables and accruals and other payables of the Company are denominated in foreign currencies, including Hong Kong Dollar, and are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. The management will continue to monitor foreign exchange exposure and will consider appropriate hedging measures in the future should the need arise.

Contingent liabilities

As at 31 December 2023, the Group did not have any material contingent liabilities.

DIRECTORS' REPORT

The Board is pleased to present their report together with the audited consolidated financial statements for the year ended 31 December 2023 (the “**Reporting Period**”) to the shareholders of the Company (the “**Shareholders**”).

REORGANISATION AND GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on 21 March 2019 as an exempted company with limited liability under the Companies Act (as revised) of the Cayman Islands. The Company’s ordinary shares (the “**Shares**”) were listed on the main board (the “**Main Board**”) of the Stock Exchange on 11 October 2023 (the “**Listing Date**”) with issuance of 500,000,000 Shares (the “**Listing**”).

Pursuant to the reorganisation of the Group in connection with the Listing, the Company underwent a corporate reorganisation (“**Reorganisation**”), the Company became the holding company of the Group on 27 December 2019. Details of the Reorganisation are set out in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Particulars of the Company’s principal subsidiaries are set out in note 13 to the consolidated financial statements.

RESULTS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on pages 70 to 71 of this annual report.

DIVIDEND

The Board does not recommend payment of any final dividend for the Reporting Period.

BUSINESS REVIEW

A fair review of the business of the Group during the Reporting Period and a discussion on the Group’s future business development are set out in the section headed “Chairman’s Statement” and “Management Discussion and Analysis” on pages 10 to 19 of this annual report.

The above discussions form part of this directors’ report.

PRINCIPAL RISKS AND UNCERTAINTY

In addition to the relevant discussion set out in the section headed “Management Discussion and Analysis” on pages 13 to 19 of this annual report, the principal risks and uncertainty also include the following:

Risk associated with financial instruments of the Group

The financial risk management objectives and policies of the Group are set out in note 29 to the consolidated financial statements.

Key sources of estimation uncertainty

Details of the key sources of estimation uncertainty as at 31 December 2023 are set out in note 2 to the consolidated financial statements.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

MATERIAL LEGAL PROCEEDINGS

Save as disclosed in this annual report, the Company was not involved in any material legal proceeding or arbitration during the Reporting Period. To the best knowledge of the Directors, there is no material legal proceeding or claim which is pending or threatened against the Group.

RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS AND EMPLOYEES

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. The Group offers comprehensive compensation to its employees and provide on-the-job training to the employees. The employees' compensation is based on their qualification, position, seniority and performance. During the Reporting Period, there was no material and significant dispute between the Group and its employees, customers and suppliers.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to long term sustainability of the environment and communities in which it operates.

Acting in an environment responsible manner, the Group endeavors to comply with the laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

DIRECTORS' REPORT

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movement in the reserves of the Group and of the Company during the Reporting Period are set out in the consolidated statements of changes in equity on page 74 and note 28 to the consolidated financial statements of this annual report, respectively.

DONATIONS

During the Reporting Period, the Group did not made any charitable and other donations.

MATERIAL INVESTMENT AND ACQUISITION

Save as disclosed in the section headed “Management Discussion and Analysis – Material Investments” of this annual report, the Group had no significant investment and acquisition activities during the Reporting Period.

BANK AND OTHER LOANS

Details of the bank and other loans of the Group as at 31 December 2023 are set out in note 23 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 11 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 28(c) to the consolidated financial statements.

EQUITY LINKED AGREEMENTS

Save as disclosed in the section headed “Share Option Scheme” of this annual report, no equity linked agreements were entered into during the Reporting Period or subsisted at the end of the Report Period.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the articles of association of the Company (the “**Articles of Association**”) and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts. Such permitted indemnity provision has been in force during the Reporting Period. The Company has purchased appropriate liability insurance for its Directors and senior management members.

DIRECTORS

The Directors during the Reporting Period and up to the date of this annual report are:

Executive Directors:

Mr. Li Changqing (*Chairman of the Board*)

Mr. Wang Yufei

Mr. Hui Chi Chung Nevin

Ms. Deng Caidie

Mr. Zhang Guangbai

Independent Non-Executive Directors:

Mr. Hou Chang (appointed on 18 September 2023)

Mr. Hu Zhongqiang (appointed on 18 September 2023)

Mr. Lin Peigan (appointed on 18 September 2023)

In accordance with article 109(a) of the Articles of Association, each of Mr. Li Changqing, Mr. Wang Yufei and Ms. Deng Caidie shall retire from his/her office by rotation at the forthcoming annual general meeting (the “**Annual General Meeting**”). Being eligible, each of Mr. Li Changqing, Mr. Wang Yufei and Ms. Deng Caidie will offer himself/herself for re-election at the forthcoming Annual General Meeting.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has received an annual independence confirmation from each of the existing independent non-executive Directors in accordance with rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange (the “**Listing Rules**”) and that all independent non-executive Directors are considered to be independent.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out in the section headed “Directors and Senior Management” of this annual report.

DIRECTORS' REPORT

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

As at 31 December 2023, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C1 to the Listing Rules were as follows:

Name of Directors	Capacity	Number of Shares Interested ⁽¹⁾	Approximate Percentage of Shareholding (%)
Mr. Li Changqing ⁽²⁾ ("Mr. Li")	Interest in controlled corporation	306,000,000	61.2
Mr. Wang Yufei ⁽²⁾ ("Mr. Wang")	Interest in controlled corporation	306,000,000	61.2
Ms. Deng Caidie ⁽²⁾ ("Ms. Deng")	Interest in controlled corporation	306,000,000	61.2
Mr. Zhang Guangbai ⁽²⁾ ("Mr. Zhang")	Interest in controlled corporation	306,000,000	61.2

Note:

- Interests in shares stated above represent long positions.
- Deep Blue Ocean Electronics Technology Limited ("Deep Blue Ocean") holds 306,000,000 Shares or 61.2% of the issued share capital of the Company. Deep Blue Ocean is beneficially owned as to 52% by Mr. Li, 25% by Mr. Wang, 15% by Ms. Deng and 8% by Mr. Zhang. Mr. Li, Mr. Wang, Ms. Deng and Mr. Zhang have agreed to act in concert to consolidate and maintain their control over the Company. Each of Mr. Li, Mr. Wang, Ms. Deng and Mr. Zhang is deemed to be interested in the same number of Shares that are held by Deep Blue Ocean under the SFO.

Save as disclosed above and to the best knowledge of the Directors, as at 31 December 2023, none of the Directors or the chief executive of the Company had any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the Reporting Period there subsisted any arrangement to which the Company or any of its subsidiaries was a party and the objects of or one of the objects of such arrangement are/is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

The Company has approved the share option scheme on 18 September 2023 (the “**Share Option Scheme**”). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The Share Option Scheme is designed to motivate executives and key employees and other persons who make a contribution to the Group and enable the Group to attract and retain individuals with experience and ability and to reward them for their past contributions. The following is a summary of the principal terms of the Share Option Scheme:

(A) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide an incentive or a reward to eligible persons for their contribution to the Group.

(B) Participants of the Share Option Scheme

The participants of the Share Option Scheme shall be:

- (1) any director of the Company, or any of the subsidiaries of the Company, or any employee employed by the Company and/or its subsidiaries (whether full time or part time), including persons who are granted options under the Share Option Scheme as an inducement to enter into employment contracts with any of such companies;
- (2) any director or employee (whether full-time or part-time) of the Company's holding companies, fellow subsidiaries and associated companies; and
- (3) any person who provides services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interest of the long-term growth of the Group, including consultants and advisers in respect to the business development and management of the Company (excluding any placing agents or financial advisers providing advisory services for fundraising, merger and acquisitions, and professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity).

DIRECTORS' REPORT

(C) Total number of Shares available for issue under the Share Option Scheme

Under the Share Option Scheme, the total number of Shares which may be allotted and issued upon exercise of all share options to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the number of issued shares on the Listing Date unless the Company obtains a fresh approval from the Shareholders.

As at the date of this annual report, a total of 50,000,000 Shares, representing 10% of the issued share capital of the Company, are available for issue under the Share Option Scheme.

(D) Maximum entitlement of each participant under the Share Option Scheme

The maximum entitlement of each participant under the Share Option Scheme in any 12-month period up to and including the date of grant of the options must not exceed 1% of the total number of Shares in issue.

Each grant of share options to a Director, chief executive or substantial shareholder of the Company or any of their respective associates, is subject to approval in advance by the independent non-executive Directors. In addition, any grant of share options to a substantial shareholder or an independent non-executive Director, or to any of their associates, resulting in the Shares issued and to be granted (including options exercised, cancelled and outstanding) to such person, in a 12-month period up to and including the date of such grant in excess of 0.1% of the Shares in issue, is subject to Shareholders' approval in advance in a general meeting of the Company.

(E) The period within which the Shares must be taken up under an option

The period during which an option may be exercised is determined by the Board at its discretion, save that such period shall not be longer than 10 years from the date of grant.

(F) The minimum period for which an option must be held before it can be exercised

As determined by the Board upon the grant of an option.

(G) The amount payable on acceptance of an option and the period within which payments shall be made

A consideration of HKD1 is payable on acceptance of the offer of grant of an option where the grantee should accept or decline the offer of grant of an option within the date as specified in the offer letter issued by the Company.

(H) The basis of determining the exercise price

The exercise price of a share in respect of any particular option granted under the Share Option Scheme shall be a price determined by the Board in its absolute discretion and notified to an eligible person, and shall be at least the higher of: (1) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, (2) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five consecutive business days immediately preceding the date of grant, and (3) the nominal value of a share on the date of grant.

(I) The remaining life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years from 13 October 2023 until 12 October 2033. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption, and there is no outstanding share option as at 31 December 2023 and as at the date of this annual report.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE COMPANY'S SHARES AND UNDERLYING SHARES

As at 31 December 2023, according to the register kept by the Company under Section 336 of the SFO, the corporations or persons (other than a Director or CEO) had interests of 5% or more in the Shares or underlying Shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholder	Capacity	Number of Shares Interested ⁽¹⁾	Approximate Percentage of Shareholding (%)
Deep Blue Ocean ⁽²⁾	Beneficial owner	306,000,000	61.2
Ms. Yang Zihan ("Ms. Yang") ⁽²⁾	Interest of spouse	306,000,000	61.2
Ms. Kong Xiaoyan ("Ms. Kong") ⁽²⁾	Interest of spouse	306,000,000	61.2
Mr. Xu Tao ("Mr. Xu") ⁽²⁾	Interest of spouse	306,000,000	61.2
Ms. He Deling ("Ms. He") ⁽²⁾	Interest of spouse	306,000,000	61.2
Canwest Profits Limited ("Canwest Profits") ⁽³⁾	Beneficial owner	30,000,000	6
Mr. Ye Shanmin ("Mr. Ye") ⁽³⁾	Interest in a controlled corporation	30,000,000	6
Ms. Ng Ling Ling ("Mrs. Ye") ⁽³⁾	Interest of spouse	30,000,000	6
Million Oak Limited ("Million Oak") ⁽⁴⁾	Beneficial owner	28,125,000	5.625
Mr. Chan Eong Liat Jason ("Mr. Chan") ⁽⁴⁾	Interest in a controlled corporation	28,125,000	5.625
Ms. Koh Lik Ching ("Mrs. Chan") ⁽⁴⁾	Interest of spouse	28,125,000	5.625

DIRECTORS' REPORT

Notes:

- (1) Interests in shares stated above represent long positions.
- (2) Deep Blue Ocean is beneficially owned as to 52% by Mr. Li, 25% by Mr. Wang, 15% by Ms. Deng and 8% by Mr. Zhang. Mr. Li, Mr. Wang, Ms. Deng and Mr. Zhang have agreed to act in concert to consolidate and maintain their control over the Company. Each of Mr. Li, Mr. Wang, Ms. Deng and Mr. Zhang is deemed to be interested in the same number of Shares that are held by Deep Blue Ocean under the SFO. Ms. Yang, Ms. Kong, Mr. Xu and Ms. He is the spouse of Mr. Li, Mr. Wang, Ms. Deng and Mr. Zhang respectively and they are therefore deemed to be interested in the same number of Shares in which Mr. Li, Mr. Wang, Ms. Deng and Mr. Zhang are interested under the SFO.
- (3) Canwest Profits is beneficially wholly owned by Mr. Ye. Mr. Ye is deemed to be interested in the same number of Shares that are held by Canwest Profits under the SFO. Mrs. Ye is the spouse of Mr. Ye and is therefore deemed to be interested in the same number of Shares in which Mr. Ye is interested under the SFO.
- (4) Million Oak is beneficially wholly owned by Mr. Chan. Mr. Chan is deemed to be interested in the same number of Shares that are held by Million Oak under the SFO. Mrs. Chan is the spouse of Mr. Chan and is therefore deemed to be interested in the same number of Shares in which Mr. Chan is interested under the SFO.

Save as disclosed above, as at 31 December 2023, no other person (other than a Director or CEO) had registered an interest or short position in the Shares, underlying Shares and debentures of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

DIRECTOR'S SERVICE CONTRACTS

The Company entered into a service contract with each of the executive Directors and a letter of appointment with each of the independent non-executive Directors respectively.

Each of the service contracts and the letters of appointment is for an initial fixed term of three years commencing from the Listing Date.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting of the Company has a service contract/letter of appointment with the Company that is not determinable within one year without payment of compensation (other than statutory compensation).

EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors, chief executive and the five highest paid individuals of the Group are set out in notes 7 and 8 to the consolidated financial statements.

None of the Directors has waived any emoluments during the Reporting Period. In addition, no emoluments were paid by the Group to the Directors as an inducement to join the Group, or as compensation for loss of office during the Reporting Period.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed elsewhere in this annual report, no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any Director or an entity connected with a Director is or was materially interested, either directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period.

CONTROLLING SHAREHOLDERS' CONTRACTS OF SIGNIFICANCE

No contracts of significance have been entered into between the Company or any of its subsidiaries and the controlling Shareholders of the Company (the "**Controlling Shareholders**") or any of their subsidiaries or for the provision of services to the Company or any of its subsidiaries by the Controlling Shareholders or any of its subsidiaries at any time during the Reporting Period.

POTENTIAL CONFLICT OF INTERESTS WITH CONTROLLING SHAREHOLDERS

In order to ensure the Board is capable of performing and managing the Group's business independently from the Controlling Shareholders, the Company has adopted corporate governance measures including but not limited to: the independent non-executive Directors will review, on an annual basis, whether there are any conflict of interests between the Group and the Controlling Shareholders, and provide impartial advice; and the Controlling Shareholders have undertaken to provide to the Company all information necessary including all relevant operational, market, financial and any other necessary information for the purpose of annual review by the independent non-executive Directors.

The independent non-executive Directors have conducted such review, and considered that there were no conflict of interests between the Controlling Shareholders and the Group during the Reporting Period.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed at the end of the Reporting Period or at any time during the Reporting Period.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Reporting Period, none of the Directors or Controlling Shareholders had any interests in businesses, which compete or are likely to compete either directly or indirectly, with the businesses of the Group.

DIRECTORS' REPORT

REMUNERATION POLICY AND EMPLOYMENT BENEFITS

The Group had approximately 204 employees altogether in the PRC and Hong Kong as at 31 December 2023. The Group offers a comprehensive and competitive remuneration, retirement scheme and benefit package to its employees. Discretionary bonus is offered to the Group's staff depending on their performance. The Group is required to make contribution to a social insurance scheme in the PRC.

The emoluments (including the discretionary bonuses) of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics. Details of the remuneration of the Directors are set out in note 7 to the consolidated financial statements.

The Group has not experienced any significant problems with its employees or disruption to the Group's operations due to labour disputes, nor have experienced any difficulties in the recruitment and retention of experienced staff.

RETIREMENT BENEFITS

The Group has participated in defined contribution retirement plans and other employee social security plans, including pension, medical, other welfare benefits, organised and administered by the relevant governmental authorities for employees in the PRC. The Group contributes to these plans based on certain percentages of the total salary of employees, subject to a certain ceiling, as stipulated by the relevant regulations. The Group does not forfeit any contributions on behalf of its employees who leave these plans prior to full vesting. Accordingly, there was no forfeited contribution available for the Group to reduce the existing level of contributions. Details of the retirement benefits provided by the Group to employees are set out in note 30(a) the consolidated financial statements. Save as the aforesaid, the Group did not participate in any other pension schemes during the Reporting Period.

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

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

TAX RELIEF AND EXEMPTION

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

PRE-EMPTIVE RIGHT

There is no provision for pre-emptive rights under the Articles of Association or under the laws of the Cayman Islands that would require the Company to offer new shares on a pro-rata basis to existing Shareholders.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the significant related party transactions entered by the Group during the year ended 31 December 2023 are set out in note 30 to the financial statements.

None of these related party transactions constitutes connected transaction or continuing connected transaction which is required to be disclosed under the Listing Rules. The Director confirm that the Company has complied with disclosure requirements in accordance with Chapter 14A of the Listing Rules during the Reporting Period.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the Reporting Period, the revenue generated from the Group's top five customers accounted for approximately 68.07% of the Group's total revenue, while the revenue generated from the Group's largest customer accounted for approximately 22.28% of the Group's total revenue.

Major Suppliers

For the Reporting Period, the total purchases from the Group's top five suppliers accounted for approximately 42.23% of the total purchases, while the purchases from the Group's largest supplier accounted for approximately 22.37% of the Group's total purchases.

During the Reporting Period, none of the Directors, any of their close associates or any Shareholders (which to the best knowledge of the Directors own more than 5% of the issued Shares) was interested in the top five customers or suppliers of the Group.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last four financial years is set out on page 152 of this annual report. This summary does not form part of the audited consolidated financial statements.

USE OF NET PROCEEDS FROM THE SHARE OFFER

After deducting the underwriting fees and commissions and other listing expenses borne by the Company, the net proceeds from the listing (the "**Net Proceeds**") amounted to approximately RMB90,900,000. As at the date of this annual report, the Directors are not aware of any material change to the planned use of proceeds as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The Company will use the net proceeds raised from the global offering for the intended use of net proceeds as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

DIRECTORS' REPORT

An analysis of the intended use of net proceeds as stated in the Prospectus and the actual utilisation of the net proceeds during the period from the Listing Date and up to the date of this annual report is set out below:

	Planned use of the Net Proceeds in total	Actual use of the Net Proceeds from the Listing Date up to 31 December 2023	Unutilised amount at 31 December 2023	Expected timeline to use the Net Proceeds
	<i>RMB (in million)</i>	<i>RMB (in million)</i>	<i>RMB (in million)</i>	
1 Fund the capital needs and cash flow for new projects	19.0	19.0	–	Not applicable
2 Establish and strengthen the research and development centres and recruit additional research and development staff	25.3	5.8	19.5	31 December 2024
3 Recruit additional staff in the sales and marketing team, project management team and technical team	8.3	0.3	8.0	31 December 2024
4 Upgrade IT infrastructure	10.7	3.7	7.0	31 December 2024
5 Repayment of bank borrowings	18.5	18.5	–	Not applicable
6 General working capital	9.1	8.0	1.1	31 December 2024
	<u>90.9</u>	<u>55.3</u>	<u>35.6</u>	
Total	<u>90.9</u>	<u>55.3</u>	<u>35.6</u>	

Note: Net Proceeds to be applied to working capital depend on the actual requirement in operation of the Group

Save as disclosed above, the Group has no other update on the use of Net Proceeds as at the date of this annual report. The Company will make further announcement (s) if there is any change in the use of Net Proceeds.

SUFFICIENT PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the despatch of this annual report, the Company has maintained a sufficient public float for the issued Shares (i.e. at least 25% of the issued Shares being held by the public) as required under the Listing Rules as at the latest practicable date prior to the despatch of this annual report.

AUDITOR

On 11 October 2023, the Company successfully listed its Shares on the Main Board of the Stock Exchange, and there has been no change in auditor since the Listing and as of the date of this annual report.

The consolidated financial statements of the Group for the year ended 31 December 2023 have been audited by KPMG.

By order of the Board

Li Changqing

Chairman of the Board

Hong Kong, 28 March 2024

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company for the Reporting Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders and to enhance corporate value and accountability.

Except for the disclosed in the paragraph headed “Chairman and Chief Executive Officer”, the Company has fully complied with all the code provisions of the corporate governance code (the “**Corporate Governance Code**” or “**CG Code**”) set forth in Appendix C1 to the Listing Rules during the period from the Listing Date to 31 December 2023.

CORPORATE CULTURE

A positive and progressive corporate culture across the Group is vital for the Company to achieve its purpose towards the sustainable growth. It is the role of the Board to foster the Group’s corporate culture with the core principles of integrity and accountability to guide the behaviours of its employees and ensure that the Company’s purpose, values and business strategies are aligned to it.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code and the Company’s code of conduct regarding directors’ securities transactions during the period from the Listing Date to 31 December 2023.

The Company has also established written guidelines no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of such guidelines by the employees was noted by the Company.

BOARD COMPOSITION

The Board currently comprises eight members consisting of five executive Directors and three independent non-executive Directors.

During the year ended 31 December 2023 and up to the date of this annual report, the composition of the Board is set out in the section headed “Directors’ Report – Directors” in this annual report.

The biographical details of the Directors are set out in the section headed “Directors and Senior Management” of this annual report. Save as disclosed elsewhere in this annual report, there is no relationship (including financial, business, family and other material or relevant relationships) among members of the Board.

BOARD MEETINGS AND GENERAL MEETING

Code provision C.5.1 of the CG Code stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. The board meetings will involve the active participation, either in person or through electronic means of communication, of a majority of directors entitled to be present, at approximately quarterly intervals. Schedules for regular Board meetings are normally agreed with Directors in advance to facilitate their attendance. All Directors are given the opportunity to include items or businesses for discussion in the agenda.

The Company was listed on the Main Board of the Stock Exchange on the Listing Date. During the period from the Listing Date to 31 December 2023, there was no Board meeting and shareholder general meeting held.

Code provision C.2.7 of the CG Code stipulates that the Chairman of the Board should at least annually hold meetings with the non-executive Directors (including Independent Non-executive Directors) without the presence of the executive Directors. As the Company was only listed on the Main Board of the Stock Exchange on the Listing Date, no such separate meeting between the Chairman of the Board and the non-executive Directors (including Independent Non-executive Directors) was held in the year ended 31 December 2023. Such separate meeting will be arranged in the year ended 31 December 2024.

On 28 March 2024, a Board Meeting was held to approve, among others, the annual results of the Group for the year ended 31 December 2023.

Chairman and Chief Executive Officer

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Li Changqing (“**Mr. Li**”) is the chairman (“**Chairman**”) and chief executive officer of the Group (“**CEO**”). In view of the fact that Mr. Li has been responsible for the day-to-day management of the Group since 2003 and the steady development of the Group, the Board believes that with the support of Mr. Li’s extensive experience and knowledge in the business of the Group, vesting the roles of both Chairman and CEO in Mr. Li strengthens the consistent and solid leadership of the Group, and thereby allows for efficient business planning and decision which is in the best interest of the Group as a whole.

Directors consider that the deviation from code provision C.2.1 of the CG Code is appropriate in such circumstances. Notwithstanding the above, the Board is also of the view that the current management structure is effective for the Group’s operations, and sufficient checks and balances are in place. The Board will continue to review the effectiveness of the corporate governance structure of the Company in order to assess whether separation of the roles of Chairman and CEO is necessary.

CORPORATE GOVERNANCE REPORT

Appointment and Re-election of Directors

Each of the Directors (including independent non-executive Directors) has entered into a service contract or letter of appointment with the Company for a term of three years with effect from the Listing Date.

All the Directors are subject to retirement by rotation and re-election at the annual general meetings. Under the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or if their number is not a multiple of three, 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. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the members of the Company after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the Reporting Period.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" in this annual report.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is the primary decision-making body of the Company and is responsible for leadership and control of the Company, overseeing the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs and acting in the best interests of the Company and its Shareholders. The Board makes decisions objectively in the interests of the Company. All Directors have full and timely access to all the information of the Company, and may upon request, seek independent professional advice in appropriate circumstances at the Company's expenses for discharging their duties. All Directors, including the non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The Group's senior management is responsible for the day-to-day management of the Group's business and is responsible for overseeing the general operation, business development, finance, marketing and operations.

The Board reserves for its decision on all major matters relating to policy matters, strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director shall receive a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Mr. Hou Chang, Mr. Hu Zhongqiang and Mr. Lin Peigan obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 21 April 2023. Each of Mr. Hou Chang, Mr. Hu Zhongqiang and Mr. Lin Peigan has confirmed that he understood his obligations as a director of the Company.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors.

For the Reporting Period and up to the date of this annual report, the Company organized training sessions conducted by the legal advisers for all Directors. The training sessions covered relevant topics including directors' duties and responsibilities, corporate governance and regulatory updates. In addition, relevant reading materials including compliance manual/legal and regulatory updates/seminar handouts have been provided to the Directors for their reference and studying.

All the Directors named in the section headed "Board Composition" in this Corporate Governance Report confirmed that they have complied with the code provision C.1.4 of part 2 of the CG Code during the Reporting Period by participating in appropriate continuous professional development activities, and reading materials relating to regulatory updates and handouts or reviewing the papers and circulars sent by the Company.

The training records of the Directors for the Reporting Period are summarised as follows:

Directors	Types of Training ^{Note}
Mr. Li Changqing	A+B
Mr. Wang Yufei	A+B
Mr. Hui Chi Chung Nevin	A+B
Ms. Deng Caidie	A+B
Mr. Zhang Guangbai	A+B
Mr. Hou Chang	A+B
Mr. Hu Zhongqiang	A+B
Mr. Lin Peigan	A+B

CORPORATE GOVERNANCE REPORT

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Audit Committee

The Company has established an audit committee of the Company (the "**Audit Committee**") in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code.

The primary duties of the Audit Committee include making recommendations to the Board on the appointment and removal of external auditors, reviewing the financial statements and render advice in respect of financial reporting, as well as overseeing the internal control procedures of the Group. The full version of the terms of reference of the Audit Committee is available on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.maiyuesoft.com.

The Audit Committee consists of three members, Mr. Lin Peigan, Mr. Hou Chang and Mr. Hu Zhongqiang. Mr. Lin Peigan who possesses the appropriate professional accounting qualification and finance management expertise is the chairman of the Audit Committee.

As the Shares were listed on the Stock Exchange on the Listing Date, the Audit Committee did not have any matters that need to be discussed during the period from the Listing Date to 31 December 2023 covering less than three months, and therefore, it did not hold any meeting during the relevant period. The Audit Committee will fully comply with its term of reference.

The Audit Committee held a meeting on 28 March 2024 and reviewed, among other things, the audited consolidated results of the Group for the year ended 31 December 2023.

Remuneration Committee

The Company has established a remuneration committee of the Company (the “**Remuneration Committee**”) in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code.

The primary duties of the Remuneration Committee include making recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review performance based remuneration and ensure none of the Directors determine their own remuneration. The full version of the terms of reference of the Remuneration Committee is available on the Stock Exchange’s website at www.hkexnews.hk and the Company’s website at www.maiyuesoft.com.

The Remuneration Committee consists of three members, namely Mr. Hu Zhongqiang, Mr. Hou Chang and Mr. Lin Peigan. Mr. Hu Zhongqiang is the chairman of the Remuneration Committee.

As the Shares were listed on the Stock Exchange on the Listing Date, the Remuneration Committee did not have any matters that need to be disclosed during the Period from the Listing Date to 31 December 2023 covering less than three months, and therefore, it did not have any meeting during the relevant period. The Remuneration Committee will fully comply with its term of reference.

Nomination Committee

The Company has established a nomination committee of the Company (the “**Nomination Committee**”) in compliance with the Corporate Governance Code.

The primary duties of the Nomination Committee include making recommendations to the Board on the appointment of Directors and the management of the Board succession.

The full version of the terms of reference of the Nomination Committee is available on the Stock Exchange’s website at www.hkexnews.hk and the Company’s website at www.maiyuesoft.com.

The Nomination Committee consists of three members, namely Mr. Li Changqing, Mr. Hou Chang and Mr. Hu Zhongqiang. Mr. Li Changqing is the chairman of the Nomination Committee.

As the Shares were listed on the Stock Exchange on the Listing Date, the Nomination Committee did not have any matters that need to be discussed during the period from the Listing Date to 31 December 2023 covering less than three months, and therefore, it did not hold any meeting during the relevant period. The Nomination Committee will fully comply with its term of reference.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of the Board and to maintain the high standard of corporate governance, the Company has adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of the Board. Pursuant to the board diversity policy, the Company seeks to achieve board diversity through the consideration of a number of factors when selecting the candidates to the Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background, ethnicity and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to the Board.

The Directors have a balanced mix of knowledge and skills, including overall management and strategies and planning, human resources, administration and training, business development, sales, accounting and corporate finance, administrative and legal compliance. The Company has three independent non-executive Directors with different industry backgrounds, representing one-third of the members of the Board. In terms of gender diversity, the executive Directors include a female Director, namely Ms. Deng Caidie who has over 15 years of experience in the IT industry. On such premise, the Board is well balanced and diversified in alignment with the business development and strategy of the Group. Taking into account the existing business model and specific needs as well as the different background of the Directors, the composition of the Board satisfies the board diversity policy.

The Nomination Committee is responsible for ensuring the diversity of the Board members. The Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness and the Company will disclose in the corporate governance report about the implementation of the board diversity policy on an annual basis.

As at 31 December 2023, the Group hired approximately 204 full-time and part-time employees (including senior management), of which 142 were male and 62 were female. The gender ratio in the workforce (including senior management) was approximately 2 males to 1 females. The Company is aiming to achieve a more balanced gender ratio in the workforce and will continue to monitor and evaluate the diversity policy from time to time to ensure its continued effectiveness. The Company is not aware of any mitigating factor or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant. For more relevant details, please refer to the ESG Report.

Mechanisms to Ensure Independent Views

The Company ensures independent views and input are available to the Board via the below mechanisms:

1. The Board composition and the independence of the independent non-executive Directors should be reviewed by the Nomination Committee on an annual basis, in particular the independence of some of the independent non-executive Directors who has served for more than nine years;
2. A written confirmation was received by the Company under Rule 3.13 of the Listing Rules from each of the independent non-executive Directors in relation to his independence to the Company. The Company considers all its independent non-executive directors to be independent;

3. In view of good corporate governance practices and to avoid conflict of interests, the Directors who are also directors and/or senior management of the Company's controlling shareholders and/or certain subsidiaries of the controlling shareholders, would abstain from voting in the relevant Board resolutions in relation to the transactions with the controlling shareholders and/or its associates;
4. The chairman of the Board shall meet with independent non-executive Directors at least once annually; and
5. All members of the Board can seek independent professional advice when necessary to perform their responsibilities in accordance with the Company's policy.

The Board reviews the mechanisms for ensuring independent views and input are available to the Board on an annual basis, whether in terms of the proportion, recruitment and independence of independent non-executive Directors, and ensures them to make contribution and have access to external independent professional advice.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of part 2 of the CG Code.

The Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has undertaken the overall responsibility for overseeing the Group's risk management and internal control systems on an on-going basis and reviewing their effectiveness at least annually in order to safeguard the interests of the shareholders and the assets of the Group. The Board acknowledges its responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives and ensuring that the Group has established and maintained appropriate and effective risk management and internal control systems. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has delegated to the Audit Committee to review the effectiveness of the risk management and internal controls of the Group. Based on its review, the Audit Committee advises the Board on the effectiveness of the Group's risk management and internal control systems, including the identification and monitoring of the risks, the adequacy of resources, staff qualifications and experience, training programmes and the Company's accounting and financial reporting functions. The management has also been delegated to design, implement and maintain the appropriate and effective risk management and internal control systems of the Group.

CORPORATE GOVERNANCE REPORT

To further strengthen the risk management and internal control of the Group, the Company will appoint external advisers to undertake the internal audit function and perform the ongoing monitoring of the internal control systems of the Group. The external advisers evaluate the Group's risk management and internal control systems by reviewing the material controls, including financial, operation and compliance. The rotation basis would be applied to operations with similar risk associated so as to enhance the efficiency and effectiveness of the internal audit function. Review results and the recommendations in the form of written report are submitted to the Audit Committee for discussion and review. Follow up actions will be taken up by the management of the Group to ensure all significant control activities are properly in place within the Group and findings previously identified have been properly resolved. The Company is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. The situation will be reviewed from time to time.

The Company has conducted a review on the effectiveness and efficiency of the Groups risk management and internal control systems for the purpose of listing of the Shares on the Main Board of the Stock Exchange during the Reporting Period and the management has confirmed that there is no significant deficiency and weakness on the internal control system has been identified by the external advisers. During the Reporting Period, the Board satisfied and confirmed that the Group's risk management and internal control systems were effective and adequate.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group strictly follows the requirements of the Securities and Futures Ordinance of Hong Kong (the “SFO”) and the Listing Rules and ensures that inside information is disclosed to the public as soon as reasonably practicable unless the information falls within any of the safe harbours of the SFO. Before inside information is fully disclosed to the public, such information is kept strictly confidential. In addition, the Group adopted the policy of disclosing relevant information only to appropriate staff within the Group and will publish written guidelines regarding employees’ securities transactions on terms no less exacting than the standard set out on the Model Code for the compliance by its relevant staff in respect of their dealings in the Company’s securities.

AUDITOR’S REMUNERATION

The table below sets out details of fees paid/payable for the year ended 31 December 2023 on audit services provided by KPMG, the auditor of the Company:

Service category	Fees paid/ payable <i>RMB’000</i>
Audit services	1,813
Initial public offering-related services	<u>2,196</u>
Total	<u><u>4,009</u></u>

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Ms. Dai Tianqiao (“**Ms. Dai**”) has resigned as the Joint Company Secretary and the chief financial officer of the Company due to her other personal commitments with effect from 12 January 2024.

Mr. Yeung Kwong Wai (“**Mr. Yeung**”) has been appointed as the Joint Company Secretary in place of Ms. Dai with effect from 12 January 2024, while Ms. Li Hoi Mei (“**Ms. Li**”) will continue to act as the other joint company secretary of the Company.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters.

Each of Ms. Li and Mr. Yeung undertook not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions shall be determined by poll and not on a show of hands, save that the chairman of the meeting may, in good faith, allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands. Poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

SHAREHOLDERS' GENERAL MEETING

The Shareholders' general meeting is the organ of highest authority of the Company and exercises the duties and powers in accordance with the laws and the Articles of Association.

In order to protect the rights of Shareholders, our Company will convene the Shareholders' general meetings in strict compliance with the relevant rules and procedures such that all Shareholders are treated equally and can exercise their rights fully. Separate resolutions will be proposed at general meetings on each substantial issue. Each resolution submitted to the Shareholders' general meeting will be voted pursuant to the Listing Rules, and the voting result will be published on the websites of the Stock Exchange and the Company after the meeting.

During the Relevant Period, the Company did not convene any Shareholders' general meeting.

Convening an Extraordinary General Meeting

Pursuant to Article 64 of the Articles of Association, 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 of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The objects of the meeting must be stated in the written requisition.

Putting Forward Proposals at General Meetings

If a Shareholder wishes to put forward proposals at a Shareholders' meeting, the Shareholder, who has satisfied the shareholding requirements set out in the above paragraph headed "Convening an Extraordinary General Meeting", may follow the same procedures by sending a written requisition to the Board or the Company Secretary. The Shareholder should state his/her proposals in the written requisition and submit the written requisition as early as practicable to enable the Board to make necessary arrangement.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholder may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:
Room 806, 8th Floor,
Office Area, Block B, East Tower
Guangxi Sports Centre Supporting Project Complex
9 Gehai Road
Nanning, Guangxi, PRC

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted a Shareholders' communication policy with the aim of promoting effective communication with the Shareholders and other stakeholders, encouraging the Shareholders to engage actively with the Company, and enabling the Shareholders to exercise their rights as shareholders effectively.

Information will be communicated to the Shareholders through the Company's financial reports, annual general meetings and extraordinary general meetings that may be convened as well as all the published disclosures submitted to the Hong Kong Stock Exchange. To promote effective communication, the Company maintains a website at www.maiyuesoft.com, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

Based on the Shareholders' communication policy which sets out the various communication channels available to the Shareholders to communicate their views on the matters affecting the Company and direct their views to the Company, and the corporate communication made available by the Company to the Shareholders by different means, the Company believes that the policy has been effectively implemented on the basis that it facilitates timely and effective communication of the Company with its Shareholders during the year ended 31 December 2023.

DIVIDEND POLICY

The Company does not have any fixed dividend policy or pre-determined dividend payout ratio. The declaration of dividends is subject to the discretion of the Board. Any declaration of final dividend by the Company shall also be subject to the approval of our Shareholders in a Shareholders' meeting. The Directors may recommend a payment of dividends in the future after taking into account the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to constitutional documents, any applicable laws and regulations, including the Cayman Companies Act. Historical dividend distributions are not indicative of the future dividend distribution. Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in the operations.

SIGNIFICANT CHANGES TO CONSTITUTIONAL DOCUMENTS

The Company adopted amended and restated Articles of Association on 18 September 2023, which has been effective from the Listing Date. During the year ended 31 December 2023, no other changes have been made to the said Articles of Association. The Articles of Association is available on the websites of the Company and the Stock Exchange.

DISCLOSURE OF DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Save as disclosed elsewhere in this annual report, there were no changes to the Director's information that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

ABOUT THE REPORT

This Environmental, Social and Governance (“ESG”) report presents the Group’s efforts and achievement made in sustainability and social responsibility. The ESG Report details the Group’s performance in carrying out the environmental and social policies and fulfilling the principle of sustainable development.

ESG Governance Structure

The Group is committed to incorporating ESG factors into its decision-making process and its daily operation. The ESG governance structure of the Group comprised the Board and the ESG working group (the “ESG Working Group”).

The Board has overall responsibility for the Group’s ESG governance, ESG strategy and reporting, as well as evaluating and managing the Group’s ESG-related risks. The Board is also responsible for setting the ESG management approach, strategy, priorities and objectives and reviewing the Group’s performance periodically against ESG-related goals and targets. The Board discusses and reviews the Group’s ESG-related risks and opportunities, performance, progress, goals and targets regularly with the assistance of the ESG Working Group.

The Board is also responsible for ensuring that appropriate and effective ESG risk management and internal control systems are in place. The ESG Working Group comprises of senior management from different departments of the Group. The ESG Working Group reports to the Board periodically and assists the Board to oversee the ESG-related issues and has the responsibility for collecting and analysing ESG data, implementing the Group’s ESG strategy and policies, monitoring and evaluating the Group’s ESG performance, and preparing ESG reports. The ESG Working Group meets regularly to discuss and review ESG-related issues including but not limited to the ESG policies and procedures and ESG-related performance.

The Scope of the ESG Report

The core businesses of the Group are Integrated IT solutions services, Sales of hardware and/or software and Standalone IT services. Unless stated otherwise, the ESG Report covers the Group’s major operating revenue activities under direct management control. The ESG key performance indicator (“KPI”) data are gathered and are shown in the ESG Report as well as supplemented by explanatory notes to establish benchmarks. The Group will continue to assess the major ESG aspects of different businesses to determine whether they need to be included in the ESG reporting.

Reporting Period

The ESG Report specifies the ESG activities, challenges and measures being taken during the financial year ended 31 December 2023 (the “Reporting Period”).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Reporting Standard

The ESG Report was prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (the “ESG Guide”) under Appendix 27 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited.

During the preparation of this ESG Report, the Group has applied the reporting principles in the ESG Reporting Guide, as described below:

Materiality: The ESG Report has included the ESG factors that are sufficiently material to different stakeholders. The Group’s Directors and senior management are mainly responsible for identification of key ESG factors on the basis of the feedback from the stakeholders. In order to determine the ESG factors that are relevant and material to its business with respect to sustainability, the Group is aware that the importance to understand the issues that the Group’s stakeholders concerned the most. Please refer the section headed “Stakeholder Engagement” for details of the main expectations and concerns of the Group’s key stakeholders and the corresponding management responses and the section headed “Materiality assessment” for details of the annual materiality assessment conducted by the Group to identify the key ESG issues that material and relevant to the Group’s operation.

Quantitative: The data presented in this report have been examined. Summary tables of performance are shown in relevant sections. Information on the standards, methodologies, assumptions and/or calculation tools, and source of conversion factors used for the reporting of emissions and energy consumption are mainly referred to the ESG Guide.

Balance: This ESG Report was prepared based on an objective and impartial manner to ensure that the information provided an unbiased picture of the overall ESG performance of the Group.

Consistency: The methodologies and KPIs are used and calculated in a consistent approach. If there are any changes in consistency that may affect a meaningful comparison, detail would be disclosed. There is no change in the collection and computation of data presented in this report as compared to the ESG Report for the previous reporting periods.

Stakeholder Engagement

Understanding and taking actions towards stakeholders’ concerns and expectations is essential towards the Group’s sustainability development. The engagement of stakeholders helps the Group recognize its sustainability performance. Therefore the Group has established appropriate communication channels so that comments and feedback from major stakeholders are effectively and timely addressed.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The following table summarises the main expectations and concerns of the Group's key stakeholders and the corresponding management responses.

Stakeholders	Expectations	Management Responses/ Communication Channels
Government and Regulators	<ul style="list-style-type: none"> • Compliance with national policies, laws and regulation • Support for local economic growth • Tax payment in full and on time 	<ul style="list-style-type: none"> • Regular information reporting • Meetings with regulators • Examination and inspection
Shareholders	<ul style="list-style-type: none"> • Returns • Compliance operations • Rise in company value • Transparency and effective communication 	<ul style="list-style-type: none"> • General meetings • Announcements • Company website
Partners	<ul style="list-style-type: none"> • Operation with integrity • Equal Rivalry • Performance of contracts • Mutual benefits 	<ul style="list-style-type: none"> • Business communication • Discussion and exchange of opinions • Engagement and cooperation
Customers	<ul style="list-style-type: none"> • Outstanding products and services • Performance of contracts • Operation with integrity 	<ul style="list-style-type: none"> • Forums, talks, industrial events • Meetings with customers • Daily operation/communication
Environment	<ul style="list-style-type: none"> • Energy saving and emission reduction • Environmental protection 	<ul style="list-style-type: none"> • ESG Reporting
Employees	<ul style="list-style-type: none"> • Protection of rights • Occupational health • Remunerations and benefits • Career development • Humanity cares 	<ul style="list-style-type: none"> • Meetings with employees • Training and workshop • Employee activities
Community and the public	<ul style="list-style-type: none"> • Transparency 	<ul style="list-style-type: none"> • Company website • Announcements • Interview with media • Social media platforms

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Materiality Assessment

The Group has conducted the annual materiality assessment to identify the key ESG issues that are important to its business. The objective of materiality assessment is to identify ESG issues that are material and relevant to the Group's operation.

Identification

Reference is made to the ESG Guide to set ESG subject areas and aspects for all stakeholders' assessment. The Group obtains feedback from all stakeholders through the various communication channels.

Prioritisation

The identified ESG issues are then ranked and reviewed by the ESG Working Group in the materiality matrix based on consideration of their impact on the Group's business, finance, operations, environment, customers and community.

Verification

The findings are then reviewed by to the Board in order to confirm the material ESG issues are relevant and material to the Group for disclosure.

According to the results of the materiality assessment, the list below demonstrated the ESG issues with the level of materiality to the Group.

Materiality

ESG Issues

High materiality

Customer Privacy and Company Data Protection
Intellectual Property Protection
Customer Complaint Management
Project Quality Management
Employment practices and compliance
Employee Retention
Employee Health and Safety
Labor Standards

Medium materiality

Staff Development and Training
Business Ethics and Ethics
Anti-Corruption
Resource Use and Efficiency
Supply Chain Management
Energy Management
Control emissions

Low materiality

Environmental Compliance
Water Resources Management
Waste Management
Community Investment
Climate Change Response
Material Use and Packaging
Environment and Natural Resources

A. ENVIRONMENTAL ASPECT

Environmental Targets

To better manage the Group's material topics and its sustainability performance, the Group has set targets for the environmental aspect in 2023. The table below summarises the Group's environmental targets, of which the progress will be monitored and assessed in the coming years:

Aspects	Environmental targets
GHG emissions	<ul style="list-style-type: none"> Maintain the total GHG emissions intensity for 2024 to be not more than the 2023 baseline.
Waste reduction	<ul style="list-style-type: none"> Maintain the total GHG emissions intensity for 2024 to be not more than the 2023 baseline. Reduce the total non-hazardous waste intensity by 3% by 2028 compared to the 2023 baseline.
Energy use efficiency	<ul style="list-style-type: none"> Maintain the total GHG emissions intensity for 2024 to be not more than the 2023 baseline. Reduce the total energy consumption intensity by 3% by 2028 compared to the 2023 baseline.
Water efficiency	<ul style="list-style-type: none"> Conduct or participate in awareness-building activities related to water conservation annually from 2024 onwards.

A1: Emissions

The Group does not operate in a highly-polluting industry, and its production processes primarily involve system integration and software development. However, the Group regards environmental protection as an important corporate responsibility, and has taken measures to facilitate the environmental friendliness of its workplace by encouraging, among other things, an energy-saving culture within the Group. The Group supports the waste hierarchy of "3Rs" – Reduce, Reuse and Recycle – which aims at waste control and minimisation. The Group has adopted the following measures to mitigate the emissions in its operations: (1) ensuring strict compliance with relevant laws and regulations in all commercial activities related to the emission of exhaust gases, greenhouse gases and waste management; (2) conveying the environmental management measures of energy conservation to all the staff of the Group in order to deepen their awareness of environmental protection; and (3) continuously monitoring the progress of environmental management measures to ensure compliance at all times. During the Reporting Period, the Group has not identified any material noncompliance with relevant laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste such as the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法) and the Environment Protection Law of the People's Republic of China (中華人民共和國環境保護法).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Air Emissions – Due to the Group’s business nature, the Group considers the relevant air emissions generated by its daily operations are not significant except for the vehicles used for maintaining its daily operation. However, the Group still strives to mitigate the exhaust gas generated from its business operation as much as possible. As a way to reduce emission, the Group requires all the users of the Group’s vehicles to switch off the idling engine to avoid unnecessary emission.

During the Reporting Period, the quantitative information in relation to air emission of the Group is as follows:

Air Emission	For the year ended 31 December 2023
Nitrogen oxides (NO _x)	5.55 kg
Sulphur oxides (SO _x)	0.12 kg
Particulate matter (PM)	0.31 kg

Greenhouse Gas Emissions – Although the Group is not involved in energy-intensive businesses, normal office operation which is essential to maintain its professional services is still a source of greenhouse gas emission. As such, the Group exerts itself to abide by the relevant laws and regulations and make the Group’s daily operation more environmentally-friendly. In addition to the use of vehicles, which is a type of direct emission of greenhouse gas, indirect emission from processes such as electricity and paper consumption and business air travel of employees are the main sources of greenhouse gas emission from the Group’s operation. The Group has adopted the following measures to mitigate greenhouse gas emissions: (1) posting up labels to promote electricity conservation on all types of electronic appliances, reminding employees to switch off any idle appliances and lighting, and to switch off conference equipment promptly after the end of the meeting; (2) implementing management control to monitor the use of vehicles; and (3) implementing management control to monitor business air travel of employees.

During the Reporting Period, the quantitative information in relation to air emission of the Group is as follows:

Greenhouse Gases Emission	For the year ended 31 December 2023 (tonne)
Direct Emission (Scope 1)	21.14
– Fuel consumption of the Group’s vehicles	
Indirect Emission (Scope 2)	164.12
– Electricity	
Total emission of greenhouse gases	185.26
Total emission of greenhouse gases per employee	0.91

Sewage Discharge – Due to the Group’s business nature, the Group generated no water pollutants commonly discharged from manufacturing processes and therefore the Group’s business activities did not generate material discharges into water during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Waste Management – The Group adheres to the waste management principle and strives to properly manage and dispose wastes produced by its business activities. The Group maintains high standard in waste reduction, educates its employees the significance of sustainable development and provides relevant support in order to enhance their skills and knowledge in sustainable development. Wastes are systematically collected and transported to designated disposal facilities.

Hazardous Waste – Due to the Group’s business nature, the Group did not generate significant amount of hazardous wastes during the Reporting Period.

Non-hazardous Waste – The Group adopts the principle of “Reduce, Reuse, Recycle and Replace” for waste management and strives to promote better utilisation of resources. The major non-hazardous waste generated during the course of the Group’s daily operations is office paper. Paper and general wastes are collected and sorted with recycle bins for recycling.

During the Reporting Period, the non-hazardous wastes generated by the Group is as follows:

For the year ended 31 December 2023

Total non-hazardous wastes	4,085 KG
– Office paper	
Non-hazardous waste discarded per employee	20.02 KG

A2: Use of Resources

Given that the Group’s business involves no production element, the use of resources by the Group, such as energy, water and other raw materials, in its day-to-day operations is minimal. As the Group is aware of its electricity, water and fuel consumption in the office environment (and from the use of the Group’s vehicles), the Group will focus on ESG improvements in these areas. In the Group’s operations, the Group has adopted the following measures regarding the use of resources: (1) routine inspections; (2) green purchasing; (3) water management; (4) double-sided printing and recycling of waste paper; and (5) other measures (including the maintenance of green plants and promotion of paperless office).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Energy Consumption – The Group has adopted the following measures to mitigate energy consumption: (1) reminding employees to switch off idle lights and computers when they leave the office; (2) reducing the standby time of office equipment such as computers, printers, copiers, etc.; (3) using energy-saving lamps in office premises; (4) promoting the use of natural light and minimising idle lighting in public areas; and (5) pre-setting air conditioners to energy-saving temperatures. During the Reporting Period, the total energy consumption of the Group is as follows:

For the year ended 31 December 2023

Direct energy consumption	84,783.92 kWh
Indirect energy consumption	269,006.34 kWh
Total energy consumption	353,790.26 kWh
Energy consumption per employee	1,734.27 kWh

Water Consumption – At present, the water consumption of the Group is limited to the use of drinking fountains and basic cleaning and sanitation in its offices. The Group has adopted the following measures to mitigate water consumption: (1) promoting and encouraging its employees to conserve water; (2) flushing toilets with high or low water flow rate, depending on the amount of water needed to flush dirt; and (3) performing regular maintenance and replacing old faucets timely.

For the year ended 31 December 2023

Water Consumption	2,218.24 m ³
Water consumption per employee	10.87 m ³

During the Reporting Period, the Group had no issue in sourcing water that is fit for purpose.

Packaging Materials – As the Group has no industrial production or any factory facilities, the Group does not consume significant amounts of package materials for product packaging.

A3: The Environment and Natural Resources

Due to the Group's business nature, the Group's operations have little impact on the environment or natural resources apart from those mentioned in the previous section. While the Group does encourage its employees to practise the "3Rs" and to protect the natural environment, as this aspect has no material relevance to its business, The Group has opted not to report on it, and KPI A3.1 (concerning the significant impacts of activities on the environment and natural resources and the actions taken to manage them) is not applicable.

A4: Climate Change

The Group recognises the importance of the identification and mitigation of significant climate-related issues, therefore, the Group is committed to managing the potential climate-related risks which may impact its business activities. The Group has established risk management policy in identifying and mitigating different risks including climate-related risks. The Board meets regularly and discusses with the senior management to identify and evaluate climate-related risks and to formulate strategies to manage the identified risks. Since the core businesses of the Group are integrated IT solutions services, sales of hardware and/or software and standalone IT services, the impact on the significant climate-related issues are of little significance for its operation.

The Group has identified the material impacts on the Group's business arising from the following risks:

Physical risks

The increased frequency and severity of extreme weather such as typhoons, storms and heavy rains can disrupt the Group's operations by damaging the power supply, and communication infrastructures, and injuring the Group's employees during their work, leading to reduced capacity and decreased productivity, or exposing the Group to risks associated with non-performance and delayed performance. To minimise the potential risks and hazards, the Group takes internal precautions to minimise effect of the extreme weather, such as checking electrical circuits regularly, closing doors and windows, reminding employees to turn off the appliance after work and pay attention to personal safety when working outdoor. At the same time, the Group has flexible working arrangements and precautionary measures during bad or extreme weather conditions.

Transition Risks

The Group anticipates that there will be more stringent climate legislations and regulations to support the global vision of carbon neutrality. From a listed company's perspective, the Group acknowledges the increasing requirements of climate-related information disclosures. One of the examples is the recent update of the Stock Exchange's ESG Guide in respect of significant climate-related impact disclosures of an issuer. Stricter environmental laws and regulations may expose enterprises to higher risks of claims and lawsuits. Corporate reputation may also decline due to failure to meet the compliance requirements for climate change. The Group's related capital investment and compliance costs thus increase. In response to the policy and legal risks as well as the reputational risks, the Group regularly monitors existing and emerging trends, policies and regulations relevant to climate and be prepared to alert the senior management where necessary to avoid cost increments, non-compliance fines and/or reputational risks due to delayed response.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL

B1: Employment

Human resources are the foundation to support the development of the Group. The Group believes that every employee plays a vital role in executing a good service experience for the Group's customers. The Group dedicates in offering a pleasant working environment that encourages communication, innovation, continuous learning and fosters employee engagement.

During the Reporting Period, the Group was not aware of any material non-compliance with employment-related laws and regulations that would have a significant impact on the Group such as the Labour Law of the People's Republic of China (中華人民共和國勞動法), the Labour Contract Law of the People's Republic of China (中華人民共和國勞動合同法), the Provisions on the Prohibition of Using Child Labour (禁止使用童工規定) and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (中華人民共和國職業病防治法).

As at 31 December 2023, the Group had approximately 204 employees (including the senior management). Employees' composition by gender, age group, employment type and geographical region is shown as follows:

	Number of employees	%
By gender		
Male	142	69.6
Female	62	30.4
By age		
< 31	87	42.6
31-50	115	56.4
> 50	2	1
By employment type		
Full-time	200	98.0
Part-time	4	2
By geographical region		
The PRC	203	99.5
Hong Kong	1	0.5

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Year, the Group recorded a turnover rate of approximately 44%. The breakdown of employee turnover rate by gender, age group and geographical region is shown as follows:

	%
Total	44
By gender	
Male	28
Female	16
By age	
< 31	29
31-50	14.5
> 50	0.5
By employment type	
Full-time	43.5
Part-time	0.5
By geographical region	
The PRC	100

Calculation method of turnover rate: (total number of departures in the reporting period ÷ total number of employees at the end of the reporting period) × 100%.

Calculation method of turnover rate for each category: (total number of departures in the specific category during the reporting period ÷ total number of employees in the specific category at the end of the reporting period) × 100%.

Recruitment, Promotion and Dismissal – Employees' qualification, professional skills and experiences exert significant influence on the quality of services. In order to meet the needs of the business development for talents, in line with the principle of fairness and justice, and standardise and improve the recruitment mechanism to improve the efficiency and quality of recruitment, the Group adopts a robust and transparent recruitment process. The Group adheres to the principle of internal priority and give priority to its internal talents to provide them with development opportunities. In the case where the internal talent resources cannot meet our needs, the Group will carry out external recruitment. In order to motivate the Group's staff to actively recommend excellent talents to join the Group, the staff will receive referral bonus based on the level of the recommended candidate after the Group successfully recruits the recommended candidate.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

At the beginning of the year, the Group will sign a performance responsibility statement with its employees in order to set targets for its employees, facilitate their annual performance evaluation and achievement, and set clear guidelines and regulations to improve the efficiency of its employees and departments. Supervisors would discuss with employees in respect of their performance through effective two-way communication in order to facilitate their promotion. The performance system provides reference standards for salary adjustment, bonus distribution and promotion. In addition, the Group has also implemented a rank system internally to help each employee to better understand his/her current position, provide each employee with a clearer promotion and development path and help each employee to better understand the ability requirements of each development path. Any termination of employment contract should be based on reasonable, lawful grounds and internal policies, such as the employee handbook of the Group. The Group strictly prohibits any kind of unfair or illegitimate dismissals. For (a) those who seriously violate the Group's system; (b) those who seriously breach their duty; (c) those who continue to be in labor relationship with other employers while being the Group's employee and affecting their work performance at the Group after being reminded by the Group to cease such labor relationship; (d) those who provide false information; (e) those who are held criminally liable; and (f) those who directly and intentionally cause the Group to lose business opportunities or use the Group's resources to benefit themselves or others, the Group will consider terminating their employment in accordance with relevant laws and the Group's employee handbook.

For those who continue to have unsatisfactory job performance after training or job position adjustment, the Group will consider terminating their employment in accordance with relevant laws.

Remuneration and Benefits – Employees are a key resource for the Group's continued growth and success, and the Group offers a market competitive compensation package that includes compensation and benefits to ensure the Group attracts and retains the best talents. Firstly, the Group has a value-based and performance-based compensation system. Secondly, the Group formulates different salary strategies for different job positions every year according to the external market salary survey data. Finally, the Group regularly reviews the salary level every year to attract outstanding talents to join the Group and improve the salary competitiveness for its internal outstanding personnel through promotion and salary adjustment. The Group also provides comprehensive welfare plan for its employees, including social insurance, supplementary medical insurance, housing fund, annual physical examination, statutory holidays and other welfare.

Diversity and Equal Opportunity – The Group's diversity is shaped by the skills, experiences, perspectives, styles and characteristics of the Group's employees (including but not limited to gender, age, marital or family status, race, cultural background, disability and religious beliefs). The Group recognises that these differences should be respected and will contribute to innovation, change and long-term growth of its businesses. The Group also recognises that advocating diversity creates value and more benefits for its customers and shareholders, such as higher efficiency, talent retention rate, broader skill mix and more abundant talent mix. For all these reasons, the Group is committed to providing an inclusive, equal and fair workplace that values, respects and promotes diversity in the Group.

The Group has adopted the following measures to avoid forced labor: (1) the Group adopts the principle of fairness and voluntariness and does not charge any referral fee or other fees from the applicants in the recruitment process; (2) the successful applicants shall negotiate and sign the labor contract with the Group; (3) the Group's employees can ask for leave with the support of doctor certificate if they are sick; and (4) the Group's employees can freely allocate their off hours and statutory holidays.

The Group has also adopted the following measures to avoid discrimination: (1) the Group does not discriminate nor interfere its employees on the basis of race, gender, nationality, disability and gender orientation; (2) the Group does not discriminate its employees in terms of employment, compensation and promotion on the basis of ethnicity, race, gender, age, religion, belief or disability; and (3) the Group adheres to the principle of equal pay for men and women. Women who meet the employment requirements for their work shall enjoy equal employment opportunities as men.

Working Hours and Rest Periods – The Group has adopted vacation and rest policies with terms better than the requirements under the national policies, especially in terms of annual leave and full paid sick leave. When formulating the vacation and rest policies, the Group has taken into consideration the importance of its employees' physical and mental health and its objectives to actively attract talents to join the Group and to retain its employees. The Group's policies with respect to working hours and rest periods and the remuneration in relation to working hours and rest periods are in full compliance with the relevant employment laws.

B2: Health and Safety

The Group places great importance to the health and safety of its employees. During the Reporting Period, the Group was not aware of any material non-compliance with relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards. The Group provides its employees with a safe and healthy working environment and formulate various safety management measures, such as potential accident investigation and management system. In addition, the Group has implemented other discretionary policies, including: (1) providing good working conditions, such as reasonable working space and easy-to-use meeting systems; (2) promoting flexible working hours; (3) providing a clean, tidy and hygienic workplace; (4) equipped its offices with first-aid medicine kits which are to be replenished regularly; (5) providing fitness equipment in the designated areas in its offices; and (6) carrying out indoor or outdoor activities regularly and organising various associations, etc.

The Group has not recorded any work-related fatalities occurred in each of the past three years including the year of the Reporting Period. During the Reporting Period, the Group has no lost working days due to work-related injuries. Besides, there was no claims or compensation for the Group's employees due to such incidents, and no significant violations of laws and regulations relating to employees' health and safety matters during the Reporting Period.

The Group has established a work injury management response team to respond to potential work injury cases in the first instance. The work injury management response team is responsible for following up medical assistance for employees' work injuries, coordinating medical insurance and social insurance reporting of work injuries, etc. In addition, the Group provides supplemental commercial insurance and annual body check for employees, and develop specific health checkup programs based on industry characteristics and employees' health conditions to protect employees' health and actively improve health welfare services.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B3: Development and Training

The Group regards its staff as the most important asset and resource as they help to sustain its core values and culture. The training and development of personnel is of utmost importance to the management of the Group. As its business continues to grow, it is crucial that the Group builds a sustainable workforce and continue to develop a team of employees who keep up with emerging technologies and deliver solutions that meet the fast-changing requirements of its customers. The Group has adopted the following measures in relation to development and training: (1) developing its annual training plan; (2) establishing its internal learning platform; (3) focusing on internal knowledge sharing and organising internal knowledge sharing regularly and from time to time, which involves all aspects of its business operation, such as project completion sharing and business product introduction, etc.; (4) providing induction training for its new employees to introduce its corporate culture to them and help them adapt to its corporate environment by sharing with them videos which show its service standards and procedures; and (5) when internal training cannot fully meet the personal development needs of employees, sending its employees to external training institutions or abroad to study and improve.

During the Reporting Period, the percentage of employees trained by gender and employee category and the average training hours completed per employee by gender and employee category are as follows:

Percentage of employees trained	100%
Percentage of employees trained by gender	
Male	100%
Female	100%
Percentage of employees trained by employee category	
Management	
Non-management	
Average training hours of employees	2 hours
Average training hours completed per employee by gender	
Male	2 hours
Female	2 hours
Average training hours completed per employee by employee category	
Management	2 hours
Non-management	2 hours

B4: Labour Standards

The Group strictly prohibits the employment of minors or engagement of child labour activities as defined by laws and regulations. Once discovered, the Group will commence a thorough investigation and immediately dismiss the relevant employees. As a means to avoid employing child labour, all newly employed staff is required to provide identification documents for age verification purpose. The Group has adopted the following measures in relation to labour standards: (1) incorporation of guidelines concerning forced and child labour in employment practices, which expressly requires that no employee under the age of 18 should be employed; (2) consistent verification of compliance with the latest legal development; and (3) whistleblower protection to record any illegal activities. The Group strictly complies with laws and conducts recruitment according to relevant laws and regulations. The Group will also continue to review the measures on recruitment practices to avoid child labour and forced labour. The Group prohibits any punishments, management methods and behaviours involving verbal abuse, physical punishment, physical abuse, oppression, sexual harassment, etc. against the employees for any reason. During the Reporting Period, no incidents of child and forced labour were reported or discovered.

The Group has an active whistleblower policy and encourages individuals to come forward in complete privacy and without penalty to report potential incidents of abuse or illegality. The Group is committed to upholding its business ethics and corporate governance standards, effectively preventing its operation and management risk, timely monitoring and reporting any internal violations by the employees and ensuring that the Group operates in accordance with the laws and regulations.

B5: Supply Chain Management

The Group understands the importance of supply chain management in mitigating the indirect environmental and social risks. The Group is aware of the environmental and social practices of its suppliers, the Group has adopted the following measures in relation to supply chain management: (1) prohibiting commercial bribery to create a fair, just and non-corrupt cooperation atmosphere; (2) establishing a reporting channel to allow its suppliers to communicate complaints, feedback, suggestion and supervision; and (3) ensuring confidentiality and requiring its suppliers to sign the agreement with the Group and agree to the confidentiality clause therein such that both parties agree not to disclose any information in relation to the cooperation to third parties in order to protect the Group's business secrets. The Group negotiates with its suppliers on a mutual, genuine and full basis and cooperate with them for mutual benefits.

In order to ensure that our suppliers meet the quality, environmental and safety standards of our customers, the Group selects suppliers based on the following criteria: qualification, technical capability, business capability, product and service quality and environmental impact. After comprehensive evaluation and selection, the Group has a list of qualified suppliers to supply products and/or services to the Group. In addition, the Group also evaluates the qualifications and service levels and standards of its suppliers comprehensively before making a decision on whether to cooperate with them or not and the extent of cooperation based on the results of the Group's evaluation. For those suppliers who fail to meet the Group's requirements, the Group will cease cooperation with them. The Group will make a decision on whether to cooperate with them again by re-evaluating whether they are able to meet our requirements after they have carried out rectification measures. During the Reporting Period, all suppliers engaged by the Group has been reviewed through the said procedures. The Group also regularly monitors environmental and social risks at each part of the supply chain, including understand and identify related risks through close communication with suppliers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the reporting period, the Group had a total of 416 suppliers, all of which were based in the PRC.

The Group has established systems to ensure fair and sustainable development of procurement activities and ensure equal competition among suppliers. The Group strictly monitors all procurement activities, opens channels for complaints and reports, cracks down on various forms of commercial bribery, prevents conflicts of interest, and prevents any stakeholders from participating in procurement activities.

B6: Product Responsibility

In terms of product liability, the Group has adopted the following measures: (1) establishing and implementing a formal quality management system in all aspects of project implementation; (2) introducing after-sales service policies on its products and services, mainly focusing on technical advice and vulnerability repair requests; (3) placing an emphasis on the importance of the management of product intellectual property rights by establishing a product intellectual property management system to improve the Group's independent innovation system, and enhance employees' awareness of intellectual property protection through training and other means; and (4) establishing a sound process for dealing with and handling customer complaints. During the Reporting Period, to the best of the Board's and management's knowledge, the Group was not aware of any products and service related complaints received. While focusing on the challenges and pressures faced by its customers, the Group provides high quality Integrated IT solutions services to meet the business needs of its customers. The Group always enters into contracts with its customers with contract terms concerning project quality and carry out periodic test and inspection according to such project quality terms to ensure that the corresponding products and services meet the standards and requirements of its customers. During the Reporting Period, the Group was not aware of any incidents of 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 and methods of redress. The Group has not received any complaints about the Group's products and services.

Intellectual Property Protection – In order to promote its product innovation and protect various research and development results from infringement, the Group has established the intellectual property rights protection policies and implementation procedures in the product development process in strict accordance with the Patent Law of the People's Republic of China (中華人民共和國專利法), the Trademark Law of the People's Republic of China (中華人民共和國商標法), the Copyright Law of the People's Republic of China (中華人民共和國著作權法), the Regulations on the Protection of Computer Software (計算機軟件保護條例), Measures for the Administration of Internet Domain Names (互聯網域名管理辦法) and other regulations and standard documents, to perform the product invention, management and protection of intellectual property rights all in all. The Group also strives to cultivate its staff's awareness of protection of intellectual property rights through trainings, so as to comprehensively strengthen the Company's overall capabilities of protection of intellectual property rights and pave its road for further innovation and development.

As at 31 December 2023, the Group had registered 34 trademarks, granted 16 patents and obtained 87 computer software copyright registrations.

Product Health and Safety – Although the Group is not involved in the manufacturing of hardware, the Group strictly follows the Product Quality Law of the People’s Republic of China (中華人民共和國產品質量法) when selecting and purchasing products. The Group always sets up contract terms regarding product quality with suppliers to ensure that the corresponding products have passed necessary testing and attained certain industrial standards. There were no incidents of recalls on products and services due to safety and health reasons during the Reporting Period, and that KPI B6.1 is not applicable as the Group’s core business does not involve safety and health risks.

Advertising and Labelling – Due to its business nature, the Group has limited risk of noncompliance in advertising and labelling. In the dealings with the Group’s customers, providing complete, true, accurate, clear information and complying with all relevant laws and regulations regarding the proper advertising are utmost important for the Group.

Privacy Protection – The Group has implemented measures to comply with relevant laws and regulations on data protection and privacy of its business operations. When signing the employment contract with the Group, the employees shall also sign the employee confidentiality agreement and the professional ethics and confidentiality undertaking. No employee is allowed to disclose technical secrets, business secrets, etc. Employees are generally required to carry out product development or provide technical services at the customers’ premises. If necessary, prior to the commencement of the project, the Group’s employees are required to sign non-disclosure agreements or confidentiality undertakings as required by the customers. Generally, the Group uses the computer equipment, intranet and computer room of the Group’s customers when the Group accesses the data of its customers. The Group does not collect or store any confidential information regarding its customers.

Furthermore, the Group has established the ISO27001 information security management system and set up the information security management committee in order to ensure the security of the Group’s trade secrets, customer information and other confidential information relating to its businesses. The information security management team is responsible for coordinating any information security– related events, identifying security trends, and planning and monitoring information security. The information security response team is also responsible for investigating and dealing with information security incidents, including but not limited to system failures, information leaks, unauthorised access, hackers, viruses and other incidents that threaten daily operations. The information security response team is also responsible for conducting regular internal audits to ensure that information security is in good working order, and to monitor and correct issues identified. The Group has developed information security management procedures, the scope of influence of which will be divided into four levels based on the nature and severity of the information security incidents, and the information security incidents are investigated and dealt with accordingly. It is the responsibility of the Group’s employees to report suspicious security incidents to their supervisor in accordance with the Group’s information security management procedures. Any employee who violates the Group’s information security management procedures will be punished depending on the Group’s potential loss and impact on operations, with the Group’s measures including verbal warnings, written warnings, administrative penalties and legal action.

B7: Anti-corruption

The Group strives to achieve high standards of ethics in its business operations and does not tolerate any corruptions, frauds, extortion, money laundering and all other behaviours violating work ethics. Unethical or illegal events such as corruption, bribery, and collusion are strictly prohibited. The Group has adopted the following measures in relation to anti-corruption: (1) implementation of the anti-corruption and bribery requirements in its staff handbook; and (2) reporting procedures and whistleblower protection measures. The Group is committed to conducting its business with honesty and integrity and in compliance with the relevant laws and regulations. This includes compliance with all laws, domestic and foreign, prohibiting improper payments or inducements to any person, including public officials. The Group stipulates the disciplinary code and code of conduct in its employee handbook, and encourage employees to report any suspected misconduct. It is the Group's policy to conduct all business in an honest and ethical manner. The Group takes a zero-tolerance approach to corruption and bribery and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships.

The Group has adopted a whistleblower policy to strongly encourage individuals to come forward in complete privacy and without penalty for all levels and operations. Staff can raise concerns, confidence, about possible improprieties such as misconduct and malpractice in any matter related to the Group. Reports made by employees will be handled fairly, consistently and expeditiously. All reports will be handled with appropriate confidentiality. The results of the investigation will be notified to the relevant employees in accordance with appropriate channels. Such policy also aims at protecting whistle-blowers from unfair dismissal, victimisation and unwarranted disciplinary actions. The Group aims to encourage openness and will support anyone who raises genuine concerns in good faith under the anti-corruption and anti-bribery policies of the Group, even if they turn out to be mistaken. Where there are new laws and regulations that may impact the Group's business, all employees will be provided updates with training or summary training memos through email and the Group's internal control policies and measures will be updated accordingly to ensure compliance. During the Reporting Period, the Group was not aware of any breach of laws and regulations in relation to bribery, extortion, fraud and money laundering that had a significant impact on the Group, such as the Regulations of the People's Republic of China for Suppression of Corruption (中華人民共和國懲治貪污條例). During the Reporting Period, there was no legal case regarding corrupt practices brought against the Group or its employees.

B8: Community Investment

The Group is committed to making a positive impact on its internal and external stakeholders, as well as the communities we interact with through active social or philanthropic investments. As part of the Group's strategic development, the Group is committed to supporting social participation and contribution through public means, and to nurture the corporate culture and practices of corporate citizen in its daily operations. The Group has adopted the following measures in relation to community investment: (1) defining the nature and extent of involvement in the communities where the corporation has operations to ensure that the Group's business activities are conducted with due regard to the interests of the community; and (2) periodic assessment of success, regarding philanthropic initiatives. The Group encourages employees to care for and spend time on the local communities through participating in all kinds of social activities such as attending local community activities and charitable donations. Employees are also encouraged to participate in environmental protection activities and promote environmental awareness within the Group.



Independent auditor's report
to the shareholders of Maiyue Technology Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Maiyue Technology Limited (the "Company") and its subsidiaries (the "Group") set out on pages 70 to 151, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including material accounting policy information.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") 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") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

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.

Revenue recognition	
<i>Refer to note 3 to the consolidated financial statements and the accounting policies on pages 94 to 95.</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>The Group's revenue arises from the provision of integrated IT solutions services, sales of hardware and/or software, and provision of standalone IT services.</p> <p>The Group provides both goods (hardware and software) and service (install, wiring and maintenance) to the customers in accordance with the customer's specification in the integrated IT solutions services contracts. These goods and services are treated as separate obligations as there is no transformative relationship between these items in the process of fulfilling the contract.</p> <p>Revenue from different contracts have different terms and revenue recognition criteria. Revenue related to sales of goods is recognised when the goods are accepted by customers, while revenue related to provision of service is recognised when the services are provided. Revenue from warranty contracts is recognised over the term of the warranty. Revenue from provision of standalone IT services such as system upgrade, technical service and maintenance service, software installation, data migration and technology consulting service are recognised when the service is accepted by the customers.</p>	<p>Our audit procedures to assess the recognition of revenue included the following:</p> <ul style="list-style-type: none"> • understanding and assessing the design, implementation and operating effectiveness of key internal controls over revenue recognition; • inspecting contracts with customers, on a sample basis, to understand the terms of the transactions and assess whether the revenue recognition policy is appropriate with reference to the requirements of the prevailing accounting standards; • assessing whether revenue had been recognised in accordance with the Group's revenue recognition accounting policies by <ul style="list-style-type: none"> – performing recalculation on the warranty revenue based on contracts terms for revenue from warranty contracts, on a sample basis, or – reconciling transaction records, on a sample basis, to contracts and customers' receipt of goods for revenue related to sales of goods or to contracts and users' acceptance reports for revenue related to provision of service and standalone IT services;

KEY AUDIT MATTERS – *continued*

Revenue recognition	
<p>In addition, as the Group handles transactions and input into the accounting system manually, there is an increased risk of that error may be made in the amount and timing of recognition of revenue.</p> <p>We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk of manipulation of the timing of revenue recognition by management to meet specific targets or expectations.</p>	<ul style="list-style-type: none"> • comparing, on a sample basis, revenue transactions which the start date of the contracts or the completion date of the projects are not in the financial year with sales contracts and customers' receipt of goods/users' acceptance report, to assess if revenue had been recognised in the appropriate financial period; and • confirming with customers, on a sample basis, the transaction amounts for the year and performing alternative procedures on unreturned confirmations by comparing details of the transactions with sales contracts and customers' receipt of goods/users' acceptance report; • inspecting sales journals during the financial year that met certain risk-based criteria and comparing details of these journals with the relevant underlying documents.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and 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.

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

The engagement partner on the audit resulting in this independent auditor's report is Liu Hin Pan.

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
28 March 2024

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023
(Expressed in Renminbi ("RMB"))

	Note	2023 RMB'000	2022 RMB'000
Revenue	3	259,085	243,255
Cost of sales		<u>(173,645)</u>	<u>(138,624)</u>
Gross profit		85,440	104,631
Other income	4	5,731	3,955
Selling expenses		(7,108)	(6,828)
Administrative expenses		(41,713)	(24,427)
Research and development expenses		(6,025)	(5,748)
Reversal/(Impairment loss) on trade receivables and contract assets	29(a)	<u>1,257</u>	<u>(6,391)</u>
Profit from operations		37,582	65,192
Finance costs	5(a)	(10,484)	(8,907)
Share of profit/(loss) of a joint venture		<u>288</u>	<u>(88)</u>
Profit before taxation	5	27,386	56,197
Income tax	6(a)	<u>(4,739)</u>	<u>(7,141)</u>
Profit for the year		<u>22,647</u>	<u>49,056</u>
Attributable to:			
Equity shareholders of the Company		22,881	48,774
Non-controlling interests		<u>(234)</u>	<u>282</u>
Profit for the year		<u>22,647</u>	<u>49,056</u>
Earnings per share			
Basic and diluted (RMB)	10	<u>0.06</u>	<u>0.13</u>

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023
(Expressed in Renminbi ("RMB"))

	Note	2023 RMB'000	2022 RMB'000
Profit for the year		<u>22,647</u>	<u>49,056</u>
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that will not be reclassified to profit or loss:			
Equity investments at FVOCI – net movement in fair value reserves (non-recycling)		(959)	–
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside the mainland China		<u>(1,798)</u>	<u>(936)</u>
Other comprehensive income for the year		<u>(2,757)</u>	<u>(936)</u>
Total comprehensive income for the year		<u>19,890</u>	<u>48,120</u>
Attributable to:			
Equity shareholders of the Company		20,124	47,838
Non-controlling interests		<u>(234)</u>	<u>282</u>
Total comprehensive income for the year		<u>19,890</u>	<u>48,120</u>

The notes on pages 76 to 151 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 28(b).

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2023

(Expressed in RMB)

	Note	31 December 2023 RMB'000	31 December 2022 RMB'000
Non-current assets			
Property, plant and equipment	11	11,169	10,942
Intangible assets	12	13,762	10,754
Interests in a joint venture	14(a)	2,117	1,829
Equity securities designated at fair value through other comprehensive income ("FVOCI")	15	38,999	–
Deferred tax assets	27(b)	3,227	3,691
Other non-current assets	11(iv)	7,701	5,000
		<u>76,975</u>	<u>32,216</u>
Current assets			
Inventories	16	2,958	4,460
Contract assets	18(a)	22,583	22,630
Trade and other receivables	19	449,799	261,369
Pledged bank deposits	20	9	2,743
Cash and cash equivalents	21	47,808	62,601
		<u>523,157</u>	<u>353,803</u>
Non-current assets classified as held for sale	17	–	96,192
		<u>523,157</u>	<u>449,995</u>
Current liabilities			
Trade and other payables	22	89,623	75,111
Contract liabilities	18(b)	622	3,018
Bank and other loans	23	135,543	86,057
Lease liabilities	24	1,272	421
Current taxation	27(a)	3,738	5,169
		<u>230,798</u>	<u>169,776</u>
Liabilities directly associated with non-current assets classified as held for sale	17	–	58,932
		<u>230,798</u>	<u>228,708</u>
Net current assets		<u>292,359</u>	<u>221,287</u>
Total assets less current liabilities		<u>369,334</u>	<u>253,503</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2023
(Expressed in RMB)

	Note	31 December 2023 RMB'000	31 December 2022 RMB'000
Non-current liabilities			
Bank and other loans	23	47,596	71,874
Lease liabilities	24	215	126
Deferred revenue	25	2,810	2,060
		<u>50,621</u>	<u>74,060</u>
NET ASSETS		<u>318,713</u>	<u>179,443</u>
CAPITAL AND RESERVES			
Share capital	28(c)	4,590	—*
Reserves	28(d)	312,388	177,474
Total equity attributable to equity shareholders of the Company		316,978	177,474
Non-controlling interests		1,735	1,969
TOTAL EQUITY		318,713	179,443

* The balances represent amounts less than RMB500.

Approved and authorised for issue by the board of directors on 28 March 2024.

Li Changqing
Executive Director, Chief
Executive Officer and Chairman

Wang Yufei
Executive Director and
Deputy General Manager

The notes on pages 76 to 151 form part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2023

(Expressed in RMB)

	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Other reserve	Exchange reserve	Fair value		Retained profits	Non-controlling interests	Total equity	
					PRC statutory reserve	reserve (non-recycling)				
					RMB'000	RMB'000				
28(c)	28(d)(i)	28(d)(ii)	28(d)(iv)	28(d)(iii)	28(d)(v)	28(e)	RMB'000	RMB'000		
Balance at 1 January 2022	-*	-	(36,047)	117	11,213	-	154,353	129,636	1,687	131,323
Changes in equity for 2022:										
Profit for the year	-	-	-	-	-	-	48,774	48,774	282	49,056
Other comprehensive income	-	-	-	(936)	-	-	-	(936)	-	(936)
Total comprehensive income	-	-	-	(936)	-	-	48,774	47,838	282	48,120
Appropriation to PRC statutory reserves	-	-	-	-	177	-	(177)	-	-	-
Balance at 31 December 2022 and 1 January 2023	-*	-	(36,047)	(819)	11,390	-	202,950	177,474	1,969	179,443
Changes in equity for 2023:										
Profit for the year	-	-	-	-	-	-	22,881	22,881	(234)	22,647
Other comprehensive income	-	-	-	(1,798)	-	(959)	-	(2,757)	-	(2,757)
Total comprehensive income	-	-	-	(1,798)	-	(959)	22,881	20,124	(234)	19,890
Issuance of new share	1,148	118,232	-	-	-	-	-	119,380	-	119,380
Effect of the capitalisation issue	3,442	(3,442)	-	-	-	-	-	-	-	-
Appropriation to PRC statutory reserves	-	-	-	-	774	-	(774)	-	-	-
Balance at 31 December 2023	4,590	114,790	(36,047)	(2,617)	12,164	(959)	225,057	316,978	1,735	318,713

* The balances represent amounts less than RMB500.

The notes on pages 76 to 151 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENTS

For the year ended 31 December 2023

(Expressed in RMB)

	Note	2023 RMB'000	2022 RMB'000
Operating activities			
Cash (used in)/generated from operations	21(b)	(136,494)	21,207
Income tax paid	27(a)	(5,706)	(11,093)
Net cash (used in)/generated from operating activities		(142,200)	10,114
Investing activities			
Payment for the purchase of property, plant and equipment		(3,301)	(6,749)
Payment for software license		(194)	(91)
Proceeds from disposal of property, plant and equipment		–	338
Expenditure on development costs		(8,995)	(8,755)
Placement of pledged bank deposits		–	(2,743)
Uplift of pledged bank deposits		2,734	79
Net cash used in investing activities		(9,756)	(17,921)
Financing activities			
Issuance of share	28(c)	135,402	–
Capital element of lease rentals paid	21(c)	(763)	(1,397)
Interest element of lease rentals paid	21(c)	(21)	(16)
Proceeds from new bank and other loans	21(c)	112,173	108,355
Repayment of bank and other loans	21(c)	(86,816)	(75,011)
Interest paid	21(c)	(11,404)	(8,531)
Payment of listing expenses		(9,672)	(2,148)
Net cash generated from financing activities		138,899	21,252
Net (decrease)/increase in cash and cash equivalents		(13,057)	13,445
Cash and cash equivalents at 1 January	21(a)	62,601	49,156
Effect of foreign exchange rate changes		(1,736)	–*
Cash and cash equivalents as at 31 December	21(a)	47,808	62,601

* The balances represent amounts less than RMB500.

The notes on pages 76 to 151 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the investment in an equity security is stated at their fair value as explained in the accounting policies set out Note 29.

Non-current assets classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 1(w)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 2.

1 MATERIAL ACCOUNTING POLICIES – *continued*

(c) Changes in accounting policies

(i) *New and amended HKFRSs*

The Group has applied the following new and amended HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended HKFRSs are discussed below:

HKFRS 17, *Insurance contracts*

HKFRS 17, which replaces HKFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on these financial statements as the Group does not have contracts within the scope of HKFRS 17.

Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES – *continued*

(c) Changes in accounting policies – *continued*

(i) *New and amended HKFRSs – continued*

Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in Note 27(b), but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

1 MATERIAL ACCOUNTING POLICIES – continued**(c) Changes in accounting policies – continued***(i) New and amended HKFRSs – continued***Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules***

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (“OECD”) (income tax arising from such tax laws is hereafter referred to as “Pillar Two income taxes”), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax including the estimated tax exposure to Pillar Two income taxes. The amendments are immediately effective upon issuance and require retrospective application. The amendments do not have a material impact on these financial statements as the Group mainly operates in Chinese Mainland, which has not enacted or substantively enacted new tax laws by 31 December 2023 to implement the Pillar Two model rules published by the OECD.

(ii) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022 the Hong Kong SAR Government (the “Government”) gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”), which will come into effect from 1 May 2025 (the “Transition Date”). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund (“MPF”) scheme to reduce the long service payment (“LSP”) in respect of an employee’s service from the Transition Date (the abolition of the “offsetting mechanism”). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee’s monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES – *continued*

(c) Changes in accounting policies – *continued*

(ii) *New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism – continued*

However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 that previously allowed such deemed contributions to be recognised as reduction of service cost (negative service cost) in the period the contributions were made; instead these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has changed its accounting policy in connection with its LSP liability and has applied the above HKICPA guidance retrospectively. This change in accounting policy did not have any impact on the opening balance of equity of the Group as at 1 January 2022. It also did not have a material impact on the consolidated financial statements of the Group for the year ended 31 December 2022 and 31 December 2023.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances, transactions and cash flows and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from Intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the Company.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 1(j)(ii)).

1 MATERIAL ACCOUNTING POLICIES – *continued*

(e) Joint venture

A joint venture is an arrangement in which the Group or Company has joint control, whereby the Group or the Company have rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

An investment in a joint venture is accounted for using the equity method. It is initially recorded at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which joint control ceases.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the joint venture, after applying the ECL model to such other long-term interests where applicable (see Note 1(j)(i)).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

(f) Equity securities designated at fair value through other comprehensive income (FVOCI)

The Group's policies for investments in equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below:

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs. For an explanation of how the Group determines fair value of financial instruments (see Note 29).

An investment in equity securities is classified as FVPL, unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income (see Note 1(t)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES – *continued*

(g) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses (see Note 1(j)(ii)):

- right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and
- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see Note 1(i)).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

- | | |
|--|----------------|
| – Buildings | 50 years |
| – Motor vehicles | 4 – 5 years |
| – Right-of-use assets (Note 1(i)) | 24 – 60 months |
| – Furniture, office equipment and others | 3 – 5 years |

Depreciation methods, useful life and its residual value are reviewed at each reporting date and adjusted if appropriate.

1 MATERIAL ACCOUNTING POLICIES – continued

(h) Intangible assets

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure activities is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and impairment losses (see Note 1(j)(ii)).

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

– Capitalised development costs	2 years
– Software license	1 year

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES – *continued*

(i) Leased assets – *continued*

As a lessee

Where the contract contains a lease component(s) or non-lease components, the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value items such as laptops and office furniture. When the Group enters into a lease in respect of a low-value items, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability, and hence are charged to profit or loss as incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

1 MATERIAL ACCOUNTING POLICIES – *continued*

(i) Leased assets – *continued*

As a lessee – continued

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(j) Credit losses and impairment of assets

(i) *Credit losses from financial instruments and contract assets*

The Group recognises a loss allowance for expected credit losses (“ECL”s) on:

- financial assets measured at amortised cost (including cash and cash equivalents, pledged bank deposits and trade and other receivables);
- contract assets (see Note 1(l)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES – *continued*

(j) Credit losses and impairment of assets – *continued*

(i) Credit losses from financial instruments and contract assets – *continued*

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following discount rates if the effect is material:

- trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and
- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

1 MATERIAL ACCOUNTING POLICIES – continued

(j) Credit losses and impairment of assets – continued

(i) Credit losses from financial instruments and contract assets – continued

Measurement of ECLs

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is 90 days past due.

The Group considers a financial instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

ECLs are re-measured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES – *continued*

(j) Credit losses and impairment of assets – *continued*

(i) Credit losses from financial instruments and contract assets – *continued*

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group otherwise determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

1 MATERIAL ACCOUNTING POLICIES – *continued*

(j) Credit losses and impairment of assets – *continued*

(ii) *Impairment of other non-current assets*

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are Grouped together into the smallest Group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(iii) *Interim financial reporting and impairment*

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(j)(i) and (ii)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES – continued

(k) Inventories

Inventories are measured at the lower of cost and net realisable value as follows:

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services. The Group's inventories mainly include hardware and software.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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 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.

(l) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 1(t)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs (see Note 1(j)(i)) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 1(m)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 1(t)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In latter cases, a corresponding receivable is also recognised (see Note 1(m)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 1(t)).

1 MATERIAL ACCOUNTING POLICIES – *continued*

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see Note 1(j)(i)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and demand deposits with banks. Cash and cash equivalents are assessed for ECL (see Note 1(j)(i)).

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(p) Loan and borrowings

Loan and borrowings are measured initially at fair value less transaction costs. Subsequently, these loan and borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Note 1(v).

(q) Employee benefits

Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES – *continued*

(r) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

1 MATERIAL ACCOUNTING POLICIES – *continued*

(r) Income tax – *continued*

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

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

Deferred tax assets and liabilities are offset only if certain criteria are met.

(s) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES – *continued*

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) *Provision of integrated IT solution services*

The Group classifies contracts as development of application software and provision of integrated IT solution services whereby the Group designs and implements integrated IT solutions for the Group's customers by integrating different hardware and software to satisfy various IT requirements and needs of the Group's customers. In these contracts, the Group provides both goods (hardware and software) and service (install, wiring and maintenance) to the customers in accordance with the customer's specification. These goods and services are treated as separate obligations as there is no transformative relationship between these items in the process of fulfilling the contract. Revenue related to sales of goods is recognised when the goods are accepted by customers, while revenue related to provision of service is recognised when the services are provided.

(ii) *Sales of hardware*

Revenue is recognised when the customer takes possession of and accepts the hardware. If the hardware is a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods promised under the contract on a relative stand-alone selling price basis.

1 MATERIAL ACCOUNTING POLICIES – *continued*

(t) Revenue and other income – *continued*

(iii) Sales of software

The Group recognises revenue when control of the software is transferred to the customer. The customer obtains control of software if it has the ability to direct the use of and obtain substantially all of the remaining benefits from that software.

The software is a right to use license because the software has standalone functionality and the customer can use the software as it is available at a point in time. The Group recognises revenue for such licenses at a point in time when the customer has received licenses and thus has control over the software and the Group has present right to payment. In case there is an update of the software, the customers are required to pay additional consideration to buy upgraded version.

(iv) Revenue from warranty contract

Revenue from warranty contract is recognised over the term of the warranty.

(v) Revenue from other information technology service

The Group provides to the customers services such as system upgrade, technical service and maintenance service, software installation, data migration and technology consulting service. The revenue from such services are recognised when the service is accepted by the customers.

(vi) Interest income

Interest income is recognised using the effective interest method. The “effective interest rate” is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES – *continued*

(t) Revenue and other income – *continued*

(vii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of an asset are recognised by setting up the grant as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset.

(viii) Dividends

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

(u) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations are translated into Renminbi at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Renminbi at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve.

1 MATERIAL ACCOUNTING POLICIES – *continued*

(v) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(w) Held for sale

Non-current assets, or disposal Group comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal Groups, are generally measured at the lower of their carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

(x) Related parties

(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 the Group's parent.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES – *continued*

(x) Related parties – *continued*

- (b) An entity is related to the Group if any of the following conditions applies: – *continued*
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (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 Group's parent.

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.

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management 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. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing these financial statements. The principal accounting policies are set forth in Note 1. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the Historical Financial Information.

(a) Impairment of trade receivables and contract assets

The Group estimates the loss allowances for trade receivables and contract assets by assessing the ECLs. This requires the use of estimates and judgements. ECLs are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the end of reporting period. The Group keeps assessing the expected credit loss of trade receivables and contract assets during their expected lives.

(b) Recoverability of development costs

The Group estimates the recoverability of development costs based on the expected future cash flows to be derived from the assets, discount rates to be applied and the expected period of benefits. The Group keeps assessing the recoverability of development costs during their expected lives.

(c) Recognition of deferred tax assets

Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(d) Fair value measurement of FVOCI

The Group estimates the fair value of FVOCI based on the adjusted net assets value method. Key valuation assumptions used to determine the fair value is net assets value. For details of the key assumption used and the impact of changes to the key assumption please see Note 29(e).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the provision of integrated IT solution services, sales of hardware and software and providing warranty, upgrade, technical guidance and maintenance service for customers in the PRC. Further details regarding the Group's principal activities are disclosed in Note 3(b).

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Revenue from provision of integrated IT solution services	141,094	198,491
– Revenue from hardware and software sales	75,655	40,980
– Revenue from provision of standalone IT services	42,336	3,784
	<u>259,085</u>	<u>243,255</u>
Disaggregated by timing of revenue recognition		
– Over time	17,298	14,280
– Point in time	241,787	228,975
	<u>259,085</u>	<u>243,255</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING – continued

(a) Revenue – continued

(i) Disaggregation of revenue – continued

Revenue from major customers which accounts for 10% or more of the Group's revenue are set out below:

	2023 RMB'000	2022 RMB'000
Customer A	57,712	N/A*
Customer B	53,338	N/A*
Customer C	43,109	N/A*
Customer D	N/A*	83,722

* Less than 10% of the Group's revenue in the respective years.

Details of concentration of credit risk are set out in Note 29(a).

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2023, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB913,000 (2022: RMB1,299,000). This amount represents revenue expected to be recognised in the future from pre-completion sales contracts for properties under development, made-to-order manufacturing contracts and construction contracts entered into by the customers with the Group. This amount includes the interest component of IT solution service sales contracts under which the Group obtains significant financing benefits from the customers (see Note 1(t)). The Group will recognise the expected revenue in future when or as the service is provided, which is expected to occur over the next 5 years.

The Group has also applied the practical expedient in paragraph 121(a) of HKFRS 15 to its sales contracts such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts that had an original expected duration of one year or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING – *continued*

(b) Segment reporting

The Group manages its businesses by service lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segment.

- Provision of integrated IT solution services: the Group acts as an information solution provider under this segment, it includes primarily the design and implementation of the solution, sales of related software and hardware to customers, and follow-up maintenance.
- Sales of hardware and software: this segment includes solely the sales of hardware and the sales of self-developed software.
- Provision of standalone IT services: this segment includes primarily maintenance service, system upgrade and enhancement service, warranty service, software installation, data migration and technology consulting service.

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the cost of sales incurred by those segments. The measure used for reporting segment result is gross profit. Assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The Group's other operating expenses, such as staff costs, depreciation and other operation expenses, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning interest income and interest expenses is presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING – continued

(b) Segment reporting – continued

(i) Segment results – continued

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year is set out below.

	Provision of integrated IT solution services RMB'000	Sales of hardware and software RMB'000	Provision of standalone IT services RMB'000	Total RMB'000
Year ended 31 December 2023				
Revenue	141,094	75,655	42,336	259,085
Cost of sales	(85,166)	(61,893)	(26,586)	(173,645)
Gross profit	<u>55,928</u>	<u>13,762</u>	<u>15,750</u>	<u>85,440</u>
Year ended 31 December 2022				
Revenue	198,491	40,980	3,784	243,255
Cost of sales	(103,716)	(33,634)	(1,274)	(138,624)
Gross profit	<u>94,775</u>	<u>7,346</u>	<u>2,510</u>	<u>104,631</u>

(ii) Geographic information

The Group's revenue is generated in the Chinese Mainland. The Group's operating assets are substantially situated in the Chinese Mainland. Accordingly, no segment analysis based on geographical locations of the customers and assets is provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

4 OTHER INCOME

	2023 RMB'000	2022 RMB'000
Interest income	1,781	63
Government grants (Note (i))	2,423	2,585
Net foreign exchange gain	827	986
Net (loss)/gain on disposal of property, plant and equipment	(3)	294
Net gain on disposals of assets and liabilities held for sale	676	–
Others	27	27
	<u>5,731</u>	<u>3,955</u>

Note:

- (i) The government grants mainly represent awards from Guangxi government authorities and VAT refund upon collection.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2023 RMB'000	2022 RMB'000
(a) Finance costs		
Interest on bank and other loans	10,415	8,845
Interest on lease liabilities	69	62
	<u>10,484</u>	<u>8,907</u>
(b) Staff costs		
Salaries, wages and other benefits	27,762	24,301
Contributions to defined contribution retirement plan (Note 26)	1,484	1,339
	<u>29,246</u>	<u>25,640</u>
(c) Other items		
Amortisation of intangible assets (Note 12)	6,181	6,685
Depreciation (Note 11)		
– property, plant and equipment owned	1,032	921
– right-of-use assets	993	532
(Reversal)/impairment losses		
– contract assets (Note 18(a))	(376)	(1,906)
– trade and other receivables (Note 19)	(881)	8,297
	<u>(1,257)</u>	<u>6,391</u>
Auditors' remuneration		
– audit services	1,813	–
– initial public offering related services [#]	2,196	2,714
– other services	112	97
	<u>4,121</u>	<u>2,811</u>
Cost of inventories (Note 16(b))	128,147	124,094
Listing expenses	15,070	6,218

[#] Initial public offering related services include RMB1,647,000 (2022: RMB2,035,000) which is charged to profit or loss and also included in the listing expenses disclosed separately below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

6 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

	2023 RMB'000	2022 RMB'000
Current tax – PRC Corporate Income Tax		
Provision for the year	3,856	7,718
Under-provision in prior years	419	–
	<u>4,275</u>	<u>7,718</u>
Deferred tax – PRC Corporate Income Tax		
Origination and reversal of temporary differences	464	(577)
	<u>4,739</u>	<u>7,141</u>

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2023 RMB'000	2022 RMB'000
Profit before taxation	<u>27,386</u>	<u>56,197</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the respective tax jurisdictions (Notes (i), (ii) and (iii))	10,348	14,825
Tax effect of PRC preferential tax treatments (Notes (iv) & (v))	(4,410)	(6,206)
Tax effect of additional deduction on research and development costs (Note (vi))	(1,818)	(1,303)
Tax effect of non-deductible expenses	192	158
Tax effect of tax losses not recognised	8	91
Effect on deferred tax balances at 1 January resulting from a change in tax rate (Note 27(b))	–	(424)
Under-provision in prior years	419	–
Actual tax expense	<u>4,739</u>	<u>7,141</u>

6 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME – *continued*

(b) Reconciliation between tax expense and accounting profit at applicable tax rates: – *continued*

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and BVI.
- (ii) For the years ended 31 December 2022 and 2023, no provision for Hong Kong Profits Tax has been made, as the subsidiary of the Group incorporated in Hong Kong did not have assessable profits which are subject to Hong Kong Profits Tax.
- (iii) The subsidiary of the Group established in the PRC is subject to PRC Corporate Income Tax rate at the statutory rate of 25%.
- (iv) The PRC Corporate Income Tax Law allows enterprises to apply for certificate of “High and New Technology Enterprise” (“HNTE”) which entitles the qualified companies to a preferential income tax rate of 15%, subject to fulfilment of the recognition criteria. Nanning Maiyue Software Company Limited (“Nanning Maiyue”) was qualified as a HNTE in 2016 and the qualification was valid for three years from 2016 to 2018. The qualification was renewed in 2019 and 2022, and the valid period was extended to 2024. Accordingly, Nanning Maiyue is entitled to a preferential income tax rate of 15%.
- (v) According to the announcement 2020 No.23 from the Ministry of Finance, State Administration of Taxation and National Development and Reform Commission, enterprise which is located in the PRC western region and engaged in the national encouraged industries could apply to enjoy the preferential income tax rate of 15% before 31 December 2030. Guangxi Silunjie Information Technology Company Limited (“Guangxi Silunjie”) and Nanning Maiyue meet the above criteria and be entitled to a preferential income tax rate of 15% for the year.
- (vi) According to the relevant tax rules in the PRC, qualified research and development costs are allowed for bonus deduction for income tax purpose, as a result, an additional 75% of the qualified research and development costs could be deemed as deductible expenses for the nine months ended 30 September 2022. The additional tax deduction ratio is increased to 100% since 1 October 2022. The Company applies the above preferential policies during the year.
- (vii) According to the PRC Corporate Income Tax Law and its implementation regulations, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008.

The provision of the related deferred tax liabilities, if any, are based on the expected dividends to be distributed from these subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008. Deferred tax liabilities have not been recognised in respect of the tax that would be payable on the distribution of the retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

7 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	2023 Total	
Directors' fees	RMB'000	RMB'000	RMB'000	RMB'000	
Executive directors					
Mr. Li Changqing (i)	-	396	-	7	403
Mr. Wang Yufei (i)	-	320	-	7	327
Ms. Deng Caidie (i)	-	334	-	7	341
Mr. Zhang Guangbai (i)	-	337	-	7	344
Mr. Hui Chi Chung Nevin	-	199	-	10	209
Independent non-executive directors					
Mr. Hou Chang (ii)	-	13	-	-	13
Mr. Hu Zhongqiang (ii)	-	13	-	-	13
Mr. Lin Peigan (ii)	-	13	-	-	13
	-	1,625	-	38	1,663

	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	2022 Total	
Directors' fees	RMB'000	RMB'000	RMB'000	RMB'000	
Executive directors					
Mr. Li Changqing (i)	-	308	-	6	314
Mr. Wang Yufei (i)	-	234	-	6	240
Ms. Deng Caidie (i)	-	247	-	6	253
Mr. Zhang Guangbai (i)	-	246	-	6	252
Mr. Ye Shanmin (iii)	-	62	-	3	65
Mr. Hui Chi Chung Nevin	-	210	16	11	237
	-	1,307	16	38	1,361

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

7 DIRECTORS' EMOLUMENTS – continued

Notes:

- (i) Mr Li Changqing, Mr Wang Yufei, Ms Deng Caidie, Mr Zhang Guangbai were also directors of the Group's subsidiaries and/or employees of the Group during the year and the Group paid emoluments to them in their capacity as the directors of the Group's subsidiaries and/or employees of the Group before their appointment as executive directors of the Company.
- (ii) On 18 September 2023, Mr Hou Chang, Mr Hu Zhongqiang and Mr Lin Peigan were appointed as independent non-executive directors of the Company with effect from the listing date.
- (iii) On 15 March 2022, Mr Ye Shanmin resigned as the executive director of the Company.

During the year, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in Note 8 below as an inducement to join or upon joining the Group or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2022: one) are directors whose emoluments are disclosed in Note 7. The aggregate of the emoluments in respect of the remaining three (2022: four) individuals are as follows:

	2023 RMB'000	2022 RMB'000
Salaries and other emoluments	2,071	1,463
Discretionary bonuses	47	43
Retirement scheme contributions	47	35
	<u>2,165</u>	<u>1,541</u>

The emoluments of the individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following band:

	2023 Number of individuals	2022 Number of individuals
Nil – HK\$1,000,000	<u>3</u>	<u>4</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

9 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income:

	2023			2022		
	Before-tax amount RMB'000	Tax (expense)/ benefit RMB'000	Net-of-tax amount RMB'000	Before-tax amount RMB'000	Tax (expense)/ benefit RMB'000	Net-of-tax amount RMB'000
Exchange differences on translation of financial information of overseas subsidiaries	(1,798)	-	(1,798)	(936)	-	(936)
Equity investments at FVOCI: net movement in fair value reserve (non-recycling)	(959)	-	(959)	-	-	-
Other comprehensive (loss)/income	<u>(2,757)</u>	<u>-</u>	<u>(2,757)</u>	<u>(936)</u>	<u>-</u>	<u>(936)</u>

10 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB22,881,000 (2022: RMB48,774,000) and the weighted average of 403,082,000 ordinary shares (2022: 375,000,000 shares after adjusting for the capitalisation issue in 2023 as disclosed in Note 28(c)) in issue during the year, calculated as follows:

	2023 '000	2022 '000
Issued ordinary shares at 1 January	10	10
Effect of capitalisation issue	374,990	374,990
Effect of issue of ordinary shares by initial public offering (Note 28(c))	<u>28,082</u>	<u>-</u>
Weighted average number of ordinary shares at 31 December	<u>403,082</u>	<u>375,000</u>

There were no dilutive potential ordinary shares for the years ended 31 December 2023 and 2022, therefore the diluted earnings per share were the same as the basic earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Furniture, office equipment and others	Leasehold land	Sub-total	Right-of-use assets	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:								
As at 1 January 2022	9,075	1,616	1,511	9,432	21,634	1,546	87,216	110,396
Additions	-	812	937	-	1,749	1,100	-	2,849
Reclassify as held for sale (Note 17)	-	-	-	(9,432)	(9,432)	-	(87,216)	(96,648)
Disposals	-	(820)	(2)	-	(822)	(441)	-	(1,263)
As at 31 December 2022 and 1 January 2023	9,075	1,608	2,446	-	13,129	2,205	-	15,334
Additions	-	-	600	-	600	1,655	-	2,255
Disposals	-	-	(6)	-	(6)	-	-	(6)
As at 31 December 2023	<u>9,075</u>	<u>1,608</u>	<u>3,040</u>	<u>-</u>	<u>13,723</u>	<u>3,860</u>	<u>-</u>	<u>17,583</u>
Accumulated depreciation:								
As at 1 January 2022	621	1,061	947	394	3,023	1,220	-	4,243
Charge for the year	207	311	341	62	921	532	-	1,453
Reclassify as held for sale (Note 17)	-	-	-	(456)	(456)	-	-	(456)
Written back on disposals	-	(799)	-*	-	(799)	(49)	-	(848)
As at 31 December 2022 and 1 January 2023	828	573	1,288	-	2,689	1,703	-	4,392
Charge for the year	207	356	469	-	1,032	993	-	2,025
Written back on disposals	-	-	(3)	-	(3)	-	-	(3)
As at 31 December 2023	<u>1,035</u>	<u>929</u>	<u>1,754</u>	<u>-</u>	<u>3,718</u>	<u>2,696</u>	<u>-</u>	<u>6,414</u>
Net book value:								
As at 31 December 2022	<u>8,247</u>	<u>1,035</u>	<u>1,158</u>	<u>-</u>	<u>10,440</u>	<u>502</u>	<u>-</u>	<u>10,942</u>
As at 31 December 2023	<u>8,040</u>	<u>679</u>	<u>1,286</u>	<u>-</u>	<u>10,005</u>	<u>1,164</u>	<u>-</u>	<u>11,169</u>

* The balances represent amounts less than RMB500.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT – continued

- (i) All property, plant and equipment owned by the Group are mainly located in the PRC.
- (ii) The Group has obtained the right to use certain office buildings through tenancy agreements during the year. The leases typically run for an initial period of 24 to 60 months. None of the leases includes variable lease payments. The expense relating to short-term leases charge for the year amounted to RMB481,000 (2022: RMB620,000).
- (iii) As at 31 December 2023, property, plant and equipment with a carrying amount of and RMB8,161,000 (2022: RMB8,448,000) respectively are pledged to secure the Group's bank and other loans (Note 23).
- (iv) As at the end of the reporting period, other non-current asset amounted to RMB7,701,000 (2022: RMB5,000,000) represents prepayment for equipment.

12 INTANGIBLE ASSETS

	Capitalised development costs RMB'000	Software license RMB'000	Total RMB'000
Cost:			
At 1 January 2022	16,193	570	16,763
Addition through internal development	8,755	–	8,755
Additions	–	91	91
	<hr/>	<hr/>	<hr/>
At 31 December 2022 and 1 January 2023	24,948	661	25,609
Addition through internal development	10,485	–	10,485
Additions	–	194	194
Disposals	(1,490)	–	(1,490)
	<hr/>	<hr/>	<hr/>
At 31 December 2023	33,943	855	34,798
	<hr/>	<hr/>	<hr/>
Accumulated amortisation:			
At 1 January 2022	7,934	236	8,170
Charge for the year	6,306	379	6,685
	<hr/>	<hr/>	<hr/>
At 31 December 2022 and 1 January 2023	14,240	615	14,855
Charge for the year	6,084	97	6,181
	<hr/>	<hr/>	<hr/>
At 31 December 2023	20,324	712	21,036
	<hr/>	<hr/>	<hr/>
Net book value:			
At 31 December 2022	10,708	46	10,754
	<hr/>	<hr/>	<hr/>
At 31 December 2023	13,619	143	13,762
	<hr/>	<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

12 INTANGIBLE ASSETS – continued

The amortisation of capitalised development costs for the year is included in “cost of sales” or “administrative expenses” in the consolidated statements of profit or loss and other comprehensive income.

The capitalised development costs refer to the expenditure incurred on projects to develop software which are used to provide services or goods to customers. The capitalised development costs will be amortised on the straight-line basis over its estimated useful life of not more than 2 years, commencing from the date when the software is put into commercial use.

13 INVESTMENT IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which materially affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital/ registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Guangxi Silunjie Information Technology Company Limited (廣西思倫捷信息科技有限公司) (Notes (i) and (ii))	PRC/ 25 October 2017	RMB54,008,500/ RMB80,368,500	100%	–	100%	Software development and provision of integrated IT solutions
Nanning Maiyue Software Company Limited (南寧市邁越軟件有限責任公司) (Notes (i) and (ii))	PRC/ 13 March 2003	RMB5,100,000/ RMB47,100,000	100%	–	100%	Software development and provision of integrated IT solutions

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

13 INVESTMENT IN SUBSIDIARIES – continued

Name of company	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital/ registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Guangxi Nanning Yuchang Kejiao Equipment Company Limited (廣西南寧市宇常科教設備有限公司) (Notes (i) and (ii))	PRC/ 15 November 2010	RMB5,000,000/ RMB10,000,000	100%	–	100%	Software development and provision of integrated IT solutions
Guangxi Shuguang Maiyue Technology Limited (廣西數廣邁越科技有限公司) ("Shuguang Maiyue") (Notes (i) and (ii))	PRC/ 10 October 2019	RMB1,040,000/ RMB52,040,000	51%	–	51%	Software development and provision of integrated IT solutions

(i) The official name of this entity is in Chinese. The English name is for identification purpose only.

(ii) This entity was registered as a domestic enterprise under the PRC Law.

The following table lists out the information relating to Shuguang Maiyue, the only subsidiary of the Group which has a material non-controlling interest (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
NCI percentage	49%	49%
Current assets	5,025	8,311
Non-current assets	145	114
Current liabilities	1,630	4,407
Net assets	3,540	4,018
Carrying amount of NCI	1,735	1,969
(Loss)/profit and total comprehensive income	(478)	576
(Loss)/income allocated to NCI	(234)	282
Dividend paid to NCI	–	–
Net cash used in operating activities	(760)	(2,504)
Net cash used in investing activities	–	(51)
Net cash used in financing activities	–	(22)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

14 INTERESTS IN A JOINT VENTURE/AMOUNTS DUE TO A JOINT VENTURE

(a) Interests in a joint venture

Details of the Group's interest in the joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital/ registered capital	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
Fangchenggang City Investment Digital Technology Limited (防城港市城投数字科技有限公司) ("Fangchenggang City Investment Digital") #	Incorporated	PRC	RMB1,950,000/ RMB10,000,000	65%	–	65%	Software development and provision of integrated IT solutions

The official name of this entity is in Chinese. The English name is for identification purpose only.

In accordance with the memorandum and article of Fangchenggang City Investment Digital, relevant activities of the entity require consent with more than two thirds of the directors. The Group and the other investor of Fangchenggang City Investment Digital is able to appoint three and two out of five directors respectively, thus the Group is only able to exercise common control in Fangchenggang City Investment Digital and treat it as a joint venture. The joint venture is accounted for using the equity method in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

14 INTERESTS IN A JOINT VENTURE/AMOUNTS DUE TO A JOINT VENTURE – *continued*

(a) Interests in a joint venture – *continued*

Summarised financial information of Fangchenggang City Investment Digital, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	2023 RMB'000	2022 RMB'000
Gross amounts of Fangchenggang City Investment Digital's		
Current assets	3,416	3,222
Non-current assets	3	6
Current liabilities	163	415
Equity	3,256	2,813
Included in the above assets and liabilities:		
Cash and cash equivalents	11	309
Profit/(loss) and total comprehensive expense	443	(135)
Included in the above loss:		
Interest income	–*	–*
Reconciled to the Group's interest in Fangchenggang City Investment Digital		
Gross amounts of Fangchenggang City Investment Digital's net assets	3,256	2,813
Group's effective interest	65%	65%
Group's share of Fangchenggang City Investment Digital's net assets	<u>2,117</u>	<u>1,829</u>
Carrying amount of the Group's interest	<u><u>2,117</u></u>	<u><u>1,829</u></u>

* The balances represent amounts less than RMB500.

14 INTERESTS IN A JOINT VENTURE/AMOUNTS DUE TO A JOINT VENTURE – *continued*

(b) Amounts due to a joint venture

As at 31 December 2023, the amounts due to Fangchenggang City Investment Digital of RMB860,000 (2022: RMB1,342,000), which is unsecured, interest-free and repayable within 12 months or on demand.

According to Articles of Association of Fangchenggang City Investment Digital, the remaining capital contribution of the Group amounted to RMB4,550,000 are repayable before 31 December 2030, the specific amount and time of the capital contribution is subject to the approval of the shareholders' meeting of Fangchenggang City Investment Digital.

15 EQUITY SECURITIES DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

The FVOCI represents investment in unlisted equity interest of Guangxi Qianyue Information Technology Company Limited (“Guangxi Qianyue” 廣西千越信息科技有限公司) which is incorporated in the PRC and principally engaged in the development of a business park. The Group holds 19% of Guangxi Qianyue's equity interest and completed the capital injection on 26 April 2023. In accordance with the memorandum and article of Guangxi Qianyue, relevant activities of the entity require consent with simple majority of shareholding. The Group has no right to appoint any director and does not participate in the operation of Guangxi Qianyue, therefore the Group cannot exercise significant influence over Guangxi Qianyue.

The Group designated its investment in Guangxi Qianyue at FVOCI (non-recycling), as the investment is held for strategic purposes. No dividends were received from this investment during the year. The analysis on the fair value measurement of the above financial asset is disclosed in Note 29(e).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

16 INVENTORIES

(a) Inventories in the consolidated statements of financial position comprise:

	2023 RMB'000	2022 RMB'000
Software	869	858
Hardware	<u>2,089</u>	<u>3,602</u>
	<u><u>2,958</u></u>	<u><u>4,460</u></u>

(b) The analyses of the amounts of inventories recognised as expenses and included in the consolidated statements of profit or loss and other comprehensive income are as follows:

	2023 RMB'000	2022 RMB'000
Costs of inventories sold	<u><u>128,147</u></u>	<u><u>124,094</u></u>

17 DISPOSAL GROUP

The disposal group comprised the following assets and liabilities.

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Non-current assets classified as held for sale		
Construction in progress (Note 11)	–	87,216
Leasehold land (Note 11)	<u>–</u>	<u>8,976</u>
	<u><u>–</u></u>	<u><u>96,192</u></u>
Liabilities directly associated with non-current assets classified as held for sale		
Other payables related to business park	<u>–</u>	<u>(58,932)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

17 DISPOSAL GROUP – continued

On 8 April 2022, the Group approved a series of agreements with Guangxi Qianlong Education Technology Co., Ltd. (“Guangxi Qianlong” 廣西千龍教育科技有限公司). According to the agreements, the Group and Guangxi Qianlong set up Guangxi Qianyue. The Group made the capital contribution based on the value of land use right and construction in progress of the Business Park net of the payables for the construction.

As at 31 December 2022, the procedures of transferring property right to Guangxi Qianyue are not yet complete, the Group reclassify the disposal group as non-current assets classified as held for sale and liabilities directly associated with non-current assets classified as held for sale separately.

The procedures of transferring property right had been completed in April 2023 and the Group designated the investment in Guangxi Qianyue at FVOCI (non-recycling) (see Note 15).

18 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2023 RMB'000	2022 RMB'000
Contract assets		
Arising from performance under provision of integrated IT solution contracts		
– third parties	21,329	21,752
– related parties (Note 30(c))	1,962	1,962
Less: loss allowance	(708)	(1,084)
	<u>22,583</u>	<u>22,630</u>
Receivables from contracts with customers within the scope of HKFRS 15, which are included in “Trade and other receivables” (Note 19)	<u>323,360</u>	<u>198,660</u>

The Group typically agrees to retention money for 1% to 30% of the contract value. The retention period normally ranges from one to seven years upon the completion of work. These amounts are included in contract assets until the end of the retention period as the Group’s entitlement to these final payments are conditional on the Group’s projects keep properly functioning during the retention period. As at 31 December 2023, contract assets (before the recognition of impairment loss) amounting to RMB9,464,000 (2022: RMB6,016,000) were related to retention money.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

18 CONTRACT ASSETS AND CONTRACT LIABILITIES – *continued*

(a) Contract assets – *continued*

The Group's contract assets also relate to the Group's rights to consideration for work completed but not yet reached the milestones for billing at the reporting date. As at 31 December 2023, contract assets (before the recognition of impairment loss) amounted to RMB13,827,000 (2022: RMB17,698,000) will be recovered after reaching the milestones for billing.

The amount of contract assets expected to be recovered after more than one year is RMB5,643,000 (2022: RMB14,113,000). Contract assets are transferred to trade receivables when the rights become unconditional.

(b) Contract liabilities

	2023 RMB'000	2022 RMB'000
Contract liabilities		
Billings in advance of performance	<u>622</u>	<u>3,018</u>

Contract liabilities primarily relate to the advanced consideration received from customers, for which revenue is recognised at the point of transfer of control over a product or service to the customer.

All of the other contract liabilities are expected to be recognised as income within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

19 TRADE AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables		
– third parties	339,030	209,469
– related parties (Note 30(c))	1,930	7,672
Less: loss allowance	<u>(17,600)</u>	<u>(18,481)</u>
	323,360	198,660
Amounts due from shareholders (Note 30(c))	15	–
Amounts due from other related parties (Note 30(c))	6,128	6,093
Other deposits, prepayments and receivables	<u>120,296</u>	<u>56,616</u>
	<u>449,799</u>	<u>261,369</u>

- (i) Trade receivables amounting to RMB17,673,000 (2022: RMB40,617,000) are expected to be recovered after more than one year. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.
- (ii) Trade receivables with gross carrying amount of RMB78,395,000 (2022: RMB75,665,000) were pledged as collateral for the Group's bank and other loans of RMB63,588,000 (2022: RMB89,775,000) (Note 23).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

19 TRADE AND OTHER RECEIVABLES – continued

Ageing analysis

As at the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date/transaction date and after the recognition of impairment loss, are as follows:

	2023 RMB'000	2022 RMB'000
Current (not past due)	211,281	126,887
Less than 3 months past due	31,579	45,026
More than 3 months but less than 6 months past due	34,192	2,244
More than 6 months but less than 12 months past due	23,754	18,585
More than 1 year past due	22,554	5,918
	<u>323,360</u>	<u>198,660</u>

Trade receivables (other than retention money) are normally due within 30 days from the date of billing. During the year, some trade receivables (other than retention money) are due over one year upon completion of work, which are negotiated on a case-by-case basis with customers. Retention money is due within one to seven years upon the completion of work. Retention money is included in contract assets until the end of the retention period and is transferred into trade receivables when the rights become unconditional. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 29(a).

20 PLEDGED BANK DEPOSITS

	2023 RMB'000	2022 RMB'000
Pledged for bank and other loans (Note 23)	<u>9</u>	<u>2,743</u>

The bank deposits pledged for bank and other loans will be released upon the settlement of relevant bank and other loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2023 RMB'000	2022 RMB'000
Cash at bank and on hand	<u>47,808</u>	<u>62,601</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

At 31 December 2023, cash that is placed with banks in the mainland China amounted to RMB10,697,000 (2022: RMB62,506,000) respectively. Remittance of funds out of mainland China is subject to the relevant rules and regulations of foreign exchange control.

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	2023 RMB'000	2022 RMB'000
Profit before taxation		27,386	56,197
Adjustments for:			
Depreciation	5(c)	2,025	1,453
Amortisation of intangible assets		6,181	6,685
Finance costs	5(a)	10,484	8,907
Loss/(gain) on disposal of property plant and equipment		3	(294)
Gain on disposals of assets and liabilities held for sale (Reversal)/impairment losses recognised on trade and other receivables and contract assets	5(c)	(676) (1,257)	– 6,391
Share of (profit)/loss of a joint venture		(288)	88
Changes in working capital:			
Decrease/(increase) in inventories		1,502	(2,173)
Increase in trade and other receivables		(193,987)	(32,466)
Decrease/(increase) in contract assets		423	(12,853)
Increase/(decrease) in trade and other payables		13,356	(12,489)
(Decrease)/increase in contract liabilities		(2,396)	2,081
Increase/(decrease) in deferred revenue		750	(320)
Cash (used in)/generated from operations		<u>(136,494)</u>	<u>21,207</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION – continued

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank and other loans RMB'000 Note 23(a)	Lease liabilities RMB'000 Note 24	Interests payable for loans and borrowings RMB'000	Total RMB'000
As at 1 January 2023	157,931	547	2,123	160,601
Changes from financing cash flows:				
Proceeds from new bank and other loans	112,173	-	-	112,173
Repayment of bank and other loans	(86,816)	-	-	(86,816)
Interests paid	(7,331)	-	(4,073)	(11,404)
Capital element of lease rentals paid	-	(763)	-	(763)
Interest element of lease rentals paid	-	(21)	-	(21)
Total changes from financing cash flows	18,026	(784)	(4,073)	13,169
Other changes				
Interest expenses (Note 5(a))	7,182	69	3,233	10,484
New leases	-	1,655	-	1,655
As at 31 December 2023	183,139	1,487	1,283	185,909

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION – continued

(c) Reconciliation of liabilities arising from financing activities – continued

	Bank and other loans RMB'000 Note 23(a)	Lease liabilities RMB'000 Note 24	Interests payable for loans and borrowings RMB'000	Total RMB'000
As at 1 January 2022	120,230	1,128	2,967	124,325
Changes from financing cash flows:				
Proceeds from new bank and other loans	108,355	–	–	108,355
Repayment of bank and other loans	(75,011)	–	–	(75,011)
Interests paid	(3,529)	–	(5,002)	(8,531)
Capital element of lease rentals paid	–	(1,397)	–	(1,397)
Interest element of lease rentals paid	–	(16)	–	(16)
Total changes from financing cash flows	29,815	(1,413)	(5,002)	23,400
Other changes				
Interest expenses (Note 5(a))	4,687	62	4,158	8,907
Early termination of a lease	–	(330)	–	(330)
Bank loans arising from reverse factoring arrangement	3,199	–	–	3,199
New leases	–	1,100	–	1,100
As at 31 December 2022	157,931	547	2,123	160,601

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

22 TRADE AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables	43,551	46,448
Accrued payroll	1,993	2,046
Amounts due to a joint venture (Note (i) & 30(c))	860	1,342
Amounts due to shareholders (Note 30(c))	–	109
Payables for construction of a business park	3,848	84
Other payables and accruals	39,371	25,082
	<u>89,623</u>	<u>75,111</u>

Notes:

- (i) Amounts due to a joint venture the balance is due to Fangchenggang City Investment Digital, which is non-trade in nature, interest-free and repayable within 12 months or on demand.
- (ii) As at 31 December 2023, trade payables amounting to RMB1,703,000 (2022: RMB1,827,000) are expected to be settled after more than one year. All of the other trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

22 TRADE AND OTHER PAYABLES – *continued*

As of the end of the reporting period, the ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date/transaction date, is as follows:

	2023 RMB'000	2022 RMB'000
Within 1 year	38,765	27,582
Over 1 year but within 2 years	2,006	8,309
Over 2 years but within 5 years	2,592	10,557
Over 5 years	188	–
	<u>43,551</u>	<u>46,448</u>

23 BANK AND OTHER LOANS

	2023 RMB'000	2022 RMB'000
Non-current		
Secured bank and other loans (Note (b))	27,596	29,193
Unsecured bank and other loans	20,000	42,681
	<u>47,596</u>	<u>71,874</u>
Current		
Secured bank and other loans (Note (b))	95,354	63,899
Unsecured bank and other loans	40,189	22,158
	<u>135,543</u>	<u>86,057</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

23 BANK AND OTHER LOANS – continued

(a) The analysis of the repayment schedule of bank loans and overdrafts is as follows:

	2023 RMB'000	2022 RMB'000
Within 1 year or on demand	135,543	86,057
After 1 year but within 2 years	47,596	51,874
After 2 years but within 5 years	–	20,000
	<u>47,596</u>	<u>71,874</u>
	<u>183,139</u>	<u>157,931</u>

(b) Assets pledged as security for bank loans and other loans

(i) At 31 December 2023, the bank and other loans were secured by assets of the Group and the carrying amounts of these assets are as below:

	2023 RMB'000	2022 RMB'000
Pledged bank deposits (Note 20)	9	2,743
Trade receivables (Note 19)	78,395	75,665
Property, plant and equipment (Note 11)	8,161	8,448
	<u>86,565</u>	<u>86,856</u>

(ii) As at 31 December 2023, bank and other loans of RMB8,650,000 (2022: RMB119,000) are guaranteed by the shareholders of the Group.

(iii) As at 31 December 2023, bank and other loans of RMB8,000,000 (2022: RMB8,000,000) are guaranteed by third parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

23 BANK AND OTHER LOANS – *continued*

(c) Bank loans arising from supplier finance arrangements

The Group has entered into certain reverse factoring arrangement with banks, under which the Group obtained extended credit in respect of the invoice amounts owed to certain suppliers. Under these arrangements, the banks pay suppliers the amounts owed by the Group on the original due dates and then the Group settles the banks about 365 days later than the original due dates with the suppliers, with interest.

In the consolidated statement of financial position, the Group has presented payables to the banks under these arrangements as bank and other loans, having compared the nature and function of such liabilities with trade to suppliers. In the consolidated cash flow statements, for the year ended 31 December 2022, payments to the banks are included within financing cash flows based on the nature of the arrangements, and payments to the suppliers by the banks amounting to RMB3,199,000 are non-cash transactions.

For the year ended 31 December 2023, the Group did not enter certain reverse factoring arrangement with banks.

24 LEASE LIABILITIES

At 31 December 2023, the lease liabilities were repayable as follows:

	2023 RMB'000	2022 RMB'000
Within 1 year	1,300	427
After 1 year but within 2 years	230	136
Total undiscounted lease liabilities	1,530	563
Less: total future interest expenses	(43)	(16)
Lease liabilities included in the consolidated statements of financial position	1,487	547

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

25 DEFERRED REVENUE

	Government grants RMB'000
At 1 January 2022	2,380
Amortisation credited to consolidated statement of profit or loss and other comprehensive income	<u>(320)</u>
At 31 December 2022 and 1 January 2023	2,060
Addition during the year	<u>750</u>
At 31 December 2023	<u><u>2,810</u></u>

Deferred income represents government grant recognised in according with the Group's accounting policy as set out in Note 1(t)(vii).

26 POST-EMPLOYMENT BENEFITS

Defined contribution retirement plans

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at 5% – 16% of the salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date.

The Group operates a MPF scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

The Group has no other material obligation for the payment of pension benefits associated with the Schemes beyond the contributions described above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

27 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2023 RMB'000	2022 RMB'000
At the beginning of the year	5,169	8,544
Provision	4,275	7,718
Income tax paid	<u>(5,706)</u>	<u>(11,093)</u>
At the end of the year	<u><u>3,738</u></u>	<u><u>5,169</u></u>

(b) Deferred tax assets and liabilities recognised:

Movements of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Credit loss allowances RMB'000	Deferred government grants RMB'000	Right-of-use assets RMB'000	Lease liabilities RMB'000	Cumulative tax losses RMB'000	Total RMB'000
As at 1 January 2022	1,946	358	(49)	169	690	3,114
Charged/(credited) to profit or loss	944	(48)	(27)	(87)	(629)	153
Effect on deferred tax balances resulting from a change in tax rate (Note 6(b))	<u>(36)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>460</u>	<u>424</u>
As at 31 December 2022 and 1 January 2023	2,854	310	(76)	82	521	3,691
(Credited)/charged to profit or loss	<u>(149)</u>	<u>112</u>	<u>52</u>	<u>(33)</u>	<u>(446)</u>	<u>(464)</u>
As at 31 December 2023	<u><u>2,705</u></u>	<u><u>422</u></u>	<u><u>(24)</u></u>	<u><u>49</u></u>	<u><u>75</u></u>	<u><u>3,227</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

27 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – continued

(c) Deferred tax liabilities not recognised

At 31 December 2023, temporary differences relating to the undistributed profits of subsidiaries mainly in PRC amounted to RMB248,967,000 (2022: RMB212,838,000). Deferred tax liabilities of RMB24,897,000 (2022: RMB21,284,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

28 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital RMB'000	Share premium RMB'000 28(d)(i)	Accumulated loss RMB'000	Total RMB'000
As at 1 January 2022		–*	–	(5,458)	(5,458)
Loss and other comprehensive income for the year		–	–	(3,754)	(3,754)
As at 31 December 2022 and 1 January 2023		–*	–	(9,212)	(9,212)
Issuance of new share	28(c)	1,148	118,232	–	119,380
Effect of the capitalisation issue		3,442	(3,442)	–	–
Loss and other comprehensive income for the year		–	–	(16,064)	(16,064)
As at 31 December 2023		4,590	114,790	(25,276)	94,104

* The balances represent amounts less than RMB500.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

28 CAPITAL, RESERVES AND DIVIDENDS – continued

(b) Dividends

- (i) Dividends payable to equity shareholders of the Company attributable for the year

The directors of the Company did not recommend the payment of any dividend for the year ended 31 December 2023 (2022: nil).

- (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

No dividends in respect of the previous financial year, approved and paid during the financial year ended 31 December 2023 and 2022.

(c) Share capital

	2023		2022	
	No. of shares (‘000)	Amount HK\$‘000	No. of shares (‘000)	Amount HK\$‘000
Ordinary shares:				
In issue at 1 January	10	–*	10	–*
Capitalisation issue	374,990	3,750	–	–
Issue of ordinary shares by initial public offering	125,000	1,250	–	–
	<u>500,000</u>	<u>5,000</u>	<u>10</u>	<u>–*</u>
In issue at 31 December – fully paid				
	<u>500,000</u>	<u>5,000</u>	<u>10</u>	<u>–*</u>
Authorised – par value HK\$0.01	<u>1,000,000</u>	<u>10,000</u>	<u>38,000</u>	<u>380</u>

* The balances represent amounts less than HK\$500.

(i) Authorised share capital

Pursuant to the written resolution passed by the shareholders of the Company on 18 September 2023, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$10,000,000 divided into 1,000,000,000 Shares by the creation of an additional 962,000,000 Shares with effect from the Listing Date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

28 CAPITAL, RESERVES AND DIVIDENDS – continued

(c) Share capital – continued

(ii) Capitalisation issue

Pursuant to the written resolution passed by the shareholders of the Company on 18 September 2023, the capitalisation issue of an amount of HK\$3,750,000 standing to the credit of the share premium account of the Company and the appropriation of such amount to pay up in full at par 374,990,000 shares for allotment and issue to the existing shareholders with effect from the Listing Date.

(iii) Issue of ordinary shares by initial public offering

On 11 October 2023, the shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited, where 125,000,000 shares of HK\$0.01 each were issued and subscribed at a price of HK\$1.18 each. The Company received the net proceeds of HK\$130,046,000 (equivalent to approximately RMB119,380,000), after deducting all capitalized listing expenses. Out of the net proceeds from the listing, RMB1,148,000 and RMB118,232,000 were recorded in share capital and share premium accounts, respectively.

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Companies Act (as revised) of the Cayman Islands as amended, consolidated or supplemented from time to time.

(ii) Other reserve

The other reserve as at 1 January 2022 represented the paid-in capital of the PRC subsidiary of the Group which was eliminated against the long-term investment.

(iii) PRC statutory reserve

In accordance with the relevant PRC laws and regulations, the Group's subsidiary established in the PRC is required to transfer 10% of its net profit each year to the statutory reserve until the reserve reaches 50% of the registered capital. The transfer to this reserve must be made before distributions to equity holders. This reserve can be utilised in setting off accumulated losses or increase capital of the subsidiary and is non-distributable other than in liquidation.

As at the end of the reporting period, the statutory reserve of Nanning Maiyue have reach 50% of the registered capital.

28 CAPITAL, RESERVES AND DIVIDENDS – *continued*

(d) Nature and purpose of reserves – *continued*

(iv) *Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(v) *Fair value reserve (non-recycling)*

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see Note 1(f)).

(e) **Non-controlling interests**

The non-controlling interests as at the end of the reporting period represent the equity interests of Shuguang Maiyue held by Digital Guangxi, the non-controlling shareholder of Shuguang Maiyue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

28 CAPITAL, RESERVES AND DIVIDENDS – continued

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and 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.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, net debt is defined as total debt (which includes bank and other loans, and lease liabilities) less cash and cash equivalents.

	2023 RMB'000	2022 RMB'000
Bank and other loans	183,139	157,931
Lease liabilities	1,487	547
	<hr/>	<hr/>
Sub-total	184,626	158,478
Less: cash and cash equivalents	(47,808)	(62,601)
	<hr/>	<hr/>
Net debt	136,818	95,877
Equity	318,713	179,443
	<hr/>	<hr/>
Net debt to equity ratio	42.9%	53.4%
	<hr/>	<hr/>

As at the end of the reporting period, neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks with a minimum credit rating, for which the Group considers having low credit risk. The Group's credit risk is primarily attributable to trade receivables and contract assets.

The Group has established a credit risk management policy under which 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. Trade receivables (other than retention money) are normally due within 30 days from the date of billing. At the end of the reporting period, some trade receivables (other than retention money) are due over one year upon completion of work, which are negotiated on a case-by-case basis with customers. Retention money (which is included in contract assets until the end of the retention period and transferred into trade receivables when the rights become unconditional) is due within one to seven years (the retention period) upon the completion of work. Normally, the Group does not obtain collateral from customers.

The Group has no significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 14.28% (2022: 38.53%), 14.04% (2022: 0.95%) and 47.45% (2022: 50.58%) of the total trade receivables and contract assets were due from the Group's largest customer, the second largest customer and the five largest customers respectively.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicate different loss patterns among trade receivables and contract asset (other than retention money) and retention money, the loss allowance based on past due status is distinguished among trade receivables and contract asset (other than retention money) and retention money.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

(a) Credit risk – *continued*

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets (other than retention money):

	As at 31 December 2023		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	1.42%	228,148	3,236
Less than 3 months past due	5.53%	32,751	1,811
More than 3 months but less than 6 months past due	5.71%	35,820	2,044
More than 6 months but less than 12 months past due	12.65%	26,971	3,412
More than 1 year but less than 2 years past due	19.57%	21,976	4,301
More than 2 years but less than 3 years past due	38.52%	2,331	898
More than 3 years past due	100.00%	872	872
Total		<u>348,869</u>	<u>16,574</u>

	As at 31 December 2022		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	2.29%	147,556	3,376
Less than 3 months past due	5.61%	46,107	2,586
More than 3 months but less than 6 months past due	8.69%	2,164	188
More than 6 months but less than 12 months past due	22.68%	22,729	5,155
More than 1 year but less than 2 years past due	62.45%	7,233	4,517
More than 2 years past due	100.00%	872	872
Total		<u>226,661</u>	<u>16,694</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS – continued

(a) Credit risk – continued

The following table provides information about the Group's exposure to credit risk and ECLs for retention money include contract asset and past due retention money in trade receivable:

	As at 31 December 2023		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current	5.41%	9,464	512
Past due	20.65%	5,918	1,222
Total		<u>15,382</u>	<u>1,734</u>

	As at 31 December 2022		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current	11.29%	6,016	679
Past due	26.80%	8,178	2,192
Total		<u>14,194</u>	<u>2,871</u>

Expected loss rates are based on actual loss experience over the recent past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

(a) Credit risk – *continued*

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	2023 RMB'000	2022 RMB'000
Balance at the beginning of the year	19,565	13,174
Impairment losses (reversed)/recognised	<u>(1,257)</u>	<u>6,391</u>
Balance at the end of the year	<u><u>18,308</u></u>	<u><u>19,565</u></u>

Other receivables

The Group has assessed that the expected credit losses for other receivables are not material under the 12 months expected credit losses method. Thus, no loss allowance provision was recognised for the year.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses, participation in supplier finance arrangements with banks and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS – continued

(b) Liquidity risk – continued

The following tables show the remaining contractual maturities as 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 rates current at the end of each of the reporting period) and the earliest date the Group can be required to pay:

As at 31 December 2023				
Contractual undiscounted cash outflow				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank and other loans	144,694	48,733	193,427	183,139
Trade payables	43,551	–	43,551	43,551
Amounts due to a joint venture	860	–	860	860
Other payables and accruals	41,364	–	41,364	41,364
Payables for construction of a business park	3,848	–	3,848	3,848
Lease liabilities	1,300	230	1,530	1,487
	<u>235,617</u>	<u>48,963</u>	<u>284,580</u>	<u>274,249</u>

As at 31 December 2022					
Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank and other loans	94,680	56,663	20,077	171,420	157,931
Trade payables	46,448	–	–	46,448	46,448
Amounts due to a joint venture	1,342	–	–	1,342	1,342
Amounts due to shareholders	109	–	–	109	109
Other payables and accruals	27,128	–	–	27,128	27,128
Payables for construction of a business park	84	–	–	84	84
Lease liabilities	427	136	–	563	547
	<u>170,218</u>	<u>56,799</u>	<u>20,077</u>	<u>247,094</u>	<u>233,589</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS – continued

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from loans and borrowing. Borrowings issued at fixed rates expose the Group to cash flow fair value interest rate risk.

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group's loans and borrowings at the end of the reporting period:

	2023		2022	
	Effective interest rate		Effective interest rate	
	%	RMB'000	%	RMB'000
Fixed rate borrowings:				
Bank and other loans	1.83%-18.00%	(183,139)	2.52%-10.00%	(157,931)
Lease liabilities	5.88%-7.00%	(1,487)	7.00%	(547)
		<u>(184,626)</u>		<u>(158,478)</u>

The Group's interest rate risk arises primarily from bank borrowings and lease liabilities. The Group has no significant interest rate risk exposure as the Group does not obtain any bank borrowings at variable interest rates.

(d) Currency risk

The Group has no significant foreign exchange exposure as substantially all of the Group's transactions are denominated in RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS – continued

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

Analysis on fair value measurement of financial instruments as at 31 December 2022 and 2023 are as follows:

	2023 RMB'000	2022 RMB'000
Categorised into level 3		
Asset:		
Equity securities designated at FVOCI	<u>38,999</u>	<u>–</u>

Equity securities designated at FVOCI represented the investment in a non-listed company which is operating an under-construction business park. The Group determines the fair value by using the adjusted net assets value method, with unobservable inputs of net assets value. The fair value measurements are positively correlated to the net assets value.

As at the end of the reporting period, it is estimated that with all other variables held constant, an increase/decrease in the net assets value by 1% would have increase/decrease the Group's profit or loss and other comprehensive income by RMB390,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

(e) Fair value measurement – *continued*

(ii) Fair value of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2022 and 2023.

30 MATERIAL RELATED PARTY TRANSACTIONS

The Group entered into the following material related party transactions during the year.

During the year ended 31 December 2022 and 2023, the directors are of the view that the following are related parties of the companies now comprising the Group:

Name of party	Relationship
Mr Li Changqing	Controlling Shareholder
Mr Wang Yufei	Controlling Shareholder
Ms Deng Caidie	Controlling Shareholder
Mr Zhang Guangbai	Controlling Shareholder
Mr Chan Eongliat, Jason	Shareholder
Ms Yang Zihan	The close family member of the Controlling Shareholder
Ms He Deling	The close family member of the Controlling Shareholder
Fangchenggang City Investment Digital	The joint venture of the Group
Digital Guangxi Group Co. Ltd. (數字廣西集團有限公司) ("Digital Guangxi")	The non-controlling shareholder of a subsidiary of the Group
Wanjin	Entity controlled by an executive director (before 15 March 2022)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

30 MATERIAL RELATED PARTY TRANSACTIONS – continued

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 7 and certain of the highest paid employees as disclosed in Note 8, is as follows:

	2023 RMB'000	2022 RMB'000
Short-term employee benefits	2,950	2,473
Contributions to defined contribution retirement plan	78	71
	<u>3,028</u>	<u>2,544</u>

Total remuneration is included in “staff costs” (see Note 5(b)).

(b) Material transactions with related parties

The Group enter into the following material related parties transactions during the reporting period are as follows:

	2023 RMB'000	2022 RMB'000
Recurring transactions:		
Trade related:		
Provision of integrated IT solution services to Digital Guangxi:		
– Obligation for sales of software on behalf of third-party supplier (net basis)	–	455
– Obligation for provision of information technology service	386	4,698
	<u>386</u>	<u>5,153</u>
Purchase of hardwares from Fangchenggang City Investment Digital	22	–
	<u>22</u>	<u>–</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

30 MATERIAL RELATED PARTY TRANSACTIONS – *continued*

(b) Material transactions with related parties – *continued*

	2023 RMB'000	2022 RMB'000
Non-recurring transactions:		
Non-trade related:		
Advance from/receive from related parties		
– Mr Li Changqing	–	91
– Mr Zhang Guangbai	–	3
– Ms He Deling	–	95
	<hr/>	<hr/>
	–	189
	<hr/> <hr/>	<hr/> <hr/>
Repayment to/advance to related parties		
– Mr Li Changqing	109	–
– Mr Wang Yufei	–	160
– Mr Zhang Guangbai	15	3
– Ms He Deling	35	40
– Fangchenggang City Investment Digital	–	106
	<hr/>	<hr/>
	159	309
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

30 MATERIAL RELATED PARTY TRANSACTIONS – continued

(c) Balances with related parties

(i) Amounts due from related parties

	2023 RMB'000	2022 RMB'000
Trade related		
Contract assets		
– Digital Guangxi	<u>1,962</u>	<u>1,962</u>
Trade receivables		
– Digital Guangxi	<u>1,930</u>	7,342
– Fangchenggang City Investment Digital	<u>–</u>	<u>330</u>
	<u>1,930</u>	<u>7,672</u>
Other receivables		
– Digital Guangxi	<u>6,093</u>	<u>6,093</u>
Non-trade related		
Other receivables		
– Mr Zhang Guangbai	<u>15</u>	–
– Ms He Deling	<u>35</u>	–
	<u>50</u>	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

30 MATERIAL RELATED PARTY TRANSACTIONS – continued

(c) Balances with related parties – continued

(ii) Amounts due to related parties

	2023 RMB'000	2022 RMB'000
Trade related		
Trade payables		
– Fangchenggang City Investment Digital	<u>25</u>	<u>–</u>
Non-trade related		
Other payables		
– Mr. Li Changqing	<u>–</u>	<u>109</u>
Amounts due to a joint venture (Note 22)	<u>860</u>	<u>1,342</u>

Note:

The amounts due from/to related parties are unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

31 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2023 RMB'000	2022 RMB'000
Non-current assets			
Investments in a subsidiary		—*	—*
Property, plant and equipment		<u>1,008</u>	<u>—</u>
		<u>1,008</u>	<u>—*</u>
Current assets			
Cash and cash equivalents		37,109	82
Amounts due from subsidiaries	(i)	58,541	1,336
Trade and other receivables	(ii)	<u>5,079</u>	<u>6,121</u>
		<u>100,729</u>	<u>7,539</u>
Current liabilities			
Amounts due to subsidiaries	(iii)	4,480	13,001
Other payables	(iv)	1,992	3,659
Amounts due to a shareholder		—	91
Lease liabilities		<u>963</u>	<u>—</u>
		<u>7,435</u>	<u>16,751</u>
Net current assets/(liabilities)		<u>93,294</u>	<u>(9,212)</u>
Total assets less current liabilities		<u>94,302</u>	<u>(9,212)</u>
Non-current liabilities			
Lease liabilities		<u>198</u>	<u>—</u>
Net assets/(liabilities)		<u>94,104</u>	<u>(9,212)</u>
CAPITAL AND RESERVE			
Share capital	28(c)	4,590	—*
Reserves	28(d)	<u>89,514</u>	<u>(9,212)</u>
TOTAL EQUITY/(DEFICIT)		<u>94,104</u>	<u>(9,212)</u>

* The balances represent amounts less than RMB500.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

31 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION – *continued*

- (i) Amounts due from subsidiaries are mainly related to capital injection, rent and audit fee paid on behalf of subsidiaries.
- (ii) As at 31 December 2023, trade and other receivables are mainly related to prepayment made to the suppliers for the purchase of hardware products and the deposit paid to the lessor.

As at 31 December 2022, trade and other receivables are mainly related to the listing expense paid which is charged against equity upon completion of the Listing and prepaid listing expense.
- (iii) As at 31 December 2023, amounts due to subsidiaries are mainly related to listing expense paid by subsidiaries on behalf of the Company and borrowing from subsidiaries which is used to pay listing expense and rent.
- (iv) As at 31 December 2023, other payables are mainly related to accrued and unpaid listing expense and staff expense.

32 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at 31 December 2023, the directors considered the ultimate controlling shareholder of the Group to be Mr Li Changqing, Ms Deng Caidie, Mr Wang Yufei and Mr Zhang Guangbai. As at 31 December 2023, the immediate controlling shareholder of the Group is Deep Blue Ocean Electronics Technology Limited, which was incorporated in the BVI and does not produce financial statements available for public use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	<i>Effective for accounting periods beginning on or after</i>
<i>Amendments to HKAS 1, Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")</i>	1 January 2024
<i>Amendments to HKAS 1, Presentation of financial statements: Non-current liabilities with covenants ("2022 amendments")</i>	1 January 2024
<i>Amendments to HKFRS 16, Leases: Lease liability in a sale and leaseback</i>	1 January 2024
<i>Amendments to HKAS 7, Statement of cash flows and HKFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements</i>	1 January 2024
<i>Amendments to HKAS 21, The effects of changes in foreign exchange rates: Lack of exchangeability</i>	1 January 2025

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements.

FINANCIAL SUMMARY

The following is a summary of the published results and assets and liabilities of the Group for the last four financial years.

	As at 31 December			
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
ASSETS AND LIABILITIES				
Non-current assets	76,975	32,216	119,777	56,773
Current assets	523,157	449,995	294,403	217,926
Current liabilities	230,798	228,708	228,864	135,723
Non-current liabilities	50,621	74,060	53,993	55,435
Net assets	318,713	179,443	131,323	83,541
Total equity attributable to equity shareholders of the Company	316,978	177,474	129,636	83,541
Non-controlling interests	1,735	1,969	1,687	–
Total equity	318,713	179,443	131,323	83,541
	For the year ended 31 December			
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
RESULTS				
Revenue	259,085	243,255	201,742	207,074
Gross profit	85,440	104,631	98,879	75,373
Profit before taxation	27,386	56,197	54,781	44,834
Income tax	(4,739)	(7,141)	(8,498)	(5,396)
Profit for the year	22,647	49,056	43,283	39,438
Attributable to:				
Equity shareholders of the Company	22,881	48,774	45,978	39,438
Non-controlling interests	(234)	282	305	–
	22,647	49,056	46,283	39,438