Yuxing InfoTech Investment Holdings Limited

裕興科技投資控股有限公司*

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

2022
ANNUAL REPORT

* for identification purposes only

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

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

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

CONTENTS

CORPORATE PROFILE

The Company and its subsidiaries (collectively, the "Group") are currently mainly engaged in information home appliances ("IHA"), internet data centre ("IDC"), investing and leasing. The Company was incorporated in Bermuda as an exempted company on 6 October 1999 and was listed on GEM of the Stock Exchange on 31 January 2000.

The Group is a conglomerate which combines commercial enterprise with investments. In terms of commercial business, the Group places the broadband internet digital audio and video products as leading products and focuses on exploring markets for the two businesses of IHA and digital electronic consumable products, while accommodating comprehensive capabilities, including software and hardware development, marketing and customer service capabilities, etc.. On a global stage, the Group is an outstanding solutions provider and customized product manufacturer in the field of broadband digital audio and video technological products. With respect to IDC business, the establishment of a large IDC in the United States is an important step towards expanding the global IDC business of the Group and show the determination of the Group to vigorously develop its IDC business. Meanwhile, the Group also concentrates its efforts on providing renowned domestic and foreign enterprises with reliable data centre facilities services and evolving itself into an international recognised leading cloud computing enterprise in the era of big data. In terms of investment business, the Group follows the principle of value investment, and persists with the characteristics of sound investment and team work to achieve stable increase in asset value on the basis of retaining value through methods such as financial innovation.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of director (the "Board") of the Company. I am pleased to present the annual report of the Group for the financial year ended 31 December 2022.

Looking back, 2022 was defined mainly by the lingering impact of the novel coronavirus ("COVID-19") pandemic. The annual economic growth fell short of expectations after the resurgence of the COVID-19 pandemic in China. With the global issues of the European energy crisis, Russia-Ukraine conflict together with the rising inflation, it becomes the most challenging year of the Group with impacts in varying degree.

The lockdown in mainland China has had a far-reaching impact on the operations of IHA business forcing a suspension in its manufacturing and logistics during the first half of 2022. Difficulties on cross-border deliveries were also imposed by the quarantine orders. However, consumer sentiment is now firmly on the path to recovery, resulting in a rebound in sales distribution in the second half of 2022. The chip supply is also slowly back in balance supporting a relatively stable volume distribution and competitive prices.

Regardless of certain impact to the IHA business, the COVID-19 pandemic is driving IDC business a potential growth from the resilient demand on hybrid working mode, which is expected to remain durable in a post-pandemic environment. Apart from the transition in such mindset, enterprises are moving toward cloud distributed application for capex savings. We have seen the incremental demand in the US market, resulting in a growth in the market value of the US IDC. IDC is therefore gaining traction as a prospective investment asset in the real estate sector as well.

While our core business has been solid and consistent with 2021, the Group's investing activities was affected by the global sluggish economy throughout the year. Along with the US rate hikes and volatility of the stock, bonds and digital markets, there're practically no safe play for majority of the year. The performance of private equity investments was dragged down by the China economic recession and quarantine policies. Following the maxim that every crisis presents an opportunity; we had succeeded in seizing investing opportunities throughout the year in between the ups and downs of the stock market to hedge the unrealised loss of our investment portfolio at long position.

BUSINESS OUTLOOK AND PROSPECTS

The higher usage of cloud-based services, internet-of-things (loT) and big data analytics will exponentially increase the surging demand for data and driving the demand for data centres from both corporates and consumers. The revolution of networks platforms and digital technology have changed the companies' innovation and competitiveness. Other than being the upstream service providers in the big data industry, we have been proactively assimilating the big data and digital transformation into the downstream IHA business by integrating the ideas of web3.0 and home cloud to capture the future opportunities.

CHAIRMAN'S STATEMENT

Looking ahead, we expect a robust improvement on the economy in coming year after moving on from the COVID-19 pandemic. However, we will remain cautious to the post-pandemic recovery of the global economy. These moments of uncertainty remind us to look at the markets in new ways. The Group's development of sustainability and future growth are always prioritised objectives. The success no longer rests solely on the operation of assets or discrete business units in one single region, but on an integrated approach with diversification across the world. Our progress to the continuous strategic move and transformation.

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

Li Qiang
Chairman

Hong Kong, 23 March 2023

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

COMPANY SECRETARY

Dr. Liu Wei, Solicitor

COMPLIANCE OFFICER

Mr. Shi Guangrong

AUTHORISED REPRESENTATIVES

Mr. Cong Yu
Mr. Shi Guangrong

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDITOR

Mazars CPA Limited
Certified Public Accountants

LEGAL ADVISOR

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

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11, Bermuda

PLACES OF BUSINESS

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

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

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

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

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

SHARE REGISTRARS AND TRANSFER OFFICES

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

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

STOCK CODE

8005

WEBSITE ADDRESS

www.yuxing.com.cn

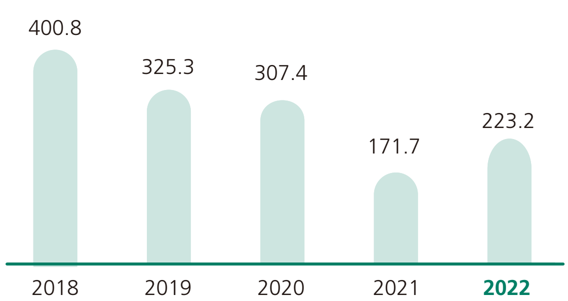
FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

	2022 HK$'000	2021 HK$'000
Revenue	**223,237**	171,682
Profitability		
Loss from operations	**(259,713)**	(165,398)
Loss attributable to owners of the Company	**(290,118)**	(172,495)
Net worth		
Total equity attributable to owners of the Company	**1,827,159**	2,096,274
	HK$	HK$
Per share		
Loss per share – Basic	**(0.12)**	(0.07)
Net assets attributable to owners of the Company per share	**0.73**	0.84

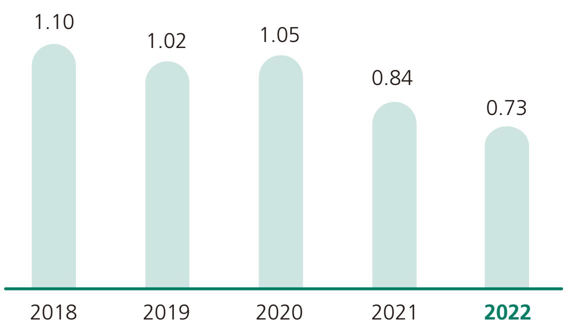
REVENUE

HK$ million



NET ASSETS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE

HK$



GROUP FINANCIAL SUMMARY

CONSOLIDATED RESULTS

For the year ended 31 December

	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000
Revenue	**223,237**	171,682	307,378	325,312	400,843
(Loss)/Profit before tax	**(262,063)**	(169,010)	27,230	54,627	(404,095)
Income tax (expenses)/credit	**(29,002)**	(4,051)	(5,808)	(13,941)	6,199
(Loss)/Profit for the year	**(291,065)**	(173,061)	21,422	40,686	(397,896)
Non-controlling interests	**947**	566	492	798	–
(Loss)/Profit attributable to owners of the Company	**(290,118)**	(172,495)	21,914	41,484	(397,896)

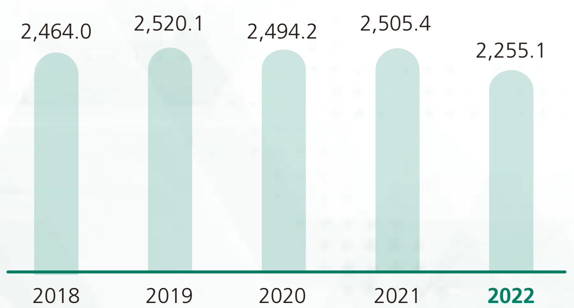
CONSOLIDATED ASSETS AND LIABILITIES

As at 31 December

	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000
Total assets	**2,255,055**	2,505,444	2,494,242	2,520,072	2,464,004
Total liabilities	**(429,118)**	(415,227)	(321,878)	(414,267)	(476,072)
Non-controlling interests	**1,222**	6,057	1,315	823	–
Total equity attributable to owners of the Company	**1,827,159**	2,096,274	2,173,679	2,106,628	1,987,932

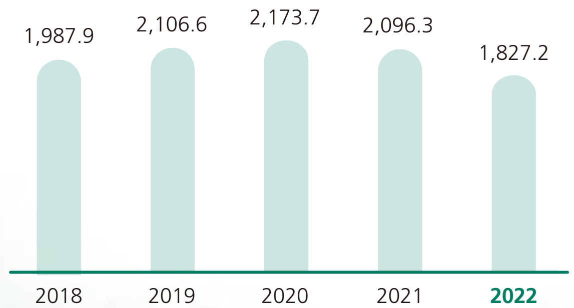
TOTAL ASSETS

HK$ million



TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

HK$ million



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECT

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

IHA Business

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

Together with the nearing supply of microchips and prudent inventory management, the sales volume remains steady during the year under review. The IHA business reported approximately HK$208.2 million for the year ended 31 December 2022 ("FY2022"), representing an increase of 48.4% against the year ended 31 December 2021 ("FY2021"). The segment loss decreased by 84.1% to approximately HK$5.3 million as a result of the tightened cost measures on staff costs and other administrative expenses.

After the accelerated vaccination rollout programs and easing of widespread lockdowns in mainland China, capacity is being freed up due to the recovered consumer sentiment in the end markets. Segment performance improved with the rebound of sales orders and a series cost controls across the business. Considering the pressure from inflation and uncertainty posted by the economic recession of post-pandemic, the Group will continue a cautious attitude on costing and treasury management.

IDC Business

The IDC business is comprised of the development, construction, operation, mergers, acquisition and leasing out of properties and facilities used in IDC. After the disposal of Shanghai IDC, the business reported a revenue stream of approximately HK$15.0 million for FY2022, representing downtrend of 52.3% as compared with FY2021. The segment recorded a loss of approximately HK$11.8 million (FY2021: a profit of approximately HK$11.4 million) for FY2022. The underperformance was attributed to the fair value losses on contingent consideration receivable from the disposal of Shanghai IDC during FY2021.

Due to the delay in obtaining the relevant certificates for the construction project of the land and property under Shanghai IDC held by Shanghai Indeed Technology Co., Ltd. ("Shanghai Indeed") and obtaining the renewed real property certificate ("Renewed Certificate") from the relevant land authority in the PRC (the "Reconstruction Registration"), the weighted distribution of the possible outcomes (i.e. the likelihood of receiving the contingent consideration) was reduced, leading to a further loss from the fair value of the contingent consideration receivable causing a significant impact to the segment result of FY2022. The Group continues to collaborate with the local authority on Reconstruction Registration which is expected to be completed by the second quarter of 2023. On the other hand, the senior management has closely monitored the progress and proactively negotiated with the purchaser of the Shanghai IDC, in the extension of the registration deadline.

The IDC in the United States ("US IDC") has commenced sourcing potential customers after obtaining the certificate of occupancy during FY2022. After cautious consideration on US-China's political tensions and overall risk assessment of the economy, the Board had changed its intended use of such property to entirely leasing out or sell for profit if appropriate and believed that it is in the interest of the Group for sustainable development. A revaluation gain of approximately HK$53.3 million (FY2021: Nil), being the difference of fair value as at the reporting date and the date of reclassification as an investment property, was recorded for FY2022 as a result.

MANAGEMENT DISCUSSION AND ANALYSIS

Investing Business

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

During the year under review, the Group recorded a net fair value loss on financial assets (excluding contingent consideration receivable) at fair value through profit or loss of approximately HK$32.3 million (FY2021: approximately HK$56.7 million) for FY2022, mainly resulting from the unrealised fair value loss from the investment in a private equity company, which engaged in global aircraft leasing, trading and other related business, and the realised fair value loss on a private investment fund, which principally invested in digital assets and private equity in the high-tech sector. In light of the widespread infection of COVID-19, the aircraft industry was struck by the quarantine and flight restriction across the world, resulting in a negative impact on the performance and comparable indicators to the fair value of such investment. Other than suffering from the market condition of aircraft industry, the markets of digital assets is also under pressure of prevailing market price. Notwithstanding the foregoing, there is no material impact on the Group's cash flows and business operations.

Following the prevailing market price of digital assets, the Group recorded a write-down of cryptocurrencies of approximately HK$50.4 million (FY2021: Nil) for FY2022. The cryptocurrencies (inclusive of Bitcoin ("BTC") and Ethereum ("ETH")) were mainly generated from the hash-rate capacity and cryptocurrency mining machines acquired in 2021 and 2022, respectively, which are categorised under intangible assets and property, plant and equipment. The volatility of digital assets is price sensitive to the market conditions compared to other equity and commodity markets. Other than such volatility, the adoptions of blockchain and digital assets by the financial institutions and the open-attitudes of the government have indicated the potential room for future growth. As consistent with how the Group manage its investment and fiat-based cash and cash equivalents, the Group may increase or decrease the holding of digital assets at any time based on the view of the market and macroeconomic conditions. The Group will also continue in closely monitoring the potential regulatory influence and the market sentiment for the blockchain technology and digital assets.

To seize the investing opportunities from up and downs in the stock market and hedge the loss in other private equity and fund investments mentioned, the Group expanded its listed securities investment portfolio to include Tencent Holdings Limited ("Tencent Shares") and Apple Inc., etc. The acquisitions of listed securities of Tencent Shares are set out in the Company's announcements dated 28 November 2022 and 30 December 2022, respectively. The acquisitions of other listed securities do not constitute notifiable transactions under the GEM Listing Rules individually.

Leasing Business

The leasing segment of the Group comprises leasing out of properties. The segment result recorded a profit of approximately HK$5.7 million (FY2021: approximately HK$0.3 million) for FY2022, representing a significant increase as compared with FY2021. The result improvement is attributed by the revaluation gain (2021: revaluation loss) from the investment property located on Yuxing Industrial Park, in which reflected a growth from the increased monthly rent.

On 23 March 2022, the Group entered into a sales and purchase agreement with an independent third party for the acquisition of properties located in Meishan, Sichuan to earn stable income or sell for a profit if considered appropriate. The acquisition does not constitute notifiable transactions under the GEM Listing Rules. The acquisition was completed on 20 March 2023. Following the acquisition of the properties, it is believed that the Group will be able to expand the revenue stream of leasing business to achieve diversified and sustainable development.

FINANCIAL REVIEW

Operating Results

Revenue and Gross Profits

During FY2022, the Group recorded approximately HK$223.2 million (FY2021: approximately HK$171.7 million) of revenue, representing an increase of 30.0% as compared with FY2021. The increase was mainly attributed to the market recovery after the outbreak of COVID-19. Since the Group lost a revenue stream after disposal of Shanghai IDC in FY2021 and the cost of sales in FY2022 increased by 41.7%, the Group's gross profits decreased by 17.7% from approximately HK$33.8 million for FY2021 to approximately HK$27.8 million for FY2022.

Other Revenue and Net Loss

The Group recorded a net loss of approximately HK$84.8 million (FY2021: approximately HK$76.6 million) in other revenue and net loss for FY2022, representing an increase in loss of 10.7% as compared with FY2021. The increase was mainly due to the net losses on financial assets at fair value through profit or loss of approximately HK$97.2 million (FY2021: approximately HK$99.9 million) resulting from the unsatisfactory performance of the Group's private equity investment amid the quarantine restriction of the COVID-19 further to the economic recession and the decrease of the possible outcome of the contingent consideration receivable from the disposal of Shanghai IDC during the year.

Changes in Fair Value of Investment Properties

The Group recognised net revaluation gain of approximately HK$53.8 million (FY2021: net revaluation loss of approximately HK$2.7 million) for FY2022, representing a significant increase as compared with FY2021. The net revaluation gain mainly comprised of the gain from Yuxing Industrial Park and US IDC. Given that the increment of the comparable market price, a revaluation gain of approximately HK$0.5 million (FY2021: a revaluation loss of approximately HK$2.7 million) was recorded on Yuxing Industrial Park for FY2022. As for the US IDC, the management reassessed its intended use of such property to lease out or sell for profit if appropriate and it is reclassified as an investment property from an owner-occupied property during the second quarter of FY2022. A revaluation gain of approximately HK$53.3 million (FY2021: Nil), being the difference of fair value as at the reporting date and the date of reclassification as an investment property, was recorded for FY2022 as a result.

Selling and Distribution Expenses

With the ease of the prevention and control of COVID-19 on customs clearance, the logistics and shipping costs of IHA business decreased leading to the drop in selling and distribution expenses by 15.2% from approximately HK$7.6 million for FY2021 to approximately HK$6.4 million for FY2022.

General and Administrative Expenses

The general and administrative expenses increased by 4.6% from approximately HK$106.3 million for FY2021 to approximately HK$111.2 million for FY2022. The increase was attributed to the amortisation of intangible assets, being the hash-rate capacity of mining machines acquired for cryptocurrencies mining not allocated to cost of cryptocurrencies. Apart from the amortisation of approximately HK$15.1 million, the general and administration expenses was approximately HK$96.1 million (FY2021: approximately HK$106.3 million) for FY2022, representing a decrease of 9.6% as compared with FY2021. In light of the uncertainty posed by the COVID-19 pandemic, the Group tightened its corporate budgets including staff costs, rental and other corporate expense during the year under review.

Other Operating Expenses

The other operating expenses mainly comprised of the miscellaneous costs and related tax from investing and leasing activities. The Group recorded approximately HK$1.8 million (FY2021: approximately HK$2.3 million) of other operating expenses for FY2022, representing a decrease of 22.1% as compared with FY2021. The decline was attributable to the decrease in surcharges and related tax raised from the investing activities.

Loss Allowance on Loans Receivable

The loss allowance on loans receivable associated with its debt instruments carried at amortised cost is assessed based on the estimation of the lifetime or 12-month expected credit losses ("ECL"). As a result of the default event of the supplemental loan agreement with Beijing Aihuan Times Technology Limited* ("Beijing Aihuan") (北京愛換時代科技股份有限公司) and further extensions of loans with the existing borrowers, the increase in credit risk caused a significant increase in loss allowance on ECL in respect of loans receivable amounting to approximately HK$83.1 million (FY2021: approximately HK$59.1 million) for FY2022.

Apart from the additional provision of loss allowance on loans receivable amounted to approximately HK$67.8 million with Beijing Aihuan, the remaining increase are general provision of loss allowance on loans receivable amounted to approximately HK$15.3 million. The loans receivable from Beijing Aihuan were past due and long outstanding leading to a doubt on its recoverability. Although a repayment was made during the FY2022, it is insignificant to cover the outstanding principals and interest accrued thereon. As at the date of this report, no formal or legal binding settlement agreement was executed. Amid the uncertainty posed by the COVID-19 pandemic on the overall economic situation, the Directors considered a prudent and cautious approach by making full expected credit loss provision during FY2022.

Write-down of Cryptocurrencies

The cryptocurrencies held by the Group mainly comprised of BTC and ETH, which were generated from the cryptocurrency mining machines categorised under property, plant and equipment and the hash-rate capacity of mining machines categorised under intangible assets. The Group estimated the net realisable value of the cryptocurrencies with reference to their market prices in the relevant cryptocurrencies markets less the estimated costs necessary to make the sale. As a result of the price downfall during the year under review, the Group recorded a write-down of cryptocurrencies of approximately HK$50.4 million (FY2021: Nil) for FY2022.

Finance Costs

The finance cost of the Group was approximately HK$2.4 million for FY2022, representing the interest expenses on the bank and other borrowings. Due to the decrease in debt financing, the finance costs decreased by 34.9% from approximately HK$3.6 million for FY2021.

Loss for the Year

As a result of the foregoing, the Group recorded a loss attributable to the owner of the Company of approximately HK$290.1 million (FY2021: approximately HK$172.5 million) for FY2022. Excluding the provision for loss allowance made in accordance with the HKFRS 9 that applied to financial assets (including trade and other receivables and loans receivable), the Group's loss attributable to owners of the Company was approximately HK$207.0 million (FY2021: approximately HK$113.4 million) for FY2022.

* English names for identification purpose only

Liquidity and Financial Resources

As at 31 December 2022, the Group had net current assets of approximately HK$494.4 million. The Group had cash and bank balances of approximately HK$177.1 million and pledged bank deposits of approximately HK$0.2 million, respectively. The financial resources were funded mainly by debt financing.

The current ratio, as calculated by dividing current assets by current liabilities, was 2.3 times (2021: 3.2 times) as at 31 December 2022. The gearing ratio, as measured by total liabilities divided by total equity, was 23.5% (2021: 19.9%) as at 31 December 2022. The Group adopts a prudent approach in cash management. Apart from certain debts including lease liabilities, bank loans and other loan, the Group did not have any material outstanding debts as at 31 December 2022. Payment to settle trade and other payables represented a significant part of the cash outflow of the Group. Taking into account the light debt leverage, the Group is able to generate cash and meet upcoming cash requirements. Hence, the Group has adequate liquidity and financial resources to meet its working capital requirements in the next twelve months from the year end date and remained at a stable and healthy level.

Capital Commitment

Saved as disclosed in note 40 to the consolidated financial statements, the Group had no other capital commitment as at 31 December 2022 and 2021.

Contingent Liabilities

The Group had no contingent liabilities as at 31 December 2022 (2021: Nil).

Treasury Policies

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

Credit Policies

The Group has adopted a credit policy to manage and monitor the recoverability of the loans, details of which are outlined below:

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

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

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

The Board has exercised its oversight over the loans granted by the Group. Any material changes on the borrowers' financial positions from the annual assessment is required to be reported to the Board.

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

The loan extension granted to the borrower Beijing Aihuan was subject to certain conditions to be fulfilled, details of which were disclosed in the Company's announcement dated 16 December 2021. During FY2022, none of the terms under the Conditions was completed and the loan extension became ineffective. On 10 February 2022, the Group had issued a demand letter to the borrower and the guarantors demanding repayment of the outstanding loans principal and accrued interests (the "Overdue Balance"). On 14 February 2022, the borrower proposed a new repayment schedule of the outstanding loans and accrued interest thereon. The Group continually issued demand letters to Beijing Aihuan on 24 May 2022 and 10 October 2022, respectively. A partial repayment was made near the end of FY2022. As at the date of this report, no consent to the repayment schedule was reached by both parties.

Subsequent to the year ending 31 December 2022, the Group had issued another demand letter the Overdue Balance and filing a lawsuit is considered as the next approach to recover the Overdue Balance if necessary.

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

Charges on Group Assets

Details of charges on the Group assets are set out in note 35 to the consolidated financial statements.

Capital Structure

As at 31 December 2022, the Group had shareholder's capital of approximately HK$62,193,000 (2021: approximately HK$62,193,000). The shareholder's capital of the Company is constituted of 2,487,704,800 shares (2021: 2,487,704,800 shares).

Issue of Listed Securities of the Company and the Use of Proceeds

A summary of the issue of listed securities by the Company during the year and the relevant use of proceeds is set out below:

Date of announcement	30 December 2020
Date of completion	12 January 2021
Name of subscriber(s)	Cedar Surplus Investments Limited and Mr. Zhu Weisha
Number of shares issued	414,616,000
Class of shares issued	Ordinary shares
Issue of price per share	HK$0.20
Net price per share	HK$0.199
Aggregate nominal value of share issued	HK$10,365,400
Closing price per share on which the terms of the issue were fixed	HK$0.199 (as at 30 December 2020)
Gross proceeds	approximately HK$82.9 million
Net proceeds	approximately HK$82.7 million
Reason for the issue	The Board considered that the issue of shares would provide a good opportunity to raise additional funds to be used for (i) the development of the major operating businesses of IDC; (ii) the development of the major operating businesses of IHA; and (iii) general working capital purposes.

The below table sets out the intended use of net proceeds, utilisation and the remaining balance of the net proceeds as at 31 December 2022:

	Intended use of net proceeds	**Utilisation**	**Remaining balance as at 31 December 2022**
	HK$'000	HK$'000	HK$'000
IDC business	66,179	66,179	–
IHA business	8,272	8,272	–
General working capital	8,272	8,272	–
Total	**82,723**	**82,723**	**–**

The net proceeds were used according to the intentions previously disclosed by the Company and had been fully utilised as at 31 December 2022.

Saved as disclosed above, there was no other issue of listed securities of the Company during the year under review.

Significant Investments/Material Acquisitions and Disposals

Further Purchase of Mining Machines

On 16 May 2022, Rich Universe International Limited ("Rich Universe"), a direct wholly-owned subsidiary of the Company, agreed to purchase 6,832 sets of cryptocurrency mining machines from Inno Century Limited ("Inno Century") at a consideration of approximately HK$60.1 million. The cryptocurrency mining machines together with the previous acquisition on 14 September 2021 in total of 14,437 sets were delivered on May 2022. Details of the further purchase of mining machines are set out in the Company's announcement dated 16 May 2022.

Acquisitions of Listed Securities

During the period between 28 October 2022 and 28 November 2022, the Group acquired an aggregate of 100,000 shares of Tencent Shares for an aggregate consideration of approximately HK$20.68 million (exclusive of transaction costs). Further to such acquisition, the Group acquired an aggregate of 75,100 Tencent Shares for an aggregate consideration of approximately HK$25.5 million (exclusive of transaction costs) during the period between 29 December 2022 and 30 December 2022. Details of the acquisitions of listed securities are set out in the Company's announcements dated 28 November 2022 and 30 December 2022, respectively.

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

Future Plans for Material Investment and Capital Assets

There is no other plan for material investments or capital assets as at 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Segment Information

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

Exposure to Fluctuations in Exchange Rates

Most of the trading transactions of the Group were denominated in Renminbi ("RMB") and the United States dollars ("USD"). The assets of the Group mainly denominated in RMB and the remaining portions were denominated in USD and Hong Kong dollars ("HKD"). The exchange rates for USD to HKD have been relatively stable for the year. Therefore, the Group is only exposed to foreign exchange risk arising from RMB exposures, primarily concerning the HKD and USD. During the year under review, the Group recorded net exchange gains of approximately HK$0.1 million (FY2021: losses of approximately HK$8.0 million). As at 31 December 2022, the Group had not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure. However, the Group will constantly monitor and manage its exposure to foreign exchange risk.

Human Resources and Relations with the Employees

As at 31 December 2022, the Group had over 130 (2021: over 150) full-time employees, of which 19 (2021: 14) were based in Hong Kong and the rest were in the PRC and the United States. Staff costs of the Group amounted to approximately HK$59.1 million (FY2021: approximately HK$63.8 million) for FY2022. The employees of the Company's subsidiaries are employed and promoted based on their suitability for the positions offered. The salary benefit levels of the Group's employees are in line with the market rates. Employees are rewarded on a performance-related basis within the general framework of the Group's remuneration system which is reviewed annually. In addition to basic salaries, staff benefits also include medical schemes, various insurance schemes and share option schemes.

Key Risks and Uncertainties

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

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

(ii) The Group may be potentially exposed to the growth in cost pressures from raw materials of the distributed products of the IHA business;

(iii) The IHA business may be threatened by fierce competition on the rapid iteration of technological products;

(iv) The service and rental income from US IDC may fail to meet the expectation due to the spread of COVID-19 pandemic and the economic crisis from pandemic recession;

(v) The investment return from the stock market may be subject to frequent changes of market policies and regulations;

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

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

(viii) The Group may be impacted by macroeconomic conditions resulting from the global COVID-19 pandemic.

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

Environmental Policies and Performance

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

Compliance with Laws and Regulations

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Li Qiang, aged 54, graduated with a master's degree in business administration from Nanyang Technological University, Singapore. Mr. Li is the chairman and the legal representative of Trunkbow Asia Pacific (Shandong) Co., Ltd.. Mr. Li had been the president of Beijing Daily Technologies Co., Ltd.* (北京德利迅達科技有限公司) since March 2011 and a director of Trunkbow International Holdings Ltd., the shares of which were delisted from The NASDAQ (National Association of Securities Dealers Automated Quotation) Stock Market in 2014. Mr. Li was appointed to the board of directors as an executive Director and the co-chairman on 10 June 2016 and re-designated as the Chairman on 8 March 2017.

Mr. Cong Yu, aged 53, graduated from The People's Liberation Army (Navy) Command College* (中國人民解放軍陸軍指揮學院) majoring in National Defense Mobilization and National Defense Education and obtained a professional undergraduate degree. He has extensive experience in business development and investment projects. He is an executive director of Tibetan Crane Private Equity Fund Management (Shenzhen) Co., Ltd. (formerly known as Heijinghe Fund Management Co., Ltd.* (黑頸鶴私募股權基金管理(深圳)有限公司(前稱(黑頸鶴基金管理有限公司)), a director of Shenzhen Shenjian Pharmaceutical Technology Limited* (深圳深見醫藥科技有限公司) and an executive director of Amrtan Ocean Traditional Chinese Medicine Co. Ltd.* (甘露海中醫有限公司). He is a director of certain subsidiaries of the Company. Mr. Cong was appointed to the Board as an executive Director on 21 January 2021 and appointed as the Chief Executive Officer of the Company on 22 March 2021. Mr. Cong Yu is currently a member of each of the audit committee, the nomination committee and the remuneration committee of the board of directors of the Company.

Mr. Chen Biao, aged 55, graduated from the Department of Mechanical Engineering of Information Engineering University* (信息工程大學). He has extensive experience in business development and management in China and Europe. Mr. Chen joined the Group in December 2019 as the position of a deputy general manager of Yuxin Asset Management Company Limited, an indirect non-wholly owned subsidiary of the Company. He was acting as the business consultant for China Machinery Industry International Cooperation Co., Ltd. on acquisition and mergers projects in Europe since 2014. Mr. Chen was an executive director of Global Token Limited, the shares of which were delisted from the Stock Exchange in 2021. He is a director of certain subsidiaries of the Company. Mr. Chen was appointed to the Board as an executive Director on 21 January 2021 and appointed as the vice president of the Group in 2021. Mr. Chen is currently a member of the remuneration committee of the board of directors of the Company.

Mr. Gao Fei, aged 43, graduated with a master's degree in business administration from The Hong Kong University of Science and Technology. He has been the general manager of (Shanghai Yuding Corporation Management LLP* (上海毓鼎企業管理合夥企業(有限合夥)) (formerly known as Shanghai Sino Crown Investment LLP) since May 2014. Mr. Gao Fei had been a director of Lontrue Co., Ltd., the shares of which are listed on the Shenzhen Stock Exchange, stock code: 300175). He is also a director of certain subsidiaries of the Company. Mr. Gao was appointed to the Board as an executive Director on 20 June 2016.

Mr. Shi Guangrong, aged 62, graduated with a bachelor's degree in engineering from Department of Industrial Automation of Beijing University of Technology. Mr. Shi has been with the Group since 1996, responsible primarily for marketing and investment management functions of the Group. Mr. Shi is currently the compliance officer of the Group and the executive president of the listing platform of the Group, possessing over 15 years of regulatory and compliance experience. He is also a director of certain subsidiaries of the Company. He was a non-executive director of Global Token Limited, the shares of which were delisted from the Stock Exchange in 2021. Mr. Shi was appointed to the Board as an executive Director on 7 October 1999.

Mr. Zhu Jiang, aged 65, graduated from Beijing University of Technology majoring in mechatronic engineering. Mr. Zhu has over 26 years of research experience in computer engineering, extensive experience in digital-to-analog circuits and high-level assembly languages programming and over 15 years of management experience. He is also a director and the legal representative of certain subsidiaries of the Company. Mr. Zhu was appointed to the Board as an executive Director on 24 July 2013.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Shen Yan, aged 59, holds a bachelor's degree in accounting and has over 27 years of accounting experience and 24 years of auditing experience. Ms. Shen worked with Beijing Zhonggongxin Certified Public Accountants* (北京中公信會計師事務所), where she presided over audit works for local and international renowned enterprises in manufacturing, professional affairs and services and has accumulated solid experience in corporate finance management and auditing. Ms. Shen has successively held key positions in numerous corporations in the PRC and possesses good expertise in financial accounting, budgetary control and financial management. She also took part in the researches, editing and publication of books on financial management subjects. Ms. Shen had also been a staff of Beijing University of Technology. Currently, Ms. Shen is the financial controller of a PRC firm. Ms. Shen was appointed to the Board as an independent non-executive Director on 12 January 2005. Ms. Shen is currently the chairlady of each of the audit committee, the nomination committee and the remuneration committee of the board of directors of the Company.

Ms. Dong Hairong, aged 48, is a deputy director of National Engineering Research Center of Rail Transportation Operation and Control System of Beijing Jiaotong University, a professor and PhD student tutor of State Key Laboratory of Rail Traffic Control and Safety of Beijing Jiaotong University. Ms. Dong graduated from Peking University with a doctorate degree in Science. Ms. Dong was appointed to the Board as an independent non-executive Director on 6 June 2018. Ms. Dong is currently a member of each of the audit committee, the nomination committee and the remuneration committee of the board of directors of the Company.

Ms. Huo Qiwei, aged 51, is currently the chief financial officer of Beijing Zhongjin Guorong Culture Media Co., Ltd. She possesses over 15 years of experience in corporate finance, accounting, and audit consulting. Ms. Huo possesses the professional qualifications of certified public accountant, certified tax agent and senior accountant in the PRC. Ms. Huo graduated from the Chinese University of Hong Kong with a master's degree in professional accountancy and graduated from Henan University of Science and Technology majoring in accountancy. Ms. Huo was appointed to the Board as an independent non-executive Director on 5 September 2019. Ms. Huo is currently a member of each of the audit committee, the nomination committee and the remuneration committee of the board of directors of the Company.

COMPANY SECRETARY

Dr. Liu Wei, aged 65, has PRC lawyer qualification and is a solicitor qualified to practice law in Hong Kong and in England. He graduated from the Northwest University of China, the Chinese University of Political Science and Law and the University of Cambridge with a bachelor's degree in Chinese literature, a master's degree in law, a Ph.D. in Law respectively. He also completed his Common Professional Examination (CPE) with Manchester University in England, as well as a Postgraduate Certificate in Laws (PCLL) with the University of Hong Kong. Dr. Liu has extensive experience in corporate finance and corporate governance of listed companies and is a partner of Jingtian & Gongcheng LLP. Dr. Liu is the company secretary of the Company (the "Company Secretary") since 3 July 2007.

SENIOR MANAGEMENT

Ms. Wang Yuxiao, aged 50, she joined the Group in 2007. As the vice president of the Group, she is responsible for information home appliances, home cloud product business and foreign investment. She is the general manager of a non-wholly owned subsidiary of the Company, responsible for its management and business operations. She is also a director of certain subsidiaries of the Company. Ms. Wang graduated from Peking University with a master's degree in the department of information management. She possesses the qualification of fund practitioners of the Asset Management Association of China. She has accumulated extensive experience in investment and fund management businesses.

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

DIRECTORS' REPORT

The Board is pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2022.

BUSINESS REVIEW

The business review of the Group's business and financial performance for the year ended 31 December 2022 are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in note 39 to the consolidated financial statements.

SEGMENT INFORMATION

Analysis of the performance by the Group for the year ended 31 December 2022 by business and geographical segments is set out in note 8 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 December 2022 are set out in note 31 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of comprehensive income on page 74 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

DIVIDEND POLICY

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 6 of this report.

PRINCIPAL RISKS

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

SHARE OPTIONS

Details of the Company's share option scheme adopted by the Shareholders on 14 January 2015 (the "Share Option Scheme") and the movement in the Company's share options held by the Directors during the year ended 31 December 2022 are set out in note 36 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

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

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

RESERVES

Movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 155 of this report and notes 32 and 34(a) to the consolidated financial statements respectively.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the investment properties and property, plant and equipment of the Group during the year ended 31 December 2022 are set out in notes 17 and 18 to the consolidated financial statements respectively.

PROPERTIES

Particulars of properties held by the Group as at 31 December 2022 are set out on page 170 of this report.

DIRECTORS

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

Executive Directors

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

Independent Non-Executive Directors

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

DIRECTORS' REPORT

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management of the Group are set out on pages 16 and 17 of this annual report.

DIRECTORS' SERVICE CONTRACTS AND APPOINTMENT LETTERS

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

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

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

DIRECTOR'S INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

DIRECTOR'S EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

EMOLUMENT POLICY

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

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

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

As at 31 December 2022, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying shares and/or debentures of the Company and/or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(1) Long positions in the shares of the Company

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

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

Pursuant to the Share Option Scheme approved by the Shareholders on 14 January 2015, the Directors and chief executive of the Company in the capacity as beneficial owners were granted unlisted and physically settled share options to subscribe for the Shares, details of which as at 31 December 2022 were as follows:

				Number of Shares issuable under the share options					
Name of grantees	Date of grant	Exercise price per Share	Exercisable period	Outstanding as at 1 January 2022	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2022
		HK$							
Directors									
Mr. Li Qiang	30.08.2019	0.33	30.08.2019–29.08.2022	2,000,000	–	–	(2,000,000)	–	-
Mr. Gao Fei	30.08.2019	0.33	30.08.2019–29.08.2022	2,000,000	–	–	(2,000,000)	–	-
Mr. Shi Guangrong	30.08.2019	0.33	30.08.2019–29.08.2022	13,000,000	–	–	(13,000,000)	–	-
Mr. Zhu Jiang	30.08.2019	0.33	30.08.2019–29.08.2022	13,000,000	–	–	(13,000,000)	–	-
Ms. Shen Yan	30.08.2019	0.33	30.08.2019–29.08.2022	1,000,000	–	–	(1,000,000)	–	-
Ms. Dong Hairong	30.08.2019	0.33	30.08.2019–29.08.2022	2,000,000	–	–	(2,000,000)	–	-
				33,000,000	–	–	(33,000,000)	–	-

Further details regarding the Share Option Scheme are set out in note 36 to the consolidated financial statement.

Save as disclosed above, as at 31 December 2022, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, underlying shares and/or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules.

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

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

Based on the information provided to the Company in notices filed, as at 31 December 2022, the entities and/or persons or corporations who had any interests or short positions in the Shares and/or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or had otherwise notified to the Company were as follows:

Long positions in the shares and underlying shares of the Company

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

Notes:

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

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

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

4. Based on a total of 2,487,704,800 issued Shares of the Company as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, the Directors are not aware of any persons or corporations who had any interests or short positions in the Shares and/or underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

PERMITTED INDEMNITY PROVISION

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

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

MANAGEMENT CONTRACTS

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

MAJOR SUPPLIERS AND CUSTOMERS

The Group has developed close and long-term cooperation relationships with major suppliers and customers. During the year, stable and good relationships between the Group and its major suppliers and customers have been maintained. The Group values the feedback from customers through daily communication, and address customers' concern in a timely manner. As to the suppliers, the Group assurance their performance for delivering quality sustainable products and services through supplier approval process and by spot checks on the delivered products. During the year ended 31 December 2022, there is no circumstance of any event between the Group and its customers which will have a significant impact on the Group's business and on which the Group's success depends. The percentages of purchases and sales for the year ended 31 December 2022 attributable to the Group's major suppliers and customers are as follows:

Purchases

–	the largest supplier	61.8%
–	five largest suppliers combined	87.7%

Sales

–	the largest customer	35.2%
–	five largest customers combined	85.9%

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

RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during the year, which constitute exempted connected transactions or continuing connected transactions under the GEM Listing Rules, are set out in note 38 to the consolidated financial statements.

COMPETING INTERESTS

None of the Directors or the controlling Shareholders and their respective associates (as defined in the GEM Listing Rules) has an interest in a business which competed or might compete with the business of the Group or has any other conflict of interest with the Group for the year ended 31 December 2022.

AUDIT COMMITTEE

The Board has established an audit committee (the "Audit Committee"). It currently comprises three independent non-executive Directors, namely Ms. Shen Yan (Chairlady), Ms. Dong Hairong and Ms. Huo Qiwei. None of the members of the Audit Committee is a former partner of the auditor of the Company. The principal duties of the Audit Committee are to assist the Board in reviewing the financial information, overseeing the Company's financial reporting system, risk management, internal control systems and relationship with the external auditor, and arrangements to enable employees of the Company to raise concerns under the protection of confidentiality about possible improprieties in financial reporting, internal control or other matters of the Company. During the year under review, the Audit Committee held five meetings for the purposes of reviewing the quarterly, interim and annual financial results and reports and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, and the other matters in accordance with the Audit Committee's written terms of reference. The Group's audited annual results for the year ended 31 December 2022 have been reviewed by the Audit Committee.

DIRECTORS' REPORT

PUBLIC FLOAT

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

CORPORATE GOVERNANCE

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

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2022 have been audited by Mazars CPA Limited, Certified Public Accountants, who will retire and, being eligible, offer itself for re-appointment.

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

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

Hong Kong, 23 March 2023

CORPORATE GOVERNANCE

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

During the year ended 31 December 2022, the Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Part 2 of Appendix 15 to the GEM Listing Rules, except in relation to CG Code provisions F.2.2, as more particularly described below.

CG Code provision F.2.2

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

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings as set out in rules 5.48 to 5.67 (the "Required Standard of Dealings") of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors. Upon specific enquiries of all Directors, each of them confirmed that they have complied with the required standards set out in the Required Standard of Dealings for the year ended 31 December 2022 in relation to their securities dealings, if any.

BOARD OF DIRECTORS

Board composition

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

The primary functions of the Board include:

- deciding on the overall strategies, overseeing operational and financial performance and formulating appropriate policies to manage risk exposure associated with realising the strategies and goals of the Group;

- monitoring and reviewing the Group's corporate governance practices on compliance with legal and regulatory requirements, and renewing the Company's compliance with the CG Code;

- being held accountable for the internal control system of the Group and responsible for reviewing its effectiveness;

- being ultimately responsible for preparing financial accounts and discussing the performance, financial conditions and prospects of the Group in a balanced, clear and comprehensible manner. These responsibilities are applicable to quarterly, interim and annual reports of the Company, other price sensitive announcements published according to the GEM Listing Rules and disclosure of other financial information, reports submitted to regulatory bodies and information discloseable under statutory requirements;

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

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

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

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

The Board currently comprises nine Directors, with six executive Directors, namely, Mr. Li Qiang (Chairman), Mr. Cong Yu (Chief Executive Officer), Mr. Chen Biao, Mr. Gao Fei, Mr. Shi Guangrong and Mr. Zhu Jiang and three independent non-executive Directors, namely, Ms. Shen Yan, Ms. Dong Hairong and Ms. Huo Qiwei. The biographies of the Directors are set out in the section "Biographical Details of Directors and Senior Management" on pages 16 to 17 of this report. The Directors, with relevant and sufficient experience and qualifications, have given sufficient time and attention to the affairs of the Group and have exercised due care and fiduciary duties in relation to the significant issues of overall business planning, management and strategic development of the Group.

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

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

Independent Non-Executive Directors

During the year ended 31 December 2022, the Board at all times complied with the requirement of the GEM Listing Rules of having at least three independent non-executive Directors sit on the Board (more than one-third of the Board members) and at least one of them having appropriate professional accounting or related financial management expertise. All the independent non-executive Directors are appointed for a two-year term, and subject to rotation and re-election pursuant to the Bye-laws. Details of their appointment are referred to the section "Directors' Service Contracts and Appointment Letters" on page 20 of this report. The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules on the Stock Exchange and considers all the independent non-executive Directors to be independent.

Board practice and conduct of meetings

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

The attendance records of each Director and each member of the Board committees in 2022 are as follows:

	Number of meetings attended/eligible to attend				
Executive Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meeting**
Mr. Li Qiang *(Chairman)*	4/4	N/A	N/A	N/A	1/1
Mr. Cong Yu	4/4	N/A	1/1	1/1	1/1
Mr. Chen Biao	4/4	N/A	1/1	N/A	1/1
Mr. Gao Fei	4/4	N/A	N/A	N/A	1/1
Mr. Shi Guangrong	4/4	N/A	N/A	1/1	1/1
Mr. Zhu Jiang	4/4	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Ms. Shen Yan	4/4	5/5	1/1	1/1	1/1
Ms. Dong Hairong	4/4	5/5	1/1	1/1	1/1
Ms. Huo Qiwei	4/4	5/5	1/1	1/1	1/1

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

Appointment and Re-election of Directors

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

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

The Company has established formal, considered and transparent procedures for the appointment of new Directors. The procedures and process of appointment, re-election and removal of Directors are laid down in the Bye-laws. Pursuant to Article 87 of the Bye-laws, at each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. Pursuant to Article 86(2) of the Bye-laws, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorization by the Shareholders in general meetings, as an addition to the existing Board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the Shareholders in general meetings. Any Director so appointed by the Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election at that meeting.

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

Directors' Training

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

During the year ended 31 December 2022, all existing Directors were provided with updates on the latest developments and changes in the GEM Listing Rules and other relevant legal and regulatory requirements from time to time to develop and refresh the Directors' duties and responsibilities. In addition, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to the Board during Board meetings to ensure compliance and enhance their awareness of good corporate governance practices. The Company had organized two training sessions to provide the Directors with updates on the Listing Rules and CG Code during the year.

Board Diversity Policy

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

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

Pursuant to the amended Rule 17.104 of the GEM Listing Rules (effective from 1 January 2022), the Stock Exchange will not regard a single gender board of directors as achieving member diversity. As at the date of this report, the Board consists of three female directors and six male directors, which is in compliance with the requirement of appointing at least a director of a different gender under the GEM Listing Rules and achieved the current measurable targets set by the Company. The Nomination Committee will continue to monitor and actively consider different aspects of diversity in the boardroom, pay attention to develop a pipeline of potential successors to the Board to achieve gender diversity and recommend further actions or plan to the Board when necessary. Similar considerations shall also be in place to assess the candidacy of the senior management team from time to time. The Company is determined to maintain gender diversity and equality in terms of the whole workforce, and to procure the senior management team to achieve gender equality in terms of the gender ratio.

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

	Female		Male	
	Gender ratios	Number of employees	Gender ratios	Number of employees
Board	2.1%	3	4.2%	6
Senior Management	0.7%	1	–	–
Other employees	33.8%	48	59.2%	84
Overall workforce	36.6%	52	63.4%	90

The Board had targeted to achieve and had achieved at least 2.8% (4) of female Directors, 2.1% (3) of female senior management and 35.2% (50) of female employees of the Group and considers that the above current gender diversity is satisfactory.

Chairman and Chief Executive Officer

Pursuant to the code provision C.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. During the year ended 31 December 2022, the positions of chairman and chief executive officer of the Company are held by different persons. Mr. Li Qiang acted as the Chairman and Mr. Cong Yu acted as the Chief Executive Officer of the Company.

BOARD COMMITTEES

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

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

Audit Committee

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

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

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

During the year ended 31 December 2022, the Audit Committee held five meetings for the purposes of reviewing the quarterly, interim and annual financial results and reports and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, and the other matters in accordance with the Audit Committee's written terms of reference. The Group's audited annual results for the year ended 31 December 2022 have been reviewed by the Audit Committee.

Remuneration Committee

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

During the year ended 31 December 2022, the Remuneration Committee held one meeting to review and make recommendation to the Board on the remuneration packages of the Directors and other related matters in accordance with the Remuneration Committee's written terms of reference.

Pursuant to code provision E.1.5 of the CG Code, the remuneration of the member(s) of the senior management by band for the year ended 31 December 2022 is set out below:

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

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

Nomination Committee

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

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

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

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

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

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

During the year ended 31 December 2022, the Nomination Committee held one meeting to review and make recommendation to the Board on the retirement by rotation of Directors in the 2021 AGM and other related matters in accordance with the Nomination Committee's written terms of reference.

AUDITOR'S REMUNERATION

The remuneration in respect of audit and non-audit services provided by the auditor, Mazars CPA Limited, to the Group in the year ended 31 December 2022 are as follows:

	Fees payable
	HK$'000
Statutory audit services	1,650
Non-audit services	125
	1,775

COMPANY SECRETARY

The Company Secretary is Dr. Liu Wei. He has taken not less than 15 hours of relevant professional trainings to update his skills and knowledge in 2022.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors acknowledge their responsibility for the preparation of consolidated financial statements of the Group for the year ended 31 December 2022, which give a true and fair view of the financial position of the Group on a going concern basis. Statements of Directors' responsibilities for preparing the consolidated financial statements and external auditor's reporting responsibilities are set out in the "Independent Auditor's Report".

RISK MANAGEMENT AND INTERNAL CONTROL

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

During the year ended 31 December 2022, the Board, through efforts of the Audit Committee, oversees the Group's risk management and internal control systems on an ongoing basis and has conducted an annual review of the effectiveness of the Group's risk management and internal control systems covering aspects of the Group's financial, operational, compliance controls and risk management functions. The Board has considered that the Group's risk management and internal control systems are effective and adequate. The Group reviews its risk management and internal control systems on an annual basis.

The Group has established an Internal Audit system in accordance with relevant regulations. Through systematic and standardised methods, the Group reviews and evaluates within various departments of their operating activities and target achievement, the establishment and implementation of internal control, the utilisation of resources, etc.. It also provides relevant analysis, recommendations, assistance and supervision for management personnel to perform their duties in due diligence.

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

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

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

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

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

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

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

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

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

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

SHAREHOLDERS' RIGHTS

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

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

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

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

INVESTOR RELATIONS

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

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

CONSTITUTIONAL DOCUMENTS

Pursuant to rule 17.102 of the GEM Listing Rules, the Company has published its Bye-laws on the respective websites of the Stock Exchange and the Company. No amendments were made to the constitutional documents of the Company during the year. The Company proposes to amend the Bye-laws of the Company in light of, among others, the amendments made to Appendix 3 to the GEM Listing Rules. The amendments will be subject to approval of the Shareholders of the Company under a special resolution in the upcoming annual general meeting. Details of the amendments are set out in the announcement of the Company dated 13 March 2023.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

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

REPORTING PERIOD

Unless otherwise stated, the Report presents the Group's ESG performance for the year ended 31 December 2022 (the "Reporting Period" or "2022").

REPORTING SCOPE

This Report covers the principal places of operations and business scope of the Group which represent the Group's major source of revenue and business operations that are more relevant to the environment, society and governance. Since the Shenzhen CEO Office ("Shenzhen Headquarters") was already in operation throughout the whole Reporting Period, full data is available and will be included in the Report. The operations that will be covered includes:

- Shenzhen Headquarters
- Beijing office ("Beijing Office")
- Zhongshan factory[1] ("Zhongshan Factory")
- Hong Kong office[2] ("Hong Kong Office")
- the United States of America ("the USA") office[3] ("USA Office")

Notes:

1. In 2019, the Zhongshan Factory outsourced the entire production process to contractors, and the Zhongshan Factory is mainly responsible for monitoring the external contractors' performance. Therefore, the Report covers the information about daily operations in the office of the factory only.
2. Data collection has been enhanced and thus full data is available since 2022.
3. Covers the information about manpower resources of the office only.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING PRINCIPLES

The Report has been prepared in compliance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") under Appendix 20 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

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

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

Balance: The information in this Report mainly comes from internal statistical reports, documents and communication documents in 2022. To provide an unbiased picture of the Group's performance, the Group disclosed both its achievements and room for improvement in fair disclosure regarding ESG.

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

FEEDBACK

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BOARD STATEMENT ON ESG

Governance for Sustainability and Sustainability Strategy

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

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

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

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

STAKEHOLDER ENGAGEMENT

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

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

Step One: Identification of Material Issues

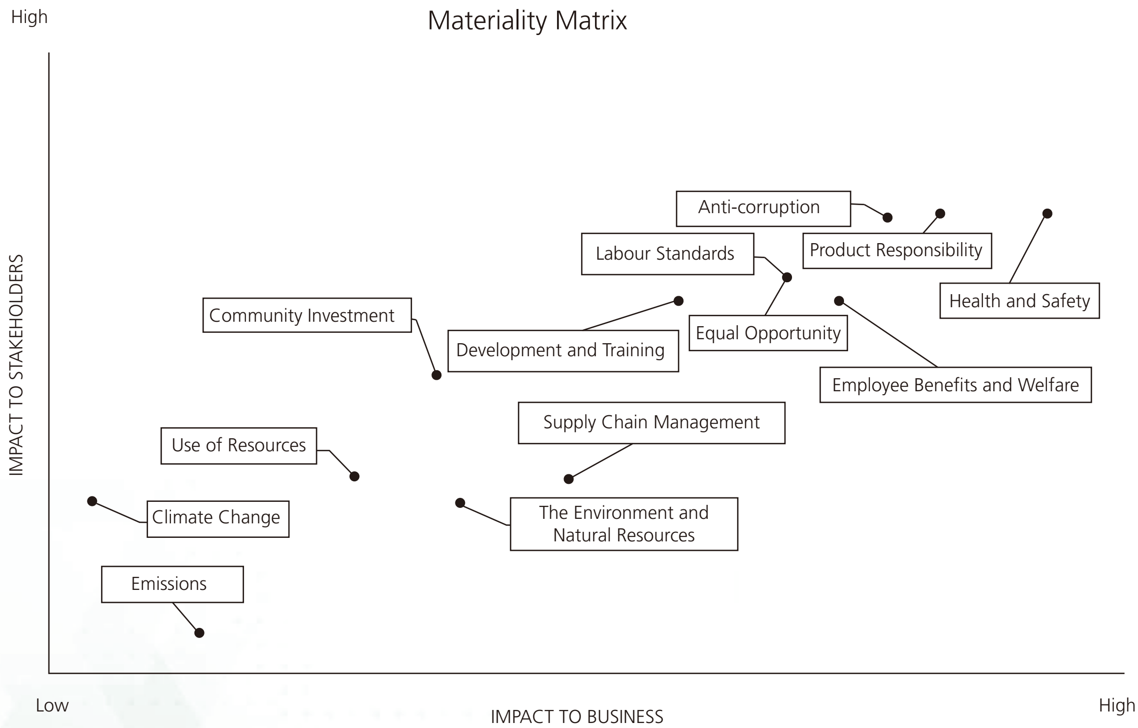
With reference to the ESG Reporting Guide issued by the Stock Exchange and combining factors such as comprehensive company development strategies, industry development trends, supervision and capital market requirements etc., to identify the economic, environmental and social implications of the Group's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

Step Two: Determination of Material Issues

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

Step Three: Confirmation and Review

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



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

Topics of High Materiality	Health and Safety Product Responsibility Anti-corruption	Employee Benefits and Welfare Equal Opportunity Labour Standards
Topics of Moderate Materiality	Development and Training Community Investment	Supply Chain Management The Environment and Natural Resources
Topics of Less Materiality	Use of Resources Climate Change	Emissions

A. ENVIRONMENTAL

Environmental Protection

Objectives

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

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

A1. Emissions

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

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

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

Exhaust Gas Emissions

Air pollutants emitted by automobile is the main source of pollution caused by the Group. In view of this, the Group regularly arranges for its vehicles to be tested by vehicle inspection centres, in order to ensure that the exhaust gas emitted by its vehicles meet safety standards. The Group seeks to control and minimise pollutants emitted.

Due to enhancement of data collection, the amount of air pollutants has increased by 2.23% from approximately 39.90 kg in 2021 to approximately 40.79 kg in 2022 (2021: decreased by 11%). In order to reduce the amount of carbon dioxide emission caused by automobile, employees have changed to using public transportation, such as the China High Speed Railway, when travelling for long-haul business trip within China. The performance of exhaust gas emissions is summarised below:

Type of exhaust gas[4]	**Unit**	**2022**	2021
Nitrogen oxides ("NOx")	kg	**39.25**	36.34
Sulphur oxides ("SOx")	kg	**0.15**	0.08
Particulate matter ("PM")	kg	**1.39**	3.48

Note:

4. The calculation of exhaust gas emissions was based on "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange and "Boiler Production and Emission Calculation Coefficient Manual" issued by the Ministry of Ecology and Environment of the People's Republic of China.

GHG Emissions

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

Business travel reduction

- Encourages employees to communicate in a green manner, for example, to replace long-distance travel for face-to-face meetings by video and phone conferences so as to reduce travel frequency.
- Zhongshan Factory has more specific requirements for travel expenses, which must be approved before implementation to avoid unnecessary travel.

Support procurement from local suppliers

- Under situation in compliance with hardware and software conditions (such as cost, quality, directives on restrictions on the use of certain harmful substances in electrical and electronic equipments (RoHS), technology and services, and environmental protection, etc.), the Group actively encourages external contractors to prioritise the use of products from local suppliers as far as possible, with the aim to reduce the transportation distance of goods and hence the emissions of exhaust gases and GHG.

The GHG emissions intensity of the Group during the Reporting Period has decreased by 46.15% from approximately 1.95 tonnes of carbon dioxide equivalent ("tCO_2e")/employee in 2021 to approximately 1.05 tCO_2e/employee in 2022. It is mainly attributable to the fact that business air travel was largely reduced due to COVID-19 in 2022, thereby reducing indirect GHG emissions in a proportion larger than the increase in direct GHG emissions. The performance of GHG emissions is summarised below:

Indicators[5]	**Units**	**2022**	2021
Direct GHG emissions (Scope 1)	tCO_2e	**44.20**	43.32
Energy indirect GHG emissions (Scope 2)	tCO_2e	**90.98**	152.58
Other indirect GHG emissions (Scope 3)	tCO_2e	**9.28**	20.94
Total GHG emissions	tCO_2e	**144.46**	216.84
Total GHG emissions intensity[5]	tCO_2e/employee	**1.05**	1.95

In the coming years, the Group will continue to support the 14th Five-Year Plan and strive towards carbon neutrality by 2050.

Notes:

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

6. As at 31 December 2022, the Group had a total of 137 employees in Shenzhen Headquarters, Beijing Office, Hong Kong Office and Zhongshan Factory (as at 31 December 2021: 111 employees in Beijing Office and Zhongshan Factory). These data are also used for calculating other intensity data.

Waste Management

Hazardous Waste

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

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

Non-hazardous Waste

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

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

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

A2. Use of Resources

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

Energy Conservation

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

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

During the Reporting Period, the Group's total energy consumption intensity has decreased by 22.83% from approximately 3,276.44 kWh/employee in 2021 to approximately 2,528.36 kWh/employee in 2022, which reflects the effectiveness of the implementation of the energy management measures. The performance of the Group's energy consumption is summarised below:

Types of energy	**Units**[8]	**2022**	2021
Direct energy consumption[7]			
Gasoline consumption by mobile sources	kWh	**58,807.22**	47,039.55
Consumption intensity	kWh/employee	**429.25**	423.78
Natural gas consumption	kWh	**121,331.93**	153,100.09
Consumption intensity	kWh/employee	**885.63**	1,379.28
Indirect energy consumption			
Power consumption of facility	kWh	**166,246.22**	163,545.39
Consumption intensity	kWh/employee	**1,213.48**	1,473.38
Total energy consumption			
Total energy consumption	kWh	**346,385.37**	363,685.03
Total energy consumption intensity	kWh/employee	**2,528.36**	3,276.44

Notes:

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

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

The Group has set a target to reduce energy consumption intensity by 2% by 2027 using 2022 as the baseline year. Looking forward, the Group will work towards its objective to minimise its environmental impacts by seeking ways to increase the energy efficiency.

Water Management

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

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

The water consumption intensity decreased by 53.76% from approximately 17.93 m^3/employee in 2021 to approximately 8.29 m^3/employee in 2022, reflecting the effectiveness of the implementation of the water management measures. The performance of the Group's water consumption is summarised below:

	Unit	**2022**	2021
Water consumption	m^3	**1,135.70**	1,989.99
Water consumption intensity	m^3/employee	**8.29**	17.93

The Group has set a target to reduce water consumption intensity by 2% by 2027 using 2022 as the baseline year. To achieve this target, the Group will explore ways to reduce water consumption.

Use of Packaging Material

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

A3. The Environment and Natural Resources

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

Environmental Management

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

Paperless Offices

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

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

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

(3) Recycle: proper classification and clean recycling.

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

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

Promoting Environmental Awareness

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

Ecological Conservation

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

A4. Climate Change

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

Physical Risks

Acute Risks

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

Chronic Risks

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

Transition Risks

Environmental-related regulatory requirements in operations, products and services have been tightening, leading to increasing operating costs for the Group, including costs of compliance and product development costs. To manage the legal risks that may be brought along by the climate crisis, the Group has implemented a number of energy-saving and emission-reduction measures, as well as substantially complied with all environmental-related laws and regulations. Moving forward, the Group will make efforts in identifying latest laws, regulations, relevant policies and standards. Internal systems and standards will be updated and revised in a timely manner in order to improve the level of energy conservation and emission reduction as well as reduce the environmental impact while complying with regulations and maintaining production capacity.

B. SOCIAL

Employment and Labour Practices

Objectives

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

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

B1. Employment

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

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

As at 31 December 2022, the Group had a total of 139 employees including the executive Directors and senior management (as at 31 December 2021: 133). The following table sets out the Group's number of employees and distribution by gender, age group, geographical region and employment type:

Indicators[9]	**As at 31 December 2022**	As at 31 December 2021
Total	**139**	133
By gender		
Male	**90**	81
Female	**49**	52
By age group		
18–24	**5**	5
25–34	**26**	36
35–44	**46**	47
45–54	**37**	37
55–64	**22**	8
≥65	**3**	–
By geographical region		
Mainland China	**118**	112
Hong Kong, the PRC	**19**	18
Elsewhere	**2**	3
By employment category		
Full-time	**138**	133
Part-time	**–**	–
Temporary	**1**	–

Note:

9. The calculation was based on the Reporting Guide for Social Key Performance Indicators issued by the Stock Exchange.

The Group's monthly average turnover rate for the Reporting Period was 2.18%[10] (2021: 1.63%). The following table sets out the Group's monthly average turnover rate by gender, age group and geographical region:

Turnover Rate[11]	**2022**	2021
By gender		
Male	**0.46%**	1.75%
Female	**0.70%**	1.44%
By age group		
18–24	**1.29%**	3.33%
25–34	**0.77%**	1.90%
35–44	**0.70%**	0.71%
45–54	**0.43%**	2.08%
55–64	**–**	2.08%
≥65	**0.69%**	–
By geographical region		
Mainland China	**0.54%**	1.34%
Hong Kong, the PRC	**0.51%**	3.24%
Elsewhere	**1.39%**	2.78%

Notes:

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

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

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

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

Equal Opportunity, Diversity and Inclusion

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

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

Protection of Rights and Interests

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

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

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

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

Employee Communication

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

B2. Health and Safety

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

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

Responding to Risks of Epidemic Outbreaks

In response to the COVID-19 crisis, the Group has implemented policies to ensure the health and safety of its employees. The subsidiaries of the Group in mainland China and Hong Kong have been on the "strict internal control and external prevention" strategic direction to protect the health and safety of its employees. The Group has strictly implemented the inspection and isolation of employees who show symptoms and require all the personnel entering the factories and offices to wear masks, measure the body temperatures and show health code. Close contact with any infected person must be placed in quarantine and get nucleic acid tests. In addition, there are also people responsible for cleaning dormitories every day and regularly disinfecting the environment and facilities. The Group has purchased masks and distributed to employees who work at the Hong Kong Office, arranges flexible working hours and provides employees with disinfecting products such as protective gears, masks, alcoholic disinfectants and COVID-19 antigen rapid test kit. Also, employees are encouraged to participate in the Universal Testing. The Group believes that these policies during COVID-19 can prepare the Group in protecting employees' health during future pandemics, thus reducing potential raise in medical provision costs.

Health Protection

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

Safety Management of Workplace

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

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

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

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

Security Awareness Training

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

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

B3. Development and Training

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

Induction Training

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

Vocational Skills Training

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

The following table sets out the percentage of full-time employees trained and average training hours completed per full-time employee:

Indicator	Percentage of employees trained[12]		Average training hours[13]	
	2022	2021	**2022**	2021
By gender				
Male	**67%**	35%	**0.51**	0.77
Female	**33%**	65%	**0.47**	2.24
By employee category				
Senior management	**7%**	–	**4.14**	–
Middle management	**20%**	20%	**0.22**	3.33
Supervisors	**9%**	30%	**0.24**	3.16
General staff	**64%**	50%	**0.34**	0.96

Notes:

12. The calculation method of the percentage of employees who received training by category: (the number of employees trained in the category ÷ the total number of employees who received training in the category in the Reporting Period) × 100%.

13. The calculation method of the average training hours completed per employee by category: the total training hours of employees in the category ÷ the number of employees in the category at the end of the Reporting Period.

B4. Labour Standards

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

Child Labour Prevention

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

Forced Labour Prevention

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

Operating Practices

Objectives

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

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

B5. Supply Chain Management

A reliable partnership with supplier is an important element for the steady development of the Group's business. Supplier is one of the major stakeholder groups with tight bonding with the Group who contributes to business value recreation. The Group has 21 major suppliers, of which 19 are located in mainland China and 2 are located in Hong Kong. The Group always strives to build up strong relationships with its suppliers. In order to promote suppliers' business and cooperation, the Group develops a flexible procurement work process standard to meet the different needs of the supply chain.

Appointment of Contractor

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

External Contractor Management

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

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

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

Sustainable Supply Chain

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

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

B6. Product Responsibility

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

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

Quality Management

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

Customer Services

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

Intellectual Property Rights

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

Customer Data Protection

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

Fair Business Practices

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

B7. Anti-corruption

The Group values highly on the integrity of its business engagements. The Group follows strictly the rules and regulations in the "Anti-Unfair Competition Law of the People's Republic of China" and all ordinances against bribery, extortion or blackmailing, fraud and money-laundering. During the Reporting Period, the Group was not aware of any incidents of non-compliance with the relevant laws and regulations in relation to bribery, extortion, fraud and money laundering. There was neither any concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period.

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

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

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

The Group disseminates information on "Anti-corruption and Bribery Policy", "Whistle-blowing Policy", corporate integrity management, employee ethics training and practical guidelines for listed companies' anti-corruption systems to employees and Directors respectively at least once every year. The Group commits to raising employees' awareness through providing training on ethical conduct and anti-corruption to all employees and the Directors of the Group. The Group's Directors and staff regularly receive anti-corruption training to enhance their knowledge on anti-corruption legislation as well as necessary skills to prevent corruption. During the Reporting Period, 6 Directors and 73 employees attended two anti-corruption training courses of 0.5 hour each on details of the two abovementioned policies.

B8. Community Investment

During the Reporting Period, the Group has formulated the "Community Investment Policy" on charitable donations. It actively pays attention to the potential impacts of its operations that may have on local economies, environment, and society. It strives to exert its own influence, resources and technological advantages for driving local employment and instilling positive energy to the local communities. During the Reporting Period, the Group's environmental protection activities were restricted due to the pandemic. Nevertheless, 25 computers and accessories were donated to Caritas Computer Workshop in Hong Kong to refurbish for charity purpose. In the future, the Group will actively seek opportunities to contribute to the community.

INDEX TABLE OF ESG REPORTING GUIDE OF THE STOCK EXCHANGE

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Yuxing InfoTech Investment Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 74 to 169, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(Continued)*

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

Key audit matter	How the matter was addressed in our audit
Fair value of investment properties	
As at 31 December 2022, investment properties held by the Group were stated at fair value of approximately HK$934,696,000. Significant estimation and judgement are required by management to determine the fair value of the investment properties which is significant to the consolidated financial statements, including the determination of valuation techniques and the selection of financial inputs in the model. Therefore, it is considered as key audit matter. Management has engaged independent professional valuers whose work has been relied on in the estimation of the fair value of the investment properties. *Relevant disclosures are made in notes 2(f), 4, 7 and 17 to the consolidated financial statements.*	Our key procedures in relation to management's estimation of the fair value of investment properties included: – Understanding and evaluating management's key controls over the fair value assessment process; – Evaluating the competence, capabilities and objectivity of the independent professional valuers; – Assessing the appropriateness of the work of the independent professional valuers by making enquiries on the bases of valuation and obtaining corroborative evidence on the input data; and – Considering the relevance and reasonableness of key assumptions and methods used, and the relevance and accuracy of the source data used.

KEY AUDIT MATTERS *(Continued)*

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

Key audit matter	How the matter was addressed in our audit
Impairment in respect of loans receivable	
As at 31 December 2022, the Group had loans receivable amounting to approximately HK$103,180,000. Loss allowance for expected credit losses ("ECL") amounting to approximately HK$142,887,000 has been provided on loans receivable. Management estimates the lifetime or 12-month loss allowances for loans receivable based on internal credit rating which reflect credit risk characteristics with reference to the credit loss experience, ageing of overdue receivables, debtors' repayment history and financial position and an assessment of both the current and forecast general economic conditions. Significant degree of management judgement was involved in evaluating the ECL of the Group's loans receivable as at 31 December 2022. Management has engaged independent professional valuer whose work has been relied on in the estimation of the ECL of loans receivable. *Relevant disclosures are made in notes 2(i), 4, 6(a) and 25 to the consolidated financial statements.*	Our key procedures in relation to management's impairment assessment on loans receivable included: – Reviewing and testing the Group's credit control policy over grant and extension of loans and monitoring of principal and interest repayments according to the terms as stipulated in the loan agreements; – Understanding and assessing the appropriateness of management's methodology for identifying internal credit rating of loans receivable which reflect the credit risk characteristics; – Evaluating the competence, capabilities and objectivity of the independent professional valuer; – Evaluating the independent professional valuer's basis and judgement in determining ECL on loans receivable, including the identification of credit-impaired loans receivable, assessment of significant increase in credit risk on loans receivable and the basis of estimated loss rates applied on each debtor; – Examining the information used by the independent professional valuer to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current conditions and forward-looking information; and – Assessing the expected future cash flows, including assumptions in respect of the realisable value of collaterals.

KEY AUDIT MATTERS *(Continued)*

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

Key audit matter	How the matter was addressed in our audit
Impairment assessment of intangible assets	
As at 31 December 2022, the hash-rate capacity for cryptocurrencies mining with finite useful lives held by the Group were classified as intangible assets with carrying amount of approximately HK$48,686,000 (net of accumulated amortisation and accumulated impairment losses). Accumulated impairment losses amounted to approximately HK$3,138,000 has been provided on the intangible assets. For the purpose of performing impairment assessment, the recoverable amount of the intangible assets was estimated based on the higher of their fair value less cost of disposal or their value in use. The recoverable amount of the intangible assets was determined by the estimated fair value of the hash-rate capacity less cost of disposal after considering the value in use of the intangible assets. In the impairment assessment, significant judgement and estimation by management were involved, including the estimated market value and market condition for the hash-rate capacity or the cryptocurrencies mined, the estimated cost of disposal and the discount rates applied to the future discounted cash flows. These estimation and judgement may be affected by unexpected changes in future market or economic conditions or the discount rates applied. *Relevant disclosures are made in notes 2(h), 4 and 20 to the consolidated financial statements.*	Our key procedures in relation to management's impairment assessment on intangible assets included: – Understanding and evaluating management's key controls over the impairment assessment process; – Assessing the recoverable amount calculation's assumptions and methodologies used by management; – Considering the relevance and reasonableness of key assumptions and methods used, and the relevance and accuracy of the source data used by management in assessing the recoverable amount; and – Verifying the mathematical accuracy of the data used in the recoverable amount calculation.

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KEY AUDIT MATTERS *(Continued)*

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

Key audit matter	How the matter was addressed in our audit
Impairment assessment of cryptocurrency mining machines	
As at 31 December 2022, the Group's property, plant and equipment included cryptocurrency mining machines with carrying amount of approximately HK$101,523,000 (net of accumulated depreciation and impairment losses). Impairment loss amounted to approximately HK$23,127,000 has been provided on these machines. For the purpose of performing impairment assessment, the recoverable amount of these machines was estimated based on the higher of their fair value less cost of disposal or their value in use. The recoverable amount of these machines was determined by their estimated fair value less cost of disposal after considering the value in use of these machines. In the impairment assessment, significant judgement and estimation by management were involved, including the estimated market value and market conditions for these machines, the estimated cost of disposal and the discount rates applied to the future discounted cash flows. These estimation and judgement may be affected by unexpected changes in future market or economic conditions or the discount rates applied. *Relevant disclosures are made in notes 2(e), 4 and 18 to the consolidated financial statements.*	Our key procedures in relation to management's impairment assessment on cryptocurrency mining machines included: – Understanding and evaluating management's key controls over the impairment assessment process; – Assessing the recoverable amount calculation's assumptions and methodologies used by management; – Considering the relevance and reasonableness of key assumptions and methods used, and the relevance and accuracy of the source data used by management in assessing the recoverable amount; and – Verifying the mathematical accuracy of the data used in the recoverable amount calculation.

OTHER INFORMATION

The Directors of the Company are responsible for the other information. The other information comprises the information included in the 2022 Annual Report of the Company but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 23 March 2023

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	**2022** **HK$'000**	2021 HK$'000
Revenue	9	**223,237**	171,682
Cost of sales		**(195,408)**	(137,868)
Gross profit		**27,829**	33,814
Other revenue and net loss	9	**(84,783)**	(76,612)
Distribution and selling expenses		**(6,439)**	(7,597)
General and administrative expenses		**(111,182)**	(106,285)
Write-down of cryptocurrencies	23	**(50,356)**	–
Other operating expenses		**(1,779)**	(2,284)
Net changes in fair value of investment properties	17	**53,769**	(2,669)
Loss allowance on loans receivable	6(a)	**(83,079)**	(59,065)
(Loss)/Gain on disposal of subsidiaries	29	**(3,693)**	55,300
Loss from operations	10	**(259,713)**	(165,398)
Finance costs	13	**(2,350)**	(3,612)
Loss before tax		**(262,063)**	(169,010)
Income tax expenses	14	**(29,002)**	(4,051)
Loss for the year		**(291,065)**	(173,061)
Loss attributable to:			
Owners of the Company		**(290,118)**	(172,495)
Non-controlling interests		**(947)**	(566)
		(291,065)	(173,061)
		HK$	HK$
Loss per share	16		
– Basic		**(0.12)**	(0.07)
– Diluted		**(0.12)**	(0.07)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
Loss for the year	**(291,065)**	(173,061)
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Revaluation of property, plant and equipment upon transfer to investment properties		
– Gain on revaluation, net of tax	**58,879**	–
Items that are reclassified or may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of the PRC subsidiaries	**(39,310)**	21,002
Release of translation reserves upon disposal of subsidiaries	**1,434**	(13,012)
Total other comprehensive income for the year (net of tax)	**21,003**	7,990
Total comprehensive loss for the year	**(270,062)**	(165,071)
Total comprehensive loss attributable to:		
Owners of the Company	**(269,115)**	(164,505)
Non-controlling interests	**(947)**	(566)
	(270,062)	(165,071)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS			
Investment properties	17	**934,696**	91,793
Property, plant and equipment	18	**179,522**	798,934
Right-of-use assets	19	**74,402**	86,302
Intangible assets	20	**48,686**	87,907
Deposits paid	26	**33,459**	89,702
Prepayment for construction	26	**648**	1,104
Financial assets at fair value through profit or loss	21	**113,160**	102,169
		1,384,573	1,257,911
CURRENT ASSETS			
Cryptocurrencies	23	**61,967**	20,969
Inventories	24	**16,897**	15,466
Loans receivable	25	**103,180**	176,402
Trade and other receivables	26	**423,581**	540,320
Financial assets at fair value through profit or loss	21	**87,001**	148,573
Income tax recoverable		**567**	1,442
Pledged bank deposits	35	**200**	8,827
Cash and bank balances		**177,089**	335,534
		870,482	1,247,533
CURRENT LIABILITIES			
Trade and other payables	27	**361,037**	337,156
Dividend payables		**31**	31
Bank and other loans	28	**12,888**	44,957
Lease liabilities	19	**2,145**	7,185
		376,101	389,329
NET CURRENT ASSETS		**494,381**	858,204
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,878,954**	2,116,115
NON-CURRENT LIABILITIES			
Deferred tax liabilities	14	**43,146**	16,772
Income tax payable		**8,532**	5,487
Lease liabilities	19	**1,339**	3,639
		53,017	25,898
NET ASSETS		**1,825,937**	2,090,217
EQUITY			
Share capital	31	**62,193**	62,193
Reserves	32	**1,764,966**	2,034,081
Equity attributable to owners of the Company		**1,827,159**	2,096,274
Non-controlling interests		**(1,222)**	(6,057)
TOTAL EQUITY		**1,825,937**	2,090,217

These consolidated financial statements on pages 74 to 169 were approved and authorised for issue by the Board on 23 March 2023 and signed on its behalf by:

Li Qiang
Director

Cong Yu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Statutory reserves HK$'000	Contributed surplus HK$'000	Share option reserves HK$'000	Property revaluation reserves HK$'000	Translation reserves HK$'000	Other reserves HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 January 2021	51,827	207,499	8,668	234,621	10,423	26,113	46,022	25	1,588,481	2,173,679	(1,315)	2,172,364
Loss for the year	–	–	–	–	–	–	–	–	(172,495)	(172,495)	(566)	(173,061)
Other comprehensive income:												
Exchange differences arising on translation of the PRC subsidiaries	–	–	–	–	–	–	21,002	–	–	21,002	–	21,002
Release of translation reserves upon disposal of subsidiaries	–	–	–	–	–	–	(13,012)	–	–	(13,012)	–	(13,012)
Total other comprehensive income	–	–	–	–	–	–	7,990	–	–	7,990	–	7,990
Total comprehensive loss for the year	–	–	–	–	–	–	7,990	–	(172,495)	(164,505)	(566)	(165,071)
Transactions with owners:												
Contributions and distributions												
Issue of new shares	10,366	72,558	–	–	–	–	–	–	–	82,924	–	82,924
Share options lapsed	–	–	–	–	(1,475)	–	–	–	1,475	–	–	–
Change in ownership interest												
Change in ownership interest in a subsidiary that does not result in a loss of control *(note 30)*	–	–	–	–	–	–	–	4,176	–	4,176	(4,176)	–
Total transactions with owners	10,366	72,558	–	–	(1,475)	–	–	4,176	1,475	87,100	(4,176)	82,924
As at 31 December 2021 and as at 1 January 2022	62,193	280,057	8,668	234,621	8,948	26,113	54,012	4,201	1,417,461	2,096,274	(6,057)	2,090,217
Loss for the year	–	–	–	–	–	–	–	–	(290,118)	(290,118)	(947)	(291,065)
Other comprehensive income:												
Revaluation of property, plant and equipment upon transfer to investment properties												
– Gain on revaluation, net of tax	–	–	–	–	–	58,879	–	–	–	58,879	–	58,879
Exchange differences arising on translation of the PRC subsidiaries	–	–	–	–	–	–	(39,310)	–	–	(39,310)	–	(39,310)
Release of translation reserves upon disposal of subsidiaries	–	–	–	–	–	–	1,434	–	–	1,434	–	1,434
Total other comprehensive income	–	–	–	–	–	58,879	(37,876)	–	–	21,003	–	21,003
Total comprehensive loss for the year	–	–	–	–	–	58,879	(37,876)	–	(290,118)	(269,115)	(947)	(270,062)
Transactions with owners:												
Contributions and distributions												
Share options lapsed	–	–	–	–	(8,948)	–	–	–	8,948	–	–	–
Change in ownership interest												
Non-controlling interest arising from acquisition of a subsidiary *(note 29(d))*	–	–	–	–	–	–	–	–	–	–	5,782	5,782
Total transactions with owners	–	–	–	–	(8,948)	–	–	–	8,948	–	5,782	5,782
As at 31 December 2022	**62,193**	**280,057**	**8,668**	**234,621**	**–**	**84,992**	**16,136**	**4,201**	**1,136,291**	**1,827,159**	**(1,222)**	**1,825,937**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(262,063)**	(169,010)
Adjustments for:			
Interest income		**(17,884)**	(16,050)
Interest expenses		**2,350**	3,612
Dividend income		**(370)**	(4,788)
Amortisation of intangible assets		**15,122**	–
Depreciation of right-of-use assets		**10,904**	10,576
Depreciation of property, plant and equipment		**8,423**	7,671
Net changes in fair value of investment properties		**(53,769)**	2,669
Gain on lease modification		**(169)**	(17)
Loss on disposal of property, plant and equipment		**4**	15
Fair value loss on financial assets at fair value through profit or loss under non-current assets		**13,538**	63,312
Loss/(gain) on disposal of subsidiaries	29	**3,693**	(55,300)
Impairment loss on intangible assets		**3,138**	–
Impairment loss on loans receivable		**83,079**	59,065
Impairment loss on property, plant and equipment		**23,127**	–
OPERATING LOSS BEFORE CHANGES IN WORKING CAPITAL		**(170,877)**	(98,245)
Decrease in cryptocurrencies		**(2,163)**	–
Increase in inventories		**(1,833)**	(4,043)
Decrease/(increase) in trade and other receivables		**86,253**	(168,634)
Decrease in financial assets and liabilities at fair value through profit or loss		**48,790**	124,802
(Decrease)/increase in trade and other payables		**(5,473)**	173,785
CASH (USED IN)/GENERATED FROM OPERATIONS		**(45,303)**	27,665
Income tax refund/(paid), net		**93**	(2,757)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES		**(45,210)**	24,908
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(36,706)**	(139,263)
Deposits paid for acquisition of investment properties, net		**(22,776)**	(4,017)
Proceeds from disposal of property, plant and equipment		**–**	288
Decrease/(Increase) in prepayment for construction		**456**	(952)
Interest received		**2,325**	8,440
Decrease in pledged bank deposits with original maturities over three months		**–**	56,160
Purchase of financial assets at fair value through profit or loss under non-current assets		**(11,800)**	(48,000)
Proceeds from disposal of financial assets at fair value through profit or loss under non-current assets		**–**	231,143
Grant of new loans receivable		**(14,400)**	–
Repayment of loans receivable		**8,978**	26,908
Purchase of intangible assets		**(209)**	(85,220)
Dividend received		**370**	4,788
Net cash (outflow)/inflow on disposal of a subsidiary	29(c)	**(2,264)**	166,481
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		**(76,026)**	**216,756**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
FINANCING ACTIVITIES	33		
Proceeds from issue of shares		**–**	82,924
New bank and other loans raised		**–**	74,699
Principal elements of lease payments		**(6,913)**	(7,942)
Repayment of bank loans		**(29,562)**	(170,421)
Interest paid		**(2,350)**	(3,612)
NET CASH USED IN FINANCING ACTIVITIES		**(38,825)**	(24,352)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(160,061)**	217,312
CASH AND CASH EQUIVALENTS AT BEGINNING OF REPORTING PERIOD		**344,361**	124,655
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(7,011)**	2,394
CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD		**177,289**	344,361
Analysis of the balances of cash and cash equivalents:			
Funds held by securities brokers	(a)	**37,471**	579
Time deposits	(b)	**52,038**	3,071
Cash at bank and in hand	(b)	**87,580**	331,884
Pledged bank deposits with maturity less than three months	(c)	**200**	8,827
		177,289	344,361

Notes:

(a) At the end of the reporting period, there were funds held by securities brokers of approximately HK$37,471,000 *(2021: approximately HK$579,000)* for securities trading.

(b) At the end of the reporting period, cash at bank earned interest at floating rates based on daily bank deposit rates. Short-term time deposits are made between one to three months *(2021: one to three months)* depending on the immediate cash requirement of the Group and earn interest ranging from 1.35% to 3.85% *(2021: 0.30% to 1.35%)* per annum.

(c) At the end of the reporting period, bank deposits of approximately HK$200,000 *(2021: approximately HK$8,827,000)* were pledged to secure a loan facility which had an original maturity of less than three months and therefore have been classified as cash equivalents in the consolidated statement of cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are detailed in note 39. The Company and its subsidiaries are herein collectively referred to as the "Group".

2. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

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

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2021 consolidated financial statements except for the adoption of the following new/revised HKFRSs which are relevant to the Group and effective from the current year. A summary of the principal accounting policies adopted by the Group is set out below.

Adoption of new/revised HKFRSs

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

Amendments to HKFRS 16	Covid-19-Related Rent Concessions Beyond 30 June 2021
Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements to HKFRSs	2018–2020 Cycle

Amendments to HKFRS 16: Covid-19-Related Rent Concessions Beyond 30 June 2021

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. It applies to Covid-19-related rent concessions that reduce lease payments due on or before 30 June 2022. The amendments do not affect lessors.

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

Amendments to HKAS 16: Proceeds before Intended Use

The amendments clarify the accounting requirements for proceeds received by an entity from selling items produced while testing an item of property, plant or equipment before it is used for its intended purpose. An entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss and measures the cost of those items applying the measurement requirements of HKAS 2.

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

Amendments to HKAS 37: Cost of Fulfilling a Contract

The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

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

Amendments to HKFRS 3: Reference to the Conceptual Framework

The amendments update a reference in HKFRS 3 to the Conceptual Framework for Financial Reporting issued in 2018. The amendments also add to HKFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying HKFRS 3 should instead refer to HKAS 37. The exception has been added to avoid an unintended consequence of updating the reference.

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

Annual Improvements Project – 2018–2020 Cycle

HKFRS 1: Subsidiary as a First-time Adopter

This amendment simplifies the application of HKFRS 1 for a subsidiary that becomes a first-time adopter of HKFRSs later than its parent – i.e. if a subsidiary adopts HKFRSs later than its parent and applies HKFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to HKFRSs.

HKFRS 9: Fees in the "10 per cent" Test for Derecognition of Financial Liabilities

This amendment clarifies that – for the purpose of performing the "10 per cent test" for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

Annual Improvements Project – 2018–2020 Cycle (Continued)

HKFRS 16: Lease Incentives

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, Example 13 is not clear as to why such payments are not a lease incentive.

HKAS 41: Taxation in Fair Value Measurements

This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in HKAS 41 with those in HKFRS 13.

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

(b) Basis of measurement

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

(c) Basis of consolidation

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

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

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

Allocation of total comprehensive income

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

Changes in ownership interest

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

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

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

(d) Subsidiaries

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

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

(e) Property, plant and equipment

Property, plant and equipment, other than construction in progress and freehold land, are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment *(Continued)*

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

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

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

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

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

(f) Investment properties

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

Investment properties are stated at fair value at the end of the reporting period. Any gain or loss arising from a change in fair value is recognised in profit or loss. The fair value of investment properties is based on a valuation by independent valuers who hold a recognised professional qualification and have recent experience in the location and category of properties being valued.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Research and development costs

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

(h) Intangible assets

Hash-rate capacity

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

(i) Financial instruments

Financial assets

Recognition and derecognition

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

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

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

Classification and measurement

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments *(Continued)*

Financial assets (Continued)

Classification and measurement (Continued)

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

1) Financial assets measured at amortised cost

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

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

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

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

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

2) Financial assets at FVPL

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments *(Continued)*

Financial liabilities

Recognition and derecognition

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

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

Classification and measurement

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

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

Impairment of financial assets and other items

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

Measurement of ECL

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments *(Continued)*

Impairment of financial assets and other items (Continued)

Measurement of ECL (Continued)

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

(i) past due information

(ii) nature of instrument

(iii) nature of collateral

(iv) industry of debtors

(v) geographical location of debtors

(vi) external credit risk ratings

Definition of default

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments *(Continued)*

Impairment of financial assets and other items (Continued)

Assessment of significant increase in credit risk

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

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

Low credit risk

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

(i) it has a low risk of default;

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

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

Simplified approach of ECL

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments *(Continued)*

Impairment of financial assets and other items (Continued)

Credit-impaired financial asset

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

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

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

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

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

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

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

Write-off

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

(j) Cash equivalents

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Cryptocurrencies

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

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

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

(l) Inventories

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Revenue recognition

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

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

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

Revenue from contracts with customers within HKFRS 15

Nature of goods or services

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

Identification of performance obligations

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

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Revenue recognition *(Continued)*

Revenue from contracts with customers within HKFRS 15 (Continued)

Timing of revenue recognition

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

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

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

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

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

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

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

Contract liabilities

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Foreign currency translation

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

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

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

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

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

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

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

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

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

(o) Impairment of other assets

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Impairment of other assets *(Continued)*

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

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

(p) Borrowing costs

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

(q) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

(r) Leases

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

As lessee

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Leases *(Continued)*

As lessee (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Leases *(Continued)*

As lessee (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Leases (Continued)

As lessee (Continued)

The Group has applied the practical expedient provided in Amendments to HKFRS 16: Covid-19-Related Rent Concessions Beyond 30 June 2021 and does not assess whether eligible rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modification. The Group accounts for any change in lease payments resulting from the rent concession the same way it would have accounted for the change applying HKFRS 16 as if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

(c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient consistently to all eligible rent concessions with similar characteristics and in similar circumstances.

As lessor

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(s) Employee benefits

Short-term employee benefits

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

Defined contribution plans

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

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

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

(t) Share-based payment transactions

Equity-settled transactions

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(t) Share-based payment transactions *(Continued)*

Equity-settled transactions (Continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described above.

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

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

(u) Taxation

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(v) Related parties

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

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(w) Segment reporting

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

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

3. FUTURE CHANGES IN HKFRSs

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

Amendments to HKAS 1	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]
HKFRS 17	*Insurance Contracts*[1]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to HKAS 1	*Non-current Liabilities with Covenants*[2]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 The effective date to be determined

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Key sources of estimation uncertainty

Fair value of investment properties

In assessing the fair value of investment properties, the Group obtains the valuation of the investment properties provided by the independent professional qualified valuers. As described in note 7, the valuation techniques applied by the independent professional qualified valuers for the investment properties have been discussed with the Directors. The Directors review the valuations performed by the independent professional qualified valuers and use their estimation to determine whether valuation techniques applied are appropriate to the circumstances of the Group. Changes in assumptions could affect the reported fair value of investment properties in the consolidated financial statements.

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

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

Fair value of contingent consideration receivable

The amount of contingent consideration to be received from disposal of a subsidiary is based on the occurrence of future events. Accordingly, the estimation of fair value contains uncertainties as it involves judgment about the likelihood and timing of achieving a specific milestone as well as the discount rate used. Changes in fair value of the contingent consideration receivable result from changes to the assumptions used to estimate the probability of success for such milestone, the anticipated timing of achieving the milestone and the discount period and rate to be applied. Changes in assumptions could affect the reported fair value of contingent consideration receivable in the consolidated financial statements. Further details are set out in notes 7 and 29(c).

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

Key sources of estimation uncertainty *(Continued)*

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

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

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

Deferred tax liabilities

At the end of the reporting period, deferred tax liabilities of approximately HK$43,146,000 *(2021: approximately HK$16,772,000)* were provided for, in relation to the PRC land appreciation tax and corporate income tax ("CIT") and United States Federal and State Income Tax arising from revaluation of property, plant and equipment transferred to investment properties and revaluation of investment properties for investment properties situated in the PRC and United States respectively. No deferred tax liabilities in relation to the withholding tax on the distribution of retained profits of the PRC subsidiaries have been provided for as the Group is able to control the timing of reversal of the temporary differences, those profits are not to be remitted out of the PRC in the foreseeable future. Further details are set out in note 14.

Deferred tax assets

As at 31 December 2022, no deferred tax asset has been recognised on the tax losses from the PRC subsidiaries of approximately HK$203,555,000 *(2021: approximately HK$217,600,000)* due to unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient profits or taxable temporary differences will be available in the future. In cases there are changes in facts and circumstances which result in revision of future taxable profits estimation, a material recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such recognition takes place.

Loss allowance for ECL

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

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

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

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

Key sources of estimation uncertainty *(Continued)*

Discount rates for calculating lease liabilities – as lessee

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

Critical judgement made in applying accounting policies

Cryptocurrencies

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

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

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

5. CAPITAL MANAGEMENT

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

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

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

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

The gearing ratio as at 31 December 2022 and 2021 was as follows:

	Note	**2022** **HK$'000**	2021 HK$'000
Current liabilities:			
Trade and other payables	27	**361,037**	337,156
Dividend payables		**31**	31
Bank and other loans	28	**12,888**	44,957
Lease liabilities	19	**2,145**	7,185
		376,101	389,329
Non-current liabilities:			
Deferred tax liabilities	14	**43,146**	16,772
Income tax payable		**8,532**	5,487
Lease liabilities	19	**1,339**	3,639
		53,017	25,898
Total debts		**429,118**	415,227
Total equity		**1,825,937**	2,090,217
Gearing ratio		**23.5%**	19.9%

The higher gearing ratio of the Group as at 31 December 2022 was primarily resulted from impairment loss on property, plant and equipment and intangible assets and additional loss allowances on the Group's loans receivable during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

6. FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

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

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

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

Trade receivables

In respect of trade receivables, the Group normally grants its customers an average credit period from 30 days to 6 months *(2021: 30 days to 6 months)*. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors with balances that are more than three months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

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

At the end of the reporting period, the Group had a concentration of credit risk as 48.7% *(2021: 58.4%)* and 80.0% *(2021: 92.6%)* of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

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

6. FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Trade receivables (Continued)

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

As at 31 December 2022

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

As at 31 December 2021

	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000	Credit-impaired
Not past due	–	40,065	–	No
Less than 3 months past due	–	16,271	–	No
3 months to 6 months past due	–	8	–	No
6 months to 9 months past due	–	4,462	–	No
Over 9 months past due	100%	15	15	Yes
		60,821	15	

The Group does not hold any collateral over trade receivables as at 31 December 2022 and 2021.

6. FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Trade receivables (Continued)

As at 31 December 2022, the Group recognised loss allowance of approximately HK$15,000 *(2021: approximately HK$15,000)* on the credit-impaired trade receivables. There are no *(2021: no)* movement in the loss allowance for the credit-impaired trade receivables during the year.

Loans receivable and other receivables

At the end of the reporting period, the Group had a concentration of credit risk in respect of loans receivable and other receivable as 72.2% *(2021: 77.2%)* of total loans receivable before loss allowance was due from two *(2021: two)* independent third parties while 83.8% *(2021: 64.3%)* of total other receivables was due from one *(2021: one)* independent third party.

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

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

At 31 December 2022

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

6. FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Loans receivable and other receivables (Continued)

At 31 December 2021

Internal credit rating	Expected loss rate %	ECL	Gross carrying amount HK$'000
Performing	–	12-month	–
Underperforming (not credit-impaired)	4% – 20%	Lifetime	114,634
Not performing (credit-impaired)	39%	Lifetime	121,576
Write off (credit-impaired)	–	N/A	–
			236,210

As at 31 December 2022, the Group recognised loss allowance of approximately HK$142,887,000 *(2021: approximately HK$59,808,000)* on loans receivable. The movement in the loss allowance for loans receivable during the year is summarised below:

	2022 HK$'000	2021 HK$'000
At beginning of the reporting period	**59,808**	–
Impairment loss	**83,079**	59,065
Exchange realignment	**–**	743
At end of the reporting period	**142,887**	59,808

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

For the year ended 31 December 2022

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

6. FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Loans receivable and other receivables (Continued)

For the year ended 31 December 2021

	12-month ECL HK$'000	Lifetime ECL Not credit-impaired HK$'000	Lifetime ECL Credit-impaired HK$'000	Total HK$'000
At beginning of the reporting period	–	–	–	–
Increase in allowance	–	12,612	47,196	59,808
At end of the reporting period	–	12,612	47,196	59,808

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

As at 31 December 2022, the Group recognised loss allowance of approximately HK$8,467,000 *(2021: approximately HK$8,467,000)* on the credit-impaired other receivables. There were no movements in the loss allowance for the credit-impaired other receivables during the years ended 31 December 2022 and 2021.

(b) Liquidity risk

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

The Group has unutilised bank borrowing facilities of approximately HK$138,228,000 *(2021: approximately HK$422,082,000)* at the end of the reporting period to meet liquidity needs.

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

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

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

		2022					
	Note	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000	More than one year but less than two years HK$'000	More than two years but less than five years HK$'000	More than five years HK$'000
Non-derivative financial liabilities							
Trade and other payables	27	**333,859**	**333,859**	**333,510**	**216**	**133**	**–**
Dividend payables		**31**	**31**	**31**	**–**	**–**	**–**
Bank and other loans	28	**12,888**	**12,888**	**12,888**	**–**	**–**	**–**
Lease liabilities	19	**3,484**	**3,593**	**2,228**	**1,365**	**–**	**–**
		350,262	**350,371**	**348,657**	**1,581**	**133**	**–**

		2021					
	Note	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000	More than one year but less than two years HK$'000	More than two years but less than five years HK$'000	More than five years HK$'000
Non-derivative financial liabilities							
Trade and other payables	27	313,148	313,148	312,607	317	224	–
Dividend payables		31	31	31	–	–	–
Bank and other loans	28	44,957	45,335	45,335	–	–	–
Lease liabilities	19	10,824	11,232	7,479	3,753	–	–
		368,960	369,746	365,452	4,070	224	–

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

The amounts repayable under loan agreements that include a clause that gives lenders the unconditional right to call loans at any time are classified under the "within one year or on demand" bracket. In this regard, term loans from banks of approximately HK$1,694,000 *(2021: approximately HK$2,149,000)* (note 28) at the end of the reporting period have been so classified even though the Directors do not expect that lenders would exercise their rights to demand repayment and thus these borrowings (including the aggregate principal and interest cash outflows) would be repaid according to the following schedule as set out in the loan agreements:

	2022 **HK$'000**	2021 HK$'000
Term loans from banks, including interest, with a repayment on demand clause		
Within one year	**667**	505
More than one year but less than two years	**310**	505
More than two years but less than five years	**338**	533
Over five years	**741**	848
	2,056	2,391

(c) Interest rate risk

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

At the end of the reporting period, if interest rates had been 100 basis points higher or lower (but on condition that interest rate would not fall below zero) and all other variables were held constant, the Group's net loss would be decreased by approximately HK$1,571,000 *(2021: approximately HK$2,994,000)* or increased by approximately HK$558,000 *(2021: approximately HK$90,000)* respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of next annual reporting period. The analysis is performed on the same basis for 2021.

6. FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk

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

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

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

	Exposure to foreign currency	
	2022	2021
	RMB	RMB
	HK$'000	HK$'000
Financial assets at fair value through profit or loss	**47,315**	48,047
Cash and bank balances	**103**	4,367
Net exposure	**47,418**	52,414

At the end of the reporting period, if RMB had been 8% *(2021: 2%)* strengthened/weakened against HKD while all other variables were held constant, the Group's net loss would be decreased/increased by approximately HK$3,712,000 *(2021: approximately HK$1,048,000) respectively.*

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the Group's exposure to currency risk for all financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes in foreign currency represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of next annual reporting period. The analysis is performed on the same basis for 2021.

6. FINANCIAL INSTRUMENTS *(Continued)*

(e) Price risk

The Group is exposed to price risk arising from investments in equity securities classified as financial assets at fair value through profit or loss (note 21). For the Group's equity securities investments and money market funds that are publicly traded, the fair value is determined with reference to quoted market prices. The Group's private investment funds are held for long-term strategic purpose. Their performance is assessed at least annually based on the information available to the Group, together with an assessment of their relevance to the Group's long-term strategic plans.

Financial assets at fair value through profit or loss

At the end of the reporting period, if the quoted market price of equity securities had been 12% *(2021: 12%)* higher/lower while all other variables held constant, the Group's net loss would be decreased/increased by approximately HK$9,416,000 *(2021: approximately HK$3,041,000)* due to change in the fair value of equity securities which were stated at FVPL.

At the end of the reporting period, if the quoted price for equity securities delisted from the New York Stock Exchange on trading platform had been 12% *(2021: N/A)* higher/lower while all other variables held constant, the Group's net loss would decreased/increased by approximately HK$1,971,000 due to change in the fair value of the unlisted equity securities which were stated at FVPL.

During the year ended 31 December 2022, all private investment funds were redeemed.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to the exposure to price risk in existence at that date. It is also assumed that the fair values of the Group's investments would change in accordance with the historical correlation with the relevant stock market index or other relevant risk variables and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables. The analysis is performed on the same basis for 2021.

7. FAIR VALUE MEASUREMENTS

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

The following presents the assets measured at fair value or required to disclose their fair value in these consolidated financial statements on a recurring basis at 31 December 2022 across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair Value Measurement*, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

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

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly; and

- Level 3 (lowest level): unobservable inputs for the assets or liabilities.

7. FAIR VALUE MEASUREMENTS *(Continued)*

Assets measured at fair value on a recurring basis

		2022			
	Note	**Carrying amount HK$'000**	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**
Investment properties	17	**934,696**	**–**	**84,496**	**850,200**
Financial assets at fair value through profit or loss	21	**200,161**	**79,789**	**16,429**	**103,943**

		2021			
	Note	Carrying amount HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Investment properties	17	91,793	–	91,793	–
Financial assets at fair value through profit or loss	21	250,742	25,342	51,110	174,290

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

During the years ended 31 December 2022 and 2021, there was no transfer between Level 1 and Level 2, or transfers into or out of Level 3 fair value measurements.

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

Valuation techniques and inputs in Level 2 fair value measurement

(a) *Investment properties*

The investment properties situated in the PRC of approximately HK$84,496,000 *(2021: approximately HK$91,793,000)* were revalued by Roma Appraisals Limited, an independent professional qualified valuer, on the market value basis using direct comparison approach.

7. FAIR VALUE MEASUREMENTS *(Continued)*

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

(b) Financial assets at fair value through profit or loss: Private investment funds

As at 31 December 2021, the fair value of a private investment fund, mainly invested in cryptocurrencies, was valued based on the net asset value of each fund unit quoted by the investment manager with reference to quoted prices of the underlying investments (i.e. cryptocurrencies) on trading platforms using direct comparison approach.

As at 31 December 2021, the fair value of another private investment fund, which invested in listed equity securities in the United States, was valued based on quoted market price of the listed equity securities held by the fund at the end of the reporting period.

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

Included in financial assets at fair value through profit or loss are equity securities delisted from the New York Stock Exchange amounted to approximately HK$16,429,000 *(2021: Nil)* which are actively traded in Over-The-Counter market in the United States. The fair value of the equity securities is based on the price quoted by the investment manager with reference to quoted price on trading platform.

Movements in Level 3 fair value measurements

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

	Investment properties HK$'000	Financial assets at fair value through profit or loss HK$'000
As at 1 January 2021	362,685	63,624
Purchase	–	48,000
Recognised upon disposal of a subsidiary	–	115,394
Exchange realignment	5,022	–
Net changes in fair value recognised in profit or loss	1,440	(52,728)
Disposal upon disposal of a subsidiary	(369,147)	–
As at 31 December 2021 and as at 1 January 2022	–	174,290
Purchase	–	11,800
Transfer from property, plant and equipment	796,848	–
Net changes in fair value recognised in profit or loss	53,352	(82,147)
As at 31 December 2022	**850,200**	**103,943**

7. FAIR VALUE MEASUREMENTS *(Continued)*

Valuation techniques and inputs in Level 3 fair value measurement

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

The fair value of one of the unlisted equity securities without an active market classified in Level 3 was valued by Fairdex Valuation Advisory Limited *(2021: Fairdex Valuation Advisory Limited)*, an independent professional qualified valuer, using direct comparison approach with unobservable inputs. The significant unobservable input used in the fair value measurement is the enterprise-value-to-revenue ratio of 10.936 *(2021: 10.523)*.

As at 31 December 2022, if the expected enterprise-value-to-revenue ratio had been 10% *(2021: 10%)* higher/lower while all other variables were held constant, the Group's net loss would be decreased/increased by approximately HK$15,958,000 *(2021: approximately HK$15,727,000) respectively*.

The fair value of another unlisted equity securities without an active market classified in Level 3 was valued by Peak Vision Appraisals Limited *(2021: Peak Vision Appraisals Limited)*, an independent professional qualified valuer, using income approach with unobservable inputs. The significant unobservable input used in the fair value measurement is the discount rate for calculating the present value of future earnings of 18.6% *(2021: 17.64%)*.

As at 31 December 2022, if the expected discount rate had been 10% *(2021: 10%)* higher/lower while all other variables were held constant, the Group's net loss would be increased by approximately HK$18,470,000 *(2021: approximately HK$18,580,000)* or decreased by approximately HK$24,515,000 *(2021: approximately HK$25,207,000)* respectively.

The fair value of another unlisted equity securities without an active market classified in Level 3 was valued by Peak Vision Appraisals Limited *(2021: N/A)*, an independent professional qualified valuer, using income approach with unobservable inputs. The significant unobservable input used in the fair value measurement is the discount rate for calculating the present value of future earnings of 19.28% *(2021: N/A)*.

As at 31 December 2022, if the expected discount rate had been 10% *(2021: N/A)* higher/lower while all other variables were held constant, the Group's net loss would be increased by approximately HK$1,193,000 *(2021: N/A)* or decreased by approximately HK$1,500,000 *(2021: N/A)* respectively.

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

The fair value of contingent consideration receivable classified as Level 3 is derived from the estimated cash consideration to be received by the Group from disposal of a subsidiary (note 29(c)) estimated by the management of the Group with reference to the up-to-date progress of the relevant reconstruction registration with unobservable inputs. The significant unobservable input used in fair value measurement is the weighted distribution of the possible outcomes of 5% *(2021: 50%)*.

As at 31 December 2022, if the expected weighted distribution of the possible outcomes has been 10% *(2021:10%) higher or 5% (2021: 10%) lower* while other variables were held constant, the Group's net loss would be decreased by approximately HK$14,424,000 *(2021: approximately HK$14,424,000)* or increased by approximately HK$7,212,000 *(2021: approximately HK$14,424,000)* respectively.

7. FAIR VALUE MEASUREMENTS *(Continued)*

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

(c) *Investment properties situated in the United States*

The fair value of investment properties situated in the United States transferred from property, plant and equipment of approximately HK$796,848,000 on 31 May 2022 were revalued by Roma Appraisals Limited, an independent professional qualified valuer, on the market value basis using direct comparison approach with unobservable inputs. The significant unobservable input used in fair value measurement at 31 May 2022 is the average adjusted unit price on gross floor area of US$1,279 per square feet.

As at 31 May 2022, if the average adjusted unit price on gross floor area has been 5% *(2021: N/A)* higher/lower while all other variables were held constant, the Group's other comprehensive income would be increased/decreased by approximately HK$39,845,000 respectively.

The fair value of investment properties situated in the United States of approximately HK$850,200,000 at 31 December 2022, which were transferred from property, plant and equipment on 31 May 2022, were revalued by Roma Appraisals Limited, an independent professional qualified valuer, on the market value basis using direct comparison approach with unobservable inputs. The significant unobservable input used in fair value measurement at 31 December 2022 is the average adjusted unit price on gross floor area of US$1,360 per square feet *(2021: N/A)*.

As at 31 December 2022, if the overall adjustments on the average adjusted unit price on gross floor area has been 5% (2021: N/A) higher/lower while all other variables were held constant, the Group's net loss would be decreased/increased by approximately HK$42,505,000 respectively *(2021: N/A)*.

8. SEGMENT INFORMATION

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

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

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

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

– Investing: Investing in digital assets and financial instruments

– Leasing: Leasing out of properties

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

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

8. SEGMENT INFORMATION *(Continued)*

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

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

Business segments

An analysis of the Group's revenue, other revenue and net loss, net changes in fair value of investment properties, segment results and segment assets and liabilities by business segments are as follows:

For the year ended 31 December 2022

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

8. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

As at 31 December 2022

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

8. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

For the year ended 31 December 2021

	IHA HK$'000	IDC HK$'000	Investing HK$'000	Leasing HK$'000	Other operations HK$'000	Elimination HK$'000	Consolidated HK$'000
REVENUE							
Sale of goods	140,246	–	–	–	–	–	140,246
Lease of properties used as IDC and facilities used in IDC	–	31,436	–	–	–	–	31,436
OTHER REVENUE AND NET LOSS	(6,477)	(43,224)	(53,027)	9,712	4	(88)	(93,100)
NET CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES	–	1,440	–	(4,109)	–	–	(2,669)
GAIN ON DISPOSAL OF A SUBSIDIARY	–	55,300	–	–	–	–	55,300
Segment revenue	133,769	44,952	(53,027)	5,603	4	(88)	131,213
RESULTS							
Segment results	(33,435)	11,381	(71,069)	275	(783)	–	(93,631)
Unallocated corporate income							16,164
Interest income from bank deposits							324
Loss allowance on loans receivable							(59,065)
Other unallocated corporate expenses							(29,190)
Loss from operations							(165,398)
Finance costs							(3,612)
Loss before tax							(169,010)
Income tax expenses							(4,051)
Loss for the year							(173,061)

8. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

As at 31 December 2021

	IHA HK$'000	IDC HK$'000	Investing HK$'000	Leasing HK$'000	Other operations HK$'000	Unallocated HK$'000	Consolidated HK$'000
ASSETS							
Segment assets	99,613	1,025,221	506,338	109,474	250,955	–	1,991,601
Unallocated corporate assets						513,843	513,843
Consolidated total assets							2,505,444
LIABILITIES							
Segment liabilities	74,009	37,876	97,471	20,301	135,133	–	364,790
Unallocated corporate liabilities						50,437	50,437
Consolidated total liabilities							415,227
OTHER INFORMATION							
Capital expenditures							
– Property, plant and equipment	92	53,047	381	1,474	–	90	55,084
– Right-of-use assets	398	–	–	–	–	3,773	4,171
Depreciation							
– Property, plant and equipment	219	6,530	50	615	–	257	7,671
– Right-of-use assets	1,714	–	577	372	–	7,913	10,576
Amortisation of intangible assets	–	–	20,969	–	–	–	20,969
– Allocated to cost of cryptocurrencies	–	–	(20,969)	–	–	–	(20,969)
Write-down of inventories, net	595	–	–	–	–	–	595
Foreign exchange losses, net	7,446	–	–	–	–	513	7,959
Operating lease charges on premises	49	–	59	4	–	326	438
Net fair value (gains)/losses on financial assets at fair value through profit or loss	(327)	43,224	57,035	–	–	–	99,932

8. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group operates in the following principal geographical areas: the PRC, Hong Kong, Australia, Laos, the United States and other overseas markets in both 2022 and 2021.

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

(a) Revenue and non-current assets

	Revenue		**Non-current assets**	
	2022 **HK$'000**	2021 HK$'000	**2022** **HK$'000**	2021 HK$'000
The PRC	**80,423**	71,756	**129,020**	117,912
Hong Kong	**53,012**	37,807	**164,544**	300,253
Australia	**58,082**	45,268	**–**	–
Laos	**–**	–	**103,867**	–
The United States	**–**	–	**852,440**	737,577
Other overseas markets	**31,720**	16,851	**21,542**	–
	223,237	171,682	**1,271,413**	1,155,742

8. SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

(b) Other revenue and net loss

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

	For the year ended 31 December 2021					
	IHA HK$'000	IDC HK$'000	Investing HK$'000	Leasing HK$'000	Other operations HK$'000	Consolidated HK$'000
The PRC	(1,062)	(43,224)	1,377	9,552	4	(33,353)
Hong Kong	(5,415)	–	(54,404)	72	–	(59,747)
	(6,477)	(43,224)	(53,027)	9,624	4	(93,100)

Information about major customers

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

	2022 HK$'000	2021 HK$'000
Customer A	78,528	51,232
Customer B	58,082	45,268
Customer C	23,507	–*
Customer D	–*	19,436
Customer E	–*	17,433
	160,117	133,369

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

9. REVENUE, OTHER REVENUE AND NET LOSS

	2022 HK$'000	2021 HK$'000
Revenue		
Sale of goods *(Note)*	**208,237**	140,246
Rental income from IDC properties and facilities *(note 8)*	**15,000**	31,436
	223,237	171,682
Other revenue		
Dividend income from listed securities	**370**	4,788
Rental income from investment properties	**8,918**	9,109
Interest income calculated using the effective interest method:		
Interest income from bank deposits	**2,325**	324
Interest income from loans receivable	**15,559**	15,726
	27,172	29,947
Other net loss		
Foreign exchange gains/(losses), net	**116**	(7,959)
Net fair value losses on financial assets at fair value through profit or loss	**(97,156)**	(99,932)
Impairment loss on intangible assets	**(3,138)**	–
Impairment loss on property, plant and equipment	**(23,127)**	–
Loss on disposal of property, plant and equipment	**(4)**	(15)
Gain on disposal/utilisation of cryptocurrencies	**713**	–
Government subsidies	**432**	–
Insurance claim	**9,461**	–
Sundry income	**748**	1,347
	(111,955)	(106,559)
	(84,783)	(76,612)

Note:

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

The amount of revenue recognised for the year ended 31 December 2022 that was included in the contract liabilities at the beginning of the year is approximately HK$16,645,000 *(2021: approximately HK$5,288,000)*.

10. LOSS FROM OPERATIONS

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

	2022 HK$'000	2021 HK$'000
Auditor's remuneration	**1,690**	1,600
Amortisation of intangible assets	**36,292**	20,969
– Allocated to cost of cryptocurrencies	**(21,170)**	(20,969)
Depreciation of property, plant and equipment*	**25,362**	7,671
– Allocated to cost of cryptocurrencies	**(16,939)**	–
Depreciation of right-of-use assets	**10,904**	10,576
Cost of inventories	**176,965**	120,690
Cost of cryptocurrencies	**1,719**	–
Gain on lease modifications	**(169)**	(17)
Loss on disposal of property, plant and equipment	**4**	15
(Reversal of write-down)/Write-down of inventories, net	**(1,796)**	595
Research and development costs	**2,280**	2,559
Write-down of cryptocurrencies	**50,356**	–
Direct operating expenses arising from investment properties that generating rental income from:		
– Leasing of IDC properties (included in cost of sales)	**–**	1,251
– Leasing of other investment properties (included in other operating expenses)	**1,104**	1,456
– An IDC property that did not generate rental income (included in generate and administrative expenses)	**4,002**	–
Loss/(Gain) on disposal of subsidiaries *(note 29)*	**3,693**	(55,300)
Staff costs (including Directors' emoluments *(note 11)*):		
Salaries and allowances#	**51,410**	57,401
Retirement benefits scheme contributions#	**4,224**	4,659
Severance payment	**3,465**	1,700
Total staff costs	**59,099**	63,760

* *Depreciation of property, plant and equipment included depreciation of IDC facilities of approximately HK$7,229,000 (2021: approximately HK$6,512,000) recognised as cost of sales for the year.*

\# *Staff costs included salaries and allowances and retirement benefits scheme contributions for research and development staff of approximately HK$15,978,000 and HK$1,967,000 respectively (2021: approximately HK$16,699,000 and HK$2,117,000 respectively) recognised as general and administrative expenses for the year.*

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the nine *(2021: nine)* Directors were as follows:

	Qualifying services					
		Other services in connection with the management of the affairs				
Name of Director	**Directors' fee HK$'000**	**Salaries, allowances and other benefits in kind HK$'000**	**Discretionary bonuses HK$'000**	**Retirement benefits scheme contributions HK$'000**	**Share option benefit HK$'000**	**Total HK$'000**
Executive Directors						
Mr. Li Qiang	–	**1,300**	–	**65**	–	**1,365**
Mr. Cong Yu	–	**3,002**	**1,200**	**150**	–	**4,352**
Mr. Gao Fei	–	**1,300**	–	**65**	–	**1,365**
Mr. Shi Guangrong	–	**930**	–	**46**	–	**976**
Mr. Zhu Jiang	–	**708**	–	**25**	–	**733**
Mr. Chen Biao	–	**845**	–	–	–	**845**
Independent Non-Executive Directors						
Ms. Shen Yan	**120**	–	–	–	–	**120**
Ms. Dong Hairong	**120**	–	–	–	–	**120**
Ms. Huo Qiwei	**120**	–	–	–	–	**120**
Total for 2022	**360**	**8,085**	**1,200**	**351**	–	**9,996**
Executive Directors						
Mr. Li Qiang	–	1,300	–	65	–	1,365
Mr. Cong Yu	–	1,670	1,000	59	–	2,729
Mr. Gao Fei	–	1,300	–	65	–	1,365
Mr. Shi Guangrong	–	941	–	46	–	987
Mr. Zhu Jiang	–	718	–	22	–	740
Mr. Chen Biao	–	826	500	–	–	1,326
Independent Non-Executive Directors						
Ms. Shen Yan	120	–	–	–	–	120
Ms. Dong Hairong	120	–	–	–	–	120
Ms. Huo Qiwei	120	–	–	–	–	120
Total for 2021	360	6,755	1,500	257	–	8,872

11. DIRECTORS' EMOLUMENTS *(Continued)*

During the years ended 31 December 2022 and 2021, no emolument was paid by the Group to any Director as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emolument during both years.

There were no loans, quasi-loans or other dealings in favour of the Directors that were entered into or subsisted during the years ended 31 December 2022 and 2021.

The Directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company was a party and in which a Director or a connected entity of the Director had a material interest, whether directly or indirectly, subsisted at the end of the reporting period or at any time during the years ended 31 December 2022 and 2021.

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, four *(2021: four)* Directors are included in the five highest paid individuals of the Group. Details of Directors' emoluments are set out in note 11 above. The emoluments of the remaining one *(2021: one)* highest paid individual, who is an employee of the Group, are as follows:

	2022 **HK$'000**	2021 HK$'000
Basic salaries, allowances and other benefits in kind	**1,511**	1,942
Discretionary bonus	**552**	–
Retirement benefits scheme contributions	**222**	85
	2,285	2,027

The emoluments of the above one *(2021: one)* highest paid individual fell within the following bands:

	2022 **Number of** **individuals**	2021 Number of individuals
HK$2,000,001 – HK$2,500,000	**1**	1

During the years ended 31 December 2022 and 2021, no emolument was paid by the Group to the above highest paid individual as an inducement to join or upon joining the Group or as compensation for loss of office.

13. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Borrowing costs for bank and other loans	**2,065**	3,295
Imputed interest expenses on lease liabilities	**285**	317
	2,350	3,612

14. INCOME TAX EXPENSES

The taxation charged to profit or loss represents:

	2022 HK$'000	2021 HK$'000
Current tax		
Hong Kong Profit tax		
– Underprovision in respect of prior year	**3**	–
PRC corporate income tax		
Current year	**726**	2,756
Overseas withholding tax		
Current year	**3,046**	2,758
	3,775	5,514
Deferred taxation		
Origination and reversal of temporary differences	**25,227**	(1,463)
Charge for the year	**29,002**	4,051

Taxation recognised directly in other comprehensive income

	2022 HK$'000	2021 HK$'000
Deferred tax relating to revaluation of property, plant and equipment upon transfer to investment properties	**2,576**	–

For the years ended 31 December 2022 and 2021, Hong Kong Profits Tax has not been provided as the Group neither generate any assessable profit from Hong Kong nor its estimated assessable profits for the years were wholly absorbed by unrelieved tax losses brought forward from previous years.

14. INCOME TAX EXPENSES *(Continued)*

The income tax provision in respect of operations in the PRC is calculated at the CIT rate of 25% on the estimated assessable profits for 2022 and 2021 based on existing legislation, interpretations and practices in respect thereof. Certain subsidiaries of the Company have been designated as "Small-Scale and Low-Profit Enterprises" which are charged at the effective preferential CIT rates of 2.5% or 10% *(2021: 2.5% or 10%)* respectively on condition that the annual taxable income was no more than RMB1.0 million or between RMB1.0 million to RMB3.0 million for 2022 and 2021.

The operation of the Group in the United States is subject to the United States Federal and State Income Tax. For the years ended 31 December 2022 and 2021, the United States Federal and State Income Tax has not been provided as the Group did not generate any assessable profit in the United States.

Under the United States domestic tax laws, a foreign person is subject to 30% income tax on the gross amount of certain United States-source (non-business) income. As such, withholding tax is provided at 30% for the interest income derived from the loans to a wholly-owned subsidiary in the United States by the Company for the years ended 31 December 2022 and 2021.

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

Reconciliation of tax expenses

	2022 **HK$'000**	2021 HK$'000
Loss before tax	**(262,063)**	(169,010)
Tax at a weighted average rate of 18.30% *(2021: 18.29%)* applicable to the jurisdictions concerned	**(47,944)**	(30,914)
Tax effect of non-deductible expenses	**72,932**	45,095
Tax effect of non-taxable income	**(20,614)**	(39,944)
Tax effect of utilisation of tax losses not previously recognised	**(3,271)**	(236)
Tax effect of unrecognised tax losses and temporary differences	**24,925**	29,019
Tax effect of under provision in prior year	**3**	–
Tax effect of reversal/provision of deferred taxation	**238**	(1,463)
Withholding tax for offshore interest income	**3,045**	2,758
Others	**(312)**	(264)
Tax expenses for the year	**29,002**	4,051

14. INCOME TAX EXPENSES *(Continued)*

Recognised deferred tax assets and liabilities

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

	Assets		Liabilities	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
At beginning of the reporting period	**–**	–	**(16,772)**	(28,505)
Exchange realignment	**–**	–	**1,429**	(634)
Recognised directly in other comprehensive income	**–**	–	**(2,576)**	–
Recognised in profit or loss	**–**	–	**(25,227)**	1,463
Release upon disposal of a subsidiary	**–**	–	**–**	10,904
At end of the reporting period	**–**	–	**(43,146)**	(16,772)

Recognised deferred tax assets and liabilities at the end of the reporting period represent the following:

	Assets		Liabilities	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
Revaluation of property, plant and equipment upon transfer to investment properties	**–**	–	**(35,863)**	(22,913)
Revaluation of investment properties	**–**	6,141	**(19,598)**	–
Depreciation allowances	**–**	–	**(2,504)**	(3,161)
Tax losses	**14,819**	3,161	**–**	–
Deferred tax assets/(liabilities)	**14,819**	9,302	**(57,965)**	(26,074)
Offsetting	**(14,819)**	(9,302)	**14,819**	9,302
Net deferred tax assets/(liabilities)	**–**	–	**(43,146)**	(16,772)

14. INCOME TAX EXPENSES *(Continued)*

Unrecognised deferred tax assets arising from

	2022	2021
	HK$'000	HK$'000
Deductible temporary differences	**502**	509
Tax losses	**604,124**	680,555
	604,626	681,064

At 31 December 2022, the Group had unrecognised deferred tax assets of approximately HK$129,168,000 *(2021: approximately HK$115,898,000)* in respect of the tax losses and other temporary differences. As it is not probable that future taxable profits will be available against which the deductible temporary differences and the unused tax losses of the Group can be utilised, deferred tax assets have not been recognised. The deductible temporary differences do not expire under the current tax legislation.

The expiry of unrecognised tax losses are as follows:

	2022	2021
	HK$'000	HK$'000
Tax losses without expiry date	**459,212**	462,936
Tax losses expiring on 31 December 2027	**89,490**	–
Tax losses expiring on 31 December 2026	**35,668**	88,917
Tax losses expiring on 31 December 2025	**32,596**	36,263
Tax losses expiring on 31 December 2024	**15,148**	16,552
Tax losses expiring on 31 December 2023	**30,653**	38,834
Tax losses expiring on 31 December 2022	**–**	37,053
	662,767	680,555

The profits earned by the PRC subsidiaries from 1 January 2008 onwards would be subject to withholding tax if they are distributed. In the opinion of the Directors, all undistributed profits are expected to be retained in the PRC subsidiaries and not to be remitted out of the PRC in the foreseeable future. Accordingly, no provision for deferred tax has been made. As at 31 December 2022, retained profits earned by the PRC subsidiaries amounted to approximately HK$Nil *(2021: HK$Nil)*.

15. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 *(2021: Nil)*.

16. LOSS PER SHARE

The calculation of the basic and diluted loss per Share attributable to owners of the Company is based on the following data:

	2022	2021
	HK$'000	HK$'000
Loss attributable to owners of the Company	**(290,118)**	(172,495)

	2022	2021
	'000	'000
Issued ordinary Shares at 1 January	**2,487,705**	2,073,089
Issue of new Shares	**–**	400,985
Weighted average number of ordinary Shares for basic loss per Share	**2,487,705**	2,474,074
Weighted average number of ordinary Shares for diluted loss per Share	**2,487,705**	2,474,074

	HK$	HK$
Loss per Share:		
– Basic	**(0.12)**	(0.07)
– Diluted *(Note)*	**(0.12)**	(0.07)

Note:

Diluted loss per Share was the same as the basic loss per Share for the years ended 31 December 2022 and 2021 because the potential new ordinary Shares to be issued on exercise of the outstanding share options under the Company's share option scheme during the years have an anti-dilutive effect on the basic loss per Share for the years.

17. INVESTMENT PROPERTIES

	2022 HK$'000	2021 HK$'000
At fair value		
At beginning of the reporting period	**91,793**	455,912
Transfer from property, plant and equipment	**796,848**	–
Exchange realignment	**(7,714)**	7,697
Net changes in fair value	**53,769**	(2,669)
Disposal upon disposal of a subsidiary	**–**	(369,147)
At end of the reporting period	**934,696**	91,793

As at 31 December 2022, the carrying amounts of the investment properties held under medium-term leases and situated in the PRC and held as freehold and situated in the United States were approximately HK$84,496,000 *(2021: approximately HK$91,793,000)* and approximately HK$850,200,000 *(2021: HK$Nil)* respectively.

The valuation techniques of investment properties are disclosed in note 7.

Commitments under operating leases – as lessor

The Group leases certain of its properties to third parties under operating leases, which have an initial non-cancellable lease term of one to ten years *(2021: one to ten years)*. The leases do not include any purchase, termination and extension options.

These properties are exposed to residual value risk. The lease contracts, as a result, impose a restriction that, unless approval is obtained from the Group as lessor, the properties can only be used by the lessees. The lessees are also required to keep the properties in a good state of repair and return the properties in their original condition at the end of the leases.

Below is a maturity analysis of undiscounted lease payments to be received from the leasing of investment properties:

	2022 HK$'000	2021 HK$'000
Year 1	**3,086**	3,965
Year 2	**1,209**	2,913
Year 3	**513**	1,148
Year 4	**134**	560
Year 5	**112**	147
After year 5	**–**	122
Undiscounted lease payments to be received	**5,054**	8,855

18. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Data centre facilities HK$'000	Freehold land HK$'000	Buildings held for own use HK$'000	Leasehold improvements HK$'000	Office equipment, furniture and fixtures HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Cryptocurrency mining machines HK$'000	Total
Reconciliation of carrying amounts – year ended 31 December 2021										
At beginning of the reporting period	574,932	55,500	74,880	38,220	6,859	698	359	220	–	751,668
Additions	46,855	6,146	–	–	1,474	598	11	–	–	55,084
Disposals	–	–	–	–	(292)	(4)	(7)	–	–	(303)
Depreciation	–	(6,512)	–	–	(681)	(251)	(177)	(50)	–	(7,671)
Exchange realignment	–	–	–	–	130	12	8	6	–	156
At end of the reporting period	621,787	55,134	74,880	38,220	7,490	1,053	194	176	–	798,934
Reconciliation of carrying amounts – year ended 31 December 2022										
At beginning of the reporting period	621,787	55,134	74,880	38,220	7,490	1,053	194	176	–	798,934
Additions	565	–	17,649	4,027	219	964	–	–	141,589	165,013
Transfer to building	(622,293)	–	–	622,293	–	–	–	–	–	–
Revaluation	–	–	6,258	55,197	–	–	–	–	–	61,455
Transfer to investment properties	–	–	(81,138)	(715,710)	–	–	–	–	–	(796,848)
Disposals	–	–	–	–	–	(4)	–	–	–	(4)
Depreciation	–	(7,229)	–	(134)	(710)	(285)	(30)	(35)	(16,939)	(25,362)
Impairment loss	–	–	–	–	–	–	–	–	(23,127)	(23,127)
Exchange realignment	1	–	–	–	(446)	(55)	(25)	(14)	–	(539)
At end of the reporting period	**60**	**47,905**	**17,649**	**3,893**	**6,553**	**1,673**	**139**	**127**	**101,523**	**179,522**
As at 31 December 2021										
Cost	621,787	66,146	74,880	38,220	20,929	6,803	1,421	4,170	–	834,356
Accumulated depreciation and impairment losses	–	(11,012)	–	–	(13,439)	(5,750)	(1,227)	(3,994)	–	(35,422)
	621,787	55,134	74,880	38,220	7,490	1,053	194	176	–	798,934
As at 31 December 2022										
Cost	60	66,146	17,649	4,027	19,586	7,196	1,290	4,117	141,589	261,660
Accumulated depreciation and impairment losses	–	(18,241)	–	(134)	(13,033)	(5,523)	(1,151)	(3,990)	(40,066)	(82,138)
	60	**47,905**	**17,649**	**3,893**	**6,553**	**1,673**	**139**	**127**	**101,523**	**179,522**

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Construction in progress represented the construction of the US IDC which was not completed at 31 December 2021. On 3 February 2022, the Group obtained the certificate of occupancy (the "Certificate") from the United States authority in respect of the construction of Phase I of the US IDC. The Certificate authorises the use of and occupancy of the US IDC which has been inspected for compliance authority requirements for the occupancy. Construction of Phase II of the US IDC was not commenced as of 31 December 2022.

Upon obtaining the certificate of occupancy from the United States authority in respect of the construction of Phase I of the US IDC, the Group ceased occupying the US IDC on 31 May 2022 and is actively seeking potential buyer/leasee for the US IDC. Upon the change in use of the US IDC, management reassessed the use of the US IDC and the Group will lease out the US IDC and/or hold it for capital appreciation. Therefore, such land and building are considered investment properties rather than owner-occupied properties and resulted in the transfer of their revaluated amounts of totalling approximately HK$796,848,000 previously classified as property, plant and equipment to investment properties.

The management has reviewed the carrying value of property, plant and equipment and determined that the recoverable amount of the cryptocurrency mining machines has significantly declined below their carrying amount. Accordingly, the carrying value of the cryptocurrency mining machines has been reduced by approximately HK$23,127,000 *(2021: N/A)* to reflect this impairment loss. The recoverable amount of the cryptocurrency mining machines amounted to approximately HK$101,523,000 *(2021: N/A)* is determined by reference to the fair value less costs of disposal by reference to the market price of an active market. The fair value of the cryptocurrency mining machines is categorised as level 2 measurement on the market value basis using direct comparison approach.

Commitments under operating lease – as lessor

The Group leases certain of its IDC facilities to a third party under operating lease, which has a non-cancellable lease term of five years. The lease does not include any purchase, termination and extension options.

These IDC facilities are exposed to residual value risk. The lease contract, as a result, imposes a restriction that, unless approval is obtained from the Group as lessor, the IDC facilities can only be used by the lessee. The lessee is also required to keep the IDC facilities in a good state of repair and return the IDC facilities in their original condition at the end of the lease.

Below is a maturity analysis of undiscounted lease payments to be received from the leasing of IDC facilities:

	2022 **HK$'000**	2021 HK$'000
Year 1	**19,000**	15,000
Year 2	**20,000**	19,000
Year 3	**5,000**	20,000
Year 4	**–**	5,000
Undiscounted lease payments to be received	**44,000**	59,000

19. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The movements of right-of-use assets and lease liabilities within HKFRS 16 during the years ended 31 December 2022 and 2021 are set out below:

	Right-of-use assets				
	Leasehold land HK$'000	**Leasehold properties HK$'000**	**Buildings HK$'000**	**Total HK$'000**	**Lease liabilities HK$'000**
At 1 January 2021	10,082	67,907	8,725	86,714	(8,859)
Additions	–	–	4,171	4,171	(4,171)
Depreciation of right-of-use assets	(372)	(3,003)	(7,201)	(10,576)	–
Imputed interest expenses on lease liabilities	–	–	–	–	(317)
Lease payments	–	–	–	–	8,259
Lease modification	–	–	5,694	5,694	(5,677)
Exchange realignment	290	–	9	299	(59)
At 31 December 2021 and at 1 January 2022	10,000	64,904	11,398	86,302	(10,824)
Depreciation of right-of-use assets	(360)	(3,003)	(7,541)	(10,904)	–
Imputed interest expenses on lease liabilities	–	–	–	–	(285)
Lease payments	–	–	–	–	7,198
Lease modification	–	–	176	176	(7)
Exchange realignment	(833)	–	(339)	(1,172)	434
At 31 December 2022	**8,807**	**61,901**	**3,694**	**74,402**	**(3,484)**
At 31 December 2021					
Current portion	–	–	–	–	(7,185)
Non-current portion	10,000	64,904	11,398	86,302	(3,639)
	10,000	64,904	11,398	86,302	(10,824)
At 31 December 2022					
Current portion	–	–	–	–	(2,145)
Non-current portion	8,807	61,901	3,694	74,402	(1,339)
	8,807	**61,901**	**3,694**	**74,402**	**(3,484)**

19. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(Continued)*

The Group as lessee

The leasehold land of approximately HK$8,807,000 *(2021: approximately HK$10,000,000)* represents upfront payment for medium-term leasehold land situated in the PRC, which is amortised over the lease period of 45 years. At the end of the reporting period, the remaining lease term of the land was 26 years *(2021: 27 years)*.

The interests in leasehold properties, which comprise leasehold lands and the buildings thereon (including the whole or part of undivided share in the underlying land), in Hong Kong of approximately HK$61,901,000 *(2021: approximately HK$64,904,000)* are held by the Group as the registered owner. Those property interests were acquired from the previous registered owners by making lump sum payments at the upfront. Except for the variable amounts to be charged by the government subsequently that are reviewed regularly with reference to a few factors such as the rateable values, there are no ongoing payments to be made under the terms of the land lease. At the end of the reporting period, the remaining lease term of the land were 25 to 26 years *(2021: 26 to 27 years)*.

The leasehold properties were held for own use and classified as finance lease which were depreciated over the shorter of the lease term and the estimated useful life.

The Group leases various office premises and staff quarters for its daily operations with fixed lease payment terms. Lease terms range from one to four years *(2021: one to four years)*.

Restrictions or covenants

Most of the leases impose a restriction that, unless approval is obtained from the lessor, the right-of-use asset can only be used by the Group and the Group is prohibited from selling or pledging the underlying assets. The Group is also required to keep those properties in a good state of repair and return the properties in their original condition at the end of the leases.

The Group has recognised the following amounts for the year:

	2022 **HK$'000**	2021 HK$'000
Lease payments:		
Short-term leases	**527**	438
Total cash outflow for leases	**7,725**	8,697

During the year ended 31 December 2022, lease expenses charged to profit or loss amounted to approximately HK$527,000 *(2021: approximately HK$438,000)*.

Commitments under operating leases – as lessee

At 31 December 2022, the Group was committed to approximately HK$96,000 *(2021: approximately HK$96,000)* for short-term leases.

20. INTANGIBLE ASSETS

Intangible assets which represented the hash-rate capacity for cryptocurrencies mining which enabling the Group to mine the Ethereum (being a mainstream cryptocurrency based on market value) for a contractual term of three years from the year ended 31 December 2021. The hash-rate capacity is initially measured at cost and amortised over three years using the straight-line method.

	Hash-rate capacity HK$'000
Reconciliation of carrying amount	
– year ended 31 December 2021	
At beginning of the reporting period	–
Additions	108,876
Amortisation	(20,969)
At end of the reporting period	**87,907**
Reconciliation of carrying amount	
– year ended 31 December 2022	
At beginning of the reporting period	**87,907**
Additions	**209**
Amortisation	**(36,292)**
Impairment loss	**(3,138)**
At end of the reporting period	**48,686**
As at 31 December 2021	
Cost	108,876
Accumulated amortisation	(20,969)
	87,907
As at 31 December 2022	
Cost	**109,085**
Accumulated amortisation and impairment losses	**(60,399)**
	48,686

The management has reviewed the carrying value of intangible assets and determined that the recoverable amount of the intangible assets has declined below their carrying amount. Accordingly, the carrying value of the intangible assets has been reduced by approximately HK$3,138,000 *(2021: HK$Nil)* to reflect this impairment loss. The recoverable amount of the intangible assets amounted to approximately HK$48,686,000 is determined by reference to the fair value less costs of disposal by reference to the market price of an active market of hash-rate capacity. The fair value of the hash-rate capacity is categorised as level 2 measurement on the market value basis using direct comparison approach.

No impairment loss on hash-rate capacity was recognised during the year ended 31 December 2021 because the value in use of the hash-rate capacity was higher than its carrying amount as at 31 December 2021.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	2022 HK$'000	2021 HK$'000
Equity securities listed in Hong Kong	(a)	**58,165**	16,193
Equity securities listed outside Hong Kong	(a)	**20,304**	9,149
Money market funds	(a)	**1,320**	–
Private investment funds	(b)	**–**	51,110
Unlisted equity securities	(c)	**113,160**	102,169
Contingent consideration receivable from disposal of a subsidiary	(d)	**7,212**	72,121
		200,161	250,742
Current portion		**87,001**	148,573
Non-current portion		**113,160**	102,169
		200,161	250,742

Notes:

(a) The fair values of listed equity securities and money market funds are based on quoted market prices in active markets at the end of the reporting period.

(b) As at 31 December 2021, included in the private investment funds were two private investment funds, one of which invested in cryptocurrencies and unlisted equity investment with carrying amount of approximately HK$44,084,000 and another one invested in listed equity securities in the United States with carrying amount of approximately HK$7,026,000. Both funds were redeemed during the year.

The valuation techniques and inputs applied for fair value measurement have been disclosed in note 7.

(c) The investments in unlisted equity securities of companies incorporated in the Cayman Islands and Hong Kong of approximately HK$96,731,000 *(2021: approximately HK$102,169,000)* are not held for trading. The valuation techniques and inputs applied for fair value measurement have been disclosed in note 7.

As at 31 December 2022, the fair value of equity securities delisted from the New York Stock Exchange but traded actively in the Over-The-Counter market in the United States amounted to approximately HK$16,429,000 *(2021: Nil)* is based on the price quoted by the investment manager with reference to quoted price on trading platform. The fair value measurement have been disclosed in note 7.

(d) Fair value of contingent consideration receivable from disposal of a subsidiary of approximately HK$7,212,000 *(2021: HK$72,121,000)* are receivable from an independent third party in respect of the disposal of the entire equity interest of Shanghai Indeed Technology Co., Ltd. ("Shanghai Indeed"), a former indirect wholly-owned subsidiary of the Company. Details of the disposal are disclosed in note 29(c).

22. INVESTMENT PORTFOLIO

The Group's ten largest investments, including individual investments with value exceeding 5% of the Group's total assets, as at 31 December 2022 and 2021 with brief description of the investee companies as follows:

As at 31 December 2022

Stock code	Name of investee company	Note	Number of shares held	Effective shareholding interest	Acquisition cost HK$'000	Fair value HK$'000	Accumulated unrealised holding gain/(loss) arising on revaluation from the date of acquisition to 31 December 2022 HK$'000	Net gain/(loss) for the year ended 31 December 2022 HK$'000	Dividend received for the year ended 31 December 2022 HK$'000	Classification of financial assets
	Listed equity securities									
0700	Tencent Holdings Limited		125,100	*	35,873	41,783	5,910	5,910	–	FVPL
8137	Honbridge Holdings Limited		43,212,000	0.44%	58,395	14,908	(43,487)	(648)	–	FVPL
AAPL	Apple Inc.		15,600	*	16,357	15,810	(547)	(547)	–	FVPL
CNG.L	China Nonferrous Gold Ltd		7,070,134	0.44%	21,707	1,955	(19,752)	(3,243)	–	FVPL
LU	Lufax Holding Ltd (American depositary shares)		90,000	*	9,427	1,377	(8,050)	(2,574)	358	FVPL
TSM	Taiwan Semiconductor Manufacturing Company		2,000	*	1,170	1,162	(8)	(8)	–	FVPL
	Unlisted equity securities									
	APAL Holdings Limited ("APAL")	(i)	100,000,000	9.47%	78,000	39,053	(38,947)	(15,069)	–	FVPL
DIDIY	DiDi Global Inc. ("DiDi") (American depositary shares)	(ii)	662,600	–	12,729	16,429	3,700	3,700	–	FVPL
	HK Zxoud Limited ("Zxoud")	(iii)	–	10%	11,800	10,362	(1,438)	(1,438)	–	FVPL
	Profound View Group ("Profound")	(iv)	918	8.41%	48,000	47,316	(684)	(731)	–	FVPL

The above investments represented in aggregate over 95% in value of the Group's investments. Apart from the ten largest investments listed above, the Group also held various other individual investments with value representing below 1% of the Group's total assets as at 31 December 2022.

* The effective shareholding interest is below 0.01%.

22. INVESTMENT PORTFOLIO *(Continued)*

As at 31 December 2021

Stock code	Name of investee company	Note	Number of shares held	Effective shareholding interest	Acquisition cost HK$'000	Fair value HK$'000	Accumulated unrealised holding gain/(loss) arising on revaluation from the date of acquisition to 31 December 2021 HK$'000	Net gain/(loss) for the year ended 31 December 2021 HK$'000	Dividend received for the year ended 31 December 2021 HK$'000	Classification of financial assets
	Listed equity securities									
0641	CHTC Fong's International Company Limited		1,176,000	0.11%	2,629	464	(2,164)	(12)	–	FVPL
0707	Asia Television Holdings Limited		2,106,000	0.02%	558	44	(514)	(78)	–	FVPL
1439	Mobile Internet (China) Holdings Limited		3,215,000	0.23%	6,604	129	(6,475)	(68)	–	FVPL
8137	Honbridge Holdings Limited		43,212,000	0.44%	58,395	15,556	(42,839)	(4,321)	–	FVPL
LU	Lufax Holding Ltd (American depositary shares)		90,000	0.05%	9,427	3,951	(5,477)	(5,959)	–	FVPL
CNG.L	China Nonferrous Gold Ltd		7,070,134	1.85%	21,707	5,198	(16,509)	(1,513)	–	FVPL
	Private investment funds									
	Altive Master Fund SPC ("Altive Fund")		N/A	N/A	20,008	7,026	(12,982)	(12,982)	–	FVPL
	iSun Global Restructuring-led Partnership Fund I LP ("iSun Fund")		N/A	N/A	66,500	44,084	(22,416)	26,873	–	FVPL
	Unlisted equity securities									
	APAL Holdings Limited ("APAL")	(i)	100,000,000	9.47%	78,000	54,122	(23,878)	(9,502)	–	FVPL
	Profound View Group ("Profound")	(iv)	918	8.41%	48,000	48,047	47	47	–	FVPL

The above investments represent in aggregate 100% in value of the Group's investments.

22. INVESTMENT PORTFOLIO *(Continued)*

Notes: (Continued)

(i) APAL is an exempt company incorporated in the Cayman Islands with limited liability. APAL and its subsidiaries are principally engaged in the business of global aircraft leasing, aircraft trading, securitised aircraft leasing financial products, aircraft parts trading, maintenance of aircraft, dismantling aircraft and other related consulting services. As at 31 December 2022, the fair value of the entire unlisted equity securities is approximately HK$412,405,000 *(2021: approximately HK$571,530,000)* by reference to the valuation provided by an independent professional qualified valuer using direct comparison approach with unobservable inputs.

(ii) DiDi was delisted from the New York Stock Exchange in June 2022 and its shares are traded at Over-the-Counter market in the United States after the delisting. The Group received 178,600 shares of DiDi from the Altive Fund in March 2022 upon redemption at fair value of approximately HK$5,273,000. As at 31 December 2022, 662,600 shares of DiDi at fair value of approximately HK$16,429,000 *(2021:Nil)* were held by the Group.

(iii) Zxoud is a company incorporated in Hong Kong with limited liability. Zxoud and its subsidiaries are principally engaged in the business of developing cloud-based codec technology and distributed storage technology. As at 31 December 2022, the fair value of the entire unlisted equity securities is approximately RMB112,750,000 (equivalent to approximately HK$126,217,000) *(2021: Nil)* by reference to the valuation provided by an independent professional qualified valuer using discounted cash flow method.

(iv) Profound is a company incorporated in the Cayman Islands with limited liability. Profound and its subsidiaries are principally engaged in the business of biotechnology and new drug research and development. As at 31 December 2022, the fair value of the entire unlisted equity securities is approximately RMB586,500,000 (equivalent to approximately HK$692,035,000) *(2021: approximately RMB595,900,000) (equivalent to approximately HK$705,207,000)*) by reference to the valuation provided by an independent professional qualified valuer using discounted cash flow method. Details of the subscription of Profound were disclosed in the Company's announcement dated 1 December 2021.

23. CRYPTOCURRENCIES

The amounts represented the cryptocurrencies held by the Group as at the end of the reporting period.

	2022 **HK$'000**	2021 HK$'000
Mainstream:		
Ethereum	**35,192**	20,969
Bitcoin	**25,097**	–
USDC	**1,678**	–
	61,967	20,969

Note:

Cryptocurrencies held by the Group are generated from the hash-rate capacity under the intangible assets (note 20) and the cryptocurrency mining machines under property, plant and equipment (note 18), purchased from the cryptocurrency market and received from redemption of a private investment fund . At the end of the reporting period, cryptocurrencies were stated at the lower of cost and net realisable value, except for cryptocurrencies of approximately HK$60,289,000 *(2021: Nil)* which are carried at fair value less cost to sell. The Group estimated the net realisable value of the cryptocurrencies with reference to their market prices in the relevant cryptocurrencies markets less the estimated costs necessary to make the sale. The cost of cryptocurrencies recognised as an expense during the year was approximately HK$52,075,000 *(2021: Nil)*, in respect of which approximately HK$50,356,000 *(2021: HK$Nil)* represents write down of cryptocurrencies to net realisable value.

24. INVENTORIES

	2022	2021
	HK$'000	HK$'000
Raw materials	**14,019**	10,420
Finished goods	**2,878**	5,046
	16,897	15,466

25. LOANS RECEIVABLE

	2022	2021
	HK$'000	HK$'000
Loans receivable from third parties	**246,067**	236,210
Less: Loss allowance	**(142,887)**	(59,808)
	103,180	176,402

At the end of the reporting period, loans receivable comprise:

(i) A RMB90,000,000 loan to an independent third party borrower. The loan was interest-bearing at 8% per annum, repayable in December 2021 and secured by a corporate guarantee provided by an independent third party and a personal guarantee provided by a shareholder of the borrower. In 2021, the loan was extended to be repayable in September 2022 and further secured by a corporate guarantee provided by another independent third party (the "Third Guarantor") and the collateral of the share charges of a company incorporated in the PRC which is 2.4987% owned by the Third Guarantor (the "Loan Extension").

The Loan Extension was subject to certain conditions to be fulfilled by the borrower within 45 days from the date of the Loan Extension, being 16 December 2021 (the "Conditions"), details of which are disclosed in the Company's announcement dated 16 December 2021. By the end of the 45 days, none of the terms under the Conditions was completed and the Loan Extension became ineffective. On 10 February 2022, the Group issued a demand letter to the borrower and the guarantors demanding repayment of the outstanding loans principal and accrued interests. On 14 February 2022, the borrower proposed a new repayment schedule of the outstanding loans and accrued interest thereon. The Group continually issued demand letters to Beijing Aihuan on 24 May 2022 and 10 October 2022, respectively. A partial repayment was made near the end of FY2022. As at the date of this report, no consent to the repayment schedule was reached by both parties.

At the end of the reporting period, the principal of RMB86,000,000 (equivalent to approximately HK$96,272,000) *(2021: RMB90,000,000 (equivalent to approximately HK$110,079,000))* and accrued interest receivable of approximately HK$18,693,000 *(2021: approximately HK$11,497,000)* were recognised as loans receivable under current assets. Loss allowance of approximately HK$114,965,000 *(2021: approximately HK$47,196,000)* in respect of this credit impaired loan receivable had been recognised at the end of the reporting period. Details of the loan were disclosed in the Company's announcements dated 19 December 2019, 18 September 2020, 17 December 2020, 16 December 2021 and 11 February 2022 respectively.

25. LOANS RECEIVABLE *(Continued)*

(ii) A HK$41,000,000 loan to an independent third party borrower which is secured by a corporate guarantee provided by a substantial shareholder of the Company. The loan was interest-bearing at 8% per annum. During the year, accrued interest of approximately HK$2,453,000 was repaid and the principal of HK$41,000,000 was extended to be repayable in June 2023. Pursuant to the extension of the loan agreement, the loan is further secured by accounts receivable of the borrower of approximately HK$18,732,000 as collateral, with other terms remain unchanged.

At the end of the reporting period, the principal of HK$41,000,000 *(2021: HK$41,000,000)* and accrued interest receivable of approximately HK$827,000 *(2021: HK$Nil)* were recognised as loans receivable under current assets. Loss allowance of approximately HK$10,482,000 *(2021: approximately HK$1,577,000)* in respect of this loan receivable had been recognised at the end of the reporting period. Details of the loan were disclosed in the Company's announcements dated 9 December 2019, 12 December 2019, 29 June 2020, 31 December 2020, 31 December 2021 and 30 September 2022 respectively.

(iii) A HK$60,000,000 loan to an independent third party borrower. The loan was secured by corporate guarantees provided by two independent third parties and interest-bearing at 5% per annum. During the year, accrued interest of approximately HK$1,000,000 was repaid and the principal of HK$60,000,000 was extended to be repayable in March 2023. Pursuant to the extension of the loan agreement, the loan is secured by accounts receivable and deposits of the borrower of approximately HK$55,403,000 as collateral, with other terms remain unchanged.

At the end of the reporting period, the principal of HK$60,000,000 *(2021: HK$60,000,000)* and accrued interest receivable of approximately HK$2,756,000 *(2021: approximately HK$756,000)* were recognised as loans receivable under current assets. Loss allowance of approximately HK$14,036,000 *(2021: approximately HK$8,483,000)* in respect of this loan receivable has been recognised at the end of the reporting period. Details of the loan were disclosed in the Company's announcements dated 18 March 2020, 17 June 2020, 30 September 2021 and 1 October 2022 respectively.

(iv) A RMB10,000,000 loan to an independent third party borrower which is unsecured and interest-bearing at 5% per annum and extended to be repayable in March 2023, with other terms remain unchanged. Subsequent to the end of the reporting period, the loan was further extended to be repayable in June 2023, with other terms remain unchanged.

At the end of the reporting period, the principal of RMB10,000,000 (equivalent to approximately HK$11,194,000) *(2021: RMB10,000,000 (equivalent to approximately HK$12,231,000))* and accrued interest receivable of approximately HK$1,160,000 *(2021: approximately HK$647,000)* were recognised as loans receivable under current assets. Loss allowance of approximately HK$3,180,000 *(2021: approximately HK$2,552,000)* in respect of this loan receivable had been recognised at the end of the reporting period.

(v) During the year, a new loan of HK$14,000,000 was granted to an independent third party borrower which is unsecured, interest-bearing at 5% per annum and repayable in April 2023. At the end of the reporting period, the principal of HK$14,000,000 and accrued interest receivable of approximately HK$165,000 were recognised as loans receivable under current assets. Loss allowance of approximately HK$224,000 *(2021: N/A)* in respect of the loan receivable had been recognised at the end of the reporting period.

26. TRADE AND OTHER RECEIVABLES AND PREPAYMENT FOR CONSTRUCTION

	Note	2022 HK$'000	2021 HK$'000
Trade receivables		**91,585**	60,821
Less: Loss allowance		**(15)**	(15)
	(a)	**91,570**	60,806
Receivables from disposal of a subsidiary	(b)	**257**	151,504
Earnest money paid for acquisition of intangible assets	(c)	**63,808**	73,385
Prepayment for acquisition of machines	(d)	**–**	84,179
Deposit paid for acquisition of investment properties	(e)	**26,793**	4,017
Other receivables, net of loss allowance		**3,612**	2,182
Prepayments and deposits	(f)	**271,000**	253,949
Prepayment for construction	(g)	**648**	1,104
		457,688	631,126
Current portion		**423,581**	540,320
Non-Current portion		**34,107**	90,806
		457,688	631,126

Notes:

(a) The ageing analysis of trade receivables (net of loss allowance) by invoice date at the end of the reporting period is as follows:

	2022 HK$'000	2021 HK$'000
0–30 days	**42,238**	21,238
31–60 days	**20,100**	16,921
61–90 days	**7,790**	6,329
Over 90 days	**21,442**	16,318
	91,570	60,806

(b) As at 31 December 2021, receivables from disposal of a subsidiary comprised cash consideration of approximately US$19,424,000 (equivalent to approximately HK$151,504,000) receivable from an independent third party in respect of the disposal of the entire equity interest of Shanghai Indeed. The cash consideration was payable within 5 business days after all inter-company balances in Shanghai Indeed and the Group being settled which was completed before 31 December 2021 and was fully settled in January 2022. Details of the disposal are disclosed in note 29(c).

26. TRADE AND OTHER RECEIVABLES AND PREPAYMENT FOR CONSTRUCTION *(Continued)*

Notes: (Continued)

(c) Earnest money of RMB57,000,000 (equivalent to approximately HK$63,808,000) *(2021: RMB60,000,000 (equivalent to approximately HK$73,385,000))* was paid for the procurement of hash-rate capacity which was recognised as intangible assets of the Group. The earnest money will be refunded to the Group upon settlement of the remaining outstanding payables for the procurement of hash-rate capacity (note 27(c)(i)). During the year ended 31 December 2022, the Group received partial refund of RMB3,000,000 from the supplier. Details of the procurement of hash-rate capacity were disclosed in the Company's announcements dated 14 May 2021, 31 May 2021 and 2 June 2021 respectively.

(d) On 14 September 2021, a direct wholly-owned subsidiary of the Company, Rich Universe International Limited and Inno Century Limited, an independent third party, entered into a sales and purchase agreement for the purchase of cryptocurrency mining machines at a consideration of approximately HK$84,179,000. As at 31 December 2021, consideration of approximately HK$84,179,000 was paid to Inno Century Limited and recognised as prepayment under non-current assets. Details of the acquisition of machines were disclosed in the Company's announcement dated 14 September 2021. During the year ended 31 December 2022, the Group received the cryptocurrency mining machines, which is recognised as property, plant and equipment.

(e) On 31 December 2021, an indirect wholly-owned subsidiary of the Company, Tibetan Crane (Shenzhen) Investment Company Limited* (黑頸鶴(深圳)投資有限公司) and Chengdu Hong Sheng Property Technology Company Limited* (成都洪盛產城科技有限公司), an independent third party, entered into a provisional agreement to acquire a property located in the PRC at a consideration of approximately RMB32,845,000. The property will be held to earn rental income or sell for a profit if considered appropriate. As at 31 December 2021, approximately RMB3,285,000 (equivalent to approximately HK$4,017,000) was paid to Chengdu Hong Sheng Property Technology Company Limited and recognised as prepayment under non-current assets. During the year ended 31 December 2022, the prepayment was refunded to the Group.

During the year ended 31 December 2022, an indirect wholly-owned subsidiary of the Company, Meishan E-rich Shengda Medical Service Co., Ltd* (眉山裕睿盛達醫藥服務有限公司) and Meishan Yaoxingtianxia Business Incubator Co., Ltd* (眉山药行天下創業孵化器有限公司), an independent third party, entered into a provisional agreement to acquire a property located in the PRC at a consideration of approximately RMB24,675,000. The property will be held to earn rental income or sell for a profit if considered appropriate. As at 31 December 2022, approximately RMB23,932,000 (equivalent to approximately HK$26,793,000) *(2021: HK$Nil)* was paid and recognised as prepayment under non-current assets. Subsequent to the end of the reporting period, the Group had completed the acquisition of the property upon obtaining the registration certificate and the property is recognised as an investment property in the consolidated financial statements.

(f) As at 31 December 2022, a total sum of approximately RMB190,082,000 (equivalent to approximately HK$212,786,000) *(2021: approximately RMB194,082,000 (equivalent to approximately HK$237,380,000))* were paid to Zhongda Bocheng Energy Technology (Shenzhen) Limited* (中達博誠能源科技(深圳)有限公司) ("Zhongda Bocheng"), an independent third party as trading deposits for the purchase of cryptocurrency mining machines which will be held for trading purpose. On the other hand, RMB110,000,000 (equivalent to approximately HK$123,139,000) *(2021: RMB110,000,000 (equivalent to approximately HK$134,540,000))* were received from Zhongda Bocheng as a performance bond, which is not available to set-off against the trading deposits aforesaid and recognised as other payables (note 27(c)(ii)). Prepayment of RMB4,000,000 was refunded to the Group during the reporting period. During the year ended 31 December 2022, the Group partially terminated the purchase of cryptocurrency mining machines and the trading deposits of approximately RMB49,977,000 (equivalent to approximately HK$55,946,000) will be refunded to the Group before June 2023 in accordance with the termination agreement signed with Zhongda Bocheng.

For the remaining prepayments of approximately RMB140,105,000 (equivalent to approximately HK$156,840,000), the Group and Zhongda Bocheng entered into an extension agreement during the reporting period to extend the delivery of the cryptocurrency machines to December 2023.

During the year ended 31 December 2022, the Group and an independent third party (the "Vendor"), entered into a corporation agreement for a global sale project. As at 31 December 2022, the Group had paid approximately USD3,200,000 (equivalent to approximately HK$29,496,000) *(2021: HK$Nil)* as earnest money for the project (the "Earnest Money"). On 21 November 2022, the Group and the Vendor entered into a share charge agreement of which the Vendor has agreed to charge all of its interest in a wholly-owned subsidiary in respect of the Earnest Money.

(g) In relation to the construction of US IDC, the Group has entered into a holding escrow agreement with a bank in the United States and the construction company pursuant to which the Group agrees to maintain an amount of US$20,000,000 (equivalent to approximately HK$156,000,000) or the amount due to the construction company, whichever is lower, in the escrow account.

At the end of the reporting period, the Group maintained approximately US$83,000 (equivalent to approximately HK$648,000) *(2021: approximately US$142,000 (equivalent to approximately HK$1,104,000))* in the escrow account.

* *English names for identification purpose only*

27. TRADE AND OTHER PAYABLES

	Note	2022 HK$'000	2021 HK$'000
Trade payables	(a)	**52,748**	31,053
Contract liabilities	(b)	**18,184**	18,026
Other payables	(c)	**269,284**	267,704
Accruals		**20,821**	20,373
		361,037	337,156

Notes:

(a) The ageing analysis of trade payables by invoice date at the end of the reporting period is as follows:

	2022 HK$'000	2021 HK$'000
0–30 days	**42,047**	16,603
31–60 days	**6,338**	3,187
61–90 days	**1,527**	10,136
Over 90 days	**2,836**	1,127
	52,748	31,053

The payment terms with suppliers are generally 30 to 60 days *(2021: 30 to 60 days)*.

(b) The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities from contracts with customers within HKFRS 15 during the year are as follows:

	2022 HK$'000	2021 HK$'000
As at 1 January	**18,026**	5,827
Exchange realignment	**(32)**	19
Recognised as revenue	**(16,645)**	(5,288)
Receipt of advances or recognition of receivables	**16,835**	17,507
Released as other net income	**–**	(39)
As at 31 December	**18,184**	18,026

As at 31 December 2022 and 2021, no contract liabilities are expected to be settled after more than 12 months.

Unsatisfied or partially unsatisfied performance obligations

All the performance obligations that are unsatisfied (or partially unsatisfied) at 31 December 2022 and 2021 are part of contracts that have an original expected duration of one year or less. Given that the Group applies the practical expedient in paragraph 121(a) of HKFRS 15, the transaction price allocated to these performance obligations is not disclosed.

27. TRADE AND OTHER PAYABLES *(Continued)*

Notes: (Continued)

(c) Included in other payables are the following balances:

(i) Outstanding payable of RMB67,000,000 (equivalent to approximately HK$79,748,000) *(2021: RMB82,000,000 (equivalent to approximately HK$97,041,000))* for the procurement of hash-rate capacity, which has been recognised as intangible assets of the Group since the year ended 31 December 2021. The outstanding payable, which is repayable within one year, is not available to set-off against the earnest money of RMB57,000,000 (equivalent to approximately HK$63,808,000) *(2021: RMB60,000,000 (equivalent to approximately HK$73,385,000))* paid for the procurement of hash-rate capacity (note 26(c)).

(ii) A performance bond, which is repayable within one year, received from Zhongda Bocheng in relation to the purchase of cryptocurrency mining machines amounted to RMB110,000,000 (equivalent to approximately HK$123,139,000) *(2021: RMB110,000,000 (equivalent to approximately HK$134,540,000))* (note 26(f)).

(iii) Outstanding payables of approximately HK$44,128,000 *(2021: Nil)* for the purchase of cryptocurrency mining machines, which was recognised as property, plant and equipment of the Group as at 31 December 2022. The outstanding payable is repayable on demand.

28. BANK AND OTHER LOANS

	Note	**2022 HK$'000**	2021 HK$'000
Current and secured			
Bank loans with repayment on demand clause	(a)	**11,194**	12,231
Term loans from banks with repayment on demand clause	(a)	**1,694**	2,149
Current and unsecured			
Other loan	(b)	**–**	30,577
		12,888	44,957
Analysis of the amounts due based on scheduled payment dates set out in the loan agreements (ignoring the effect of any repayment on demand clause) is as follows:			
On demand or within one year		**11,660**	43,264
After one but within two years		**281**	467
After two but within five years		**270**	459
After five years		**677**	767
		12,888	44,957

Notes:

(a) As at 31 December 2022, the bank loans carried variable interest rates ranging from 2.45% to 4.50% *(2021: 2.45% to 4.50%)* per annum. The bank loans are secured by the assets of the Group as set out in note 35.

(b) As at 31 December 2021, other loan represented a short-term loan from a related party, Amrtan Ocean Traditional Chinese Medicine Co. Ltd.* (甘露海中醫有限公司) ("Amrtan Ocean") with principal of RMB25,000,000 (equivalent to approximately HK$30,577,000) which was unsecured, interest-bearing at 5% per annum and repayable on 31 March 2022. An Executive Director and a substantial shareholder of the Company, Mr. Cong Yu, is one of the directors and beneficial owner of Amrtan Ocean. The loan was fully repaid during the year.

* English names for identification purpose only

29. DISPOSAL AND ACQUISITION OF SUBSIDIARIES

(a) Disposal of Lasaruida Investment Consultation Management Company Limited*

During the year ended 31 December 2022, the Group disposed of the entire equity interests in a subsidiary in the PRC, Lasaruida Investment Consultation Management Company Limited* (拉薩睿達投資諮詢管理有限公司) through deregistration which was completed in April 2022.

	2022 HK$'000
Net assets disposed of:	
Reclassification adjustment from equity to profit or loss upon disposal:	
Translation reserves	1,696
Loss on disposal	(1,696)
Consideration received or receivable	–

(b) Disposal of Beijing Yuxing Jiqun Investment Management Company Limited*

During the year ended 31 December 2022, the Group disposed of the entire equity interests in a subsidiary in the PRC, Beijing Yuxing Jiqun Investment Management Company Limited* (北京裕興集群投資管理有限公司) through deregistration which was completed in July 2022.

	2022 HK$'000
Net liabilities disposed of:	
Other payables	(5)
Reclassification adjustment from equity to profit or loss upon disposal:	
Translation reserves	(262)
Gain on disposal	267
Consideration received or receivable	–

* English names for identification purpose only

29. DISPOSAL AND ACQUISITION OF SUBSIDIARIES *(Continued)*

(c) Disposal of Shanghai Indeed

On 28 April 2021, the Group entered into an agreement with Empress Investments Pte. Ltd. ("Empress Investments"), an independent third party, to dispose of 100% of the equity interest of Shanghai Indeed, an indirect wholly-owned subsidiary of the Company, at an aggregate cash consideration of US$68,000,000 (subject to adjustments). The disposal was completed on 3 September 2021. Details are disclosed in the Company's announcement dated 28 April 2021 and the circular dated 26 May 2021.

The assets and liabilities of Shanghai Indeed as at the date of disposal were as follows:

	2021 HK$'000
Net assets disposed of:	
Investment properties	369,147
Prepayment for construction	38,093
Other receivables	235
Cash and bank balances	125,244
Other payables	(5,480)
Deferred tax liabilities	(10,904)
	516,335
Gain on disposal of a subsidiary:	
Cash consideration received or receivable	443,229
Contingent consideration receivable *(Note)*	115,394
Total consideration	558,623
Net assets disposed of	(516,335)
Cumulative exchange gain in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of subsidiary	13,012
Gain on disposal	55,300

29. DISPOSAL AND ACQUISITION OF SUBSIDIARIES *(Continued)*

(c) Disposal of Shanghai Indeed *(Continued)*

Analysis of net inflow/(outflow) of cash and cash equivalents in respect of disposal of businesses during the year ended 31 December 2021:

	2021 HK$'000
Cash consideration received	291,725
Cash and cash equivalents disposed	(125,244)
Net inflow of cash and cash equivalents	166,481

Note:

The contingent consideration receivable represents 27.1951% of the consideration of US$68,000,000 (equivalent to approximately HK$530,400,000) after adjusting for the likelihood of the registration of and obtaining the relevant certificates for the reconstruction project of the land and property held by Shanghai Indeed and the obtaining of the renewed real property certificate from the relevant land authority in the PRC (the "Reconstruction Registration") within 6 months after the date of the agreement. The contingent consideration will be transferred to the Group by Empress Investments within five business days after the receipt of written notice that the Reconstruction Registration is completed and the receipt of the relevant property certificates. If the Reconstruction Registration cannot be obtained after six months or eighteen months after the date of the agreement, Empress Investments will no longer be required to make the payment of the contingent consideration receivable.

The fair value of contingent consideration receivable is derived from the estimated cash consideration to be received by the Group, taken into account the weighted distribution of the possible outcomes (i.e. the likelihood of obtaining the Reconstruction Registration within six months after the date of the agreement) of 80%, estimated by the management of the Group with reference to the up-to-date progress of the Reconstruction Registration at date of disposal. Accordingly, the fair value of the contingent consideration receivable is estimated to be approximately HK$115,394,000, representing 80% of the contingent consideration at date of disposal.

During the year ended 31 December 2021, because of the delay in registration, the time requirement of the Reconstruction Registration was automatically extended to eighteen months after the date of the agreement. During the year ended 31 December 2022, the Group further incurred approximately HK$2,264,000 on relevant consultancy services to complete the Reconstruction Registration. As at 31 December 2022, the Reconstruction Registration was not completed.

(d) Acquisition of HK Orient Phoenix Limited

In December 2022, Yuxing Treasury Limited, an indirect wholly owned subsidiary of the Company, acquired 51% equity interest in HK Orient Phoenix Limited ("HK Orient Phoenix") through share allotment of HK Orient Phoenix, a company aiming to develop distributed storage technology. The Group is expected to develop in the business in cloud-based application from the acquisition of HK Orient Phoenix. Non-controlling interest amounted to approximately HK$5,782,000 was arisen from the acquisition of HK Orient Phoenix.

30. CHANGES IN OWNERSHIP INTERESTS IN A SUBSIDIARY THAT DO NOT RESULT IN A LOSS OF CONTROL

	2021 HK$'000
Net consideration received	–
Disposal of interests in a subsidiary without loss of control	4,176
Difference recognised in equity	4,176

Disposal of interest in a subsidiary without loss of control

On 26 July 2021, the Group disposed of 10% equity interest out of the 100% interest held in China Hunter Limited at a consideration of US$10 (equivalent to approximately HK$78) to an independent third party of the Group. The carrying amount of the non-controlling interests in China Hunter Limited on the date of disposal was net liabilities of approximately HK$4,176,000. This resulted in a decrease in non-controlling interests and an increase in equity attributable to owners of the Company of approximately HK$4,176,000.

31. SHARE CAPITAL

	Number of Shares		Amount	
	2022 '000	2021 '000	**2022 HK$'000**	2021 HK$'000
Authorised:				
At beginning and end of the reporting period				
Ordinary Shares of HK$0.025 each	**8,000,000**	8,000,000	**200,000**	200,000
Issued and fully paid:				
At beginning of the reporting period				
Ordinary Shares of HK$0.025 each	**2,487,705**	2,073,089	**62,193**	51,827
Issue of new Shares *(note 32(a))*	**–**	414,616	**–**	10,366
At end of the reporting period				
Ordinary Shares of HK$0.025 each	**2,487,705**	2,487,705	**62,193**	62,193

32. RESERVES

	Share premium HK$'000 (Note (b)(i))	Statutory reserves HK$'000 (Note (b)(ii))	Contributed surplus HK$'000 (Note (b)(iii))	Share option reserves HK$'000 (Note (b)(iv))	Property revaluation reserves HK$'000 (Note (b)(v))	Translation reserves HK$'000 (Note (b)(vi))	Other reserves HK$'000 (Note (b)(vii))	Retained profits HK$'000	Total HK$'000
As at 1 January 2021	207,499	8,668	234,621	10,423	26,113	46,022	25	1,588,481	2,121,852
Loss for the year	–	–	–	–	–	–	–	(172,495)	(172,495)
Other comprehensive income:									
Exchange differences arising on translation of the PRC subsidiaries	–	–	–	–	–	21,002	–	–	21,002
Release of translation reserves upon disposal of subsidiaries	–	–	–	–	–	(13,012)	–	–	(13,012)
Total other comprehensive income	–	–	–	–	–	7,990	–	–	7,990
Total comprehensive income for the year	–	–	–	–	–	7,990	–	(172,495)	(164,505)
Transactions with owners:									
Contributions and distributions									
Issue of new Shares	72,558	–	–	–	–	–	–	–	72,558
Share options lapsed	–	–	–	(1,475)	–	–	–	1,475	–
Change in ownership interest									
Change in ownership interest in a subsidiary that does not result in a loss of control *(note 30)*	–	–	–	–	–	–	4,176	–	4,176
Total transactions with owners	72,558	–	–	(1,475)	–	–	4,176	1,475	76,734
As at 31 December 2021 and as at 1 January 2022	280,057	8,668	234,621	8,948	26,113	54,012	4,201	1,417,461	2,034,081
Loss for the year	–	–	–	–	–	–	–	(290,118)	(290,118)
Other comprehensive income:									
Revaluation of property, plant and equipment upon transfer to investment properties – Gain on revaluation	–	–	–	–	58,879	–	–	–	58,879
Exchange differences arising on translation of the PRC subsidiaries	–	–	–	–	–	(39,310)	–	–	(39,310)
Release of reserves upon disposal of subsidiaries	–	–	–	–	–	1,434	–	–	1,434
Total other comprehensive income	–	–	–	–	58,879	(37,876)	–	–	21,003
Total comprehensive loss for the year	–	–	–	–	58,879	(37,876)	–	(290,118)	(269,115)
Transactions with owners:									
Contributions and distributions									
Share options lapsed	–	–	–	(8,948)	–	–	–	8,948	–
Total transactions with owners	–	–	–	(8,948)	–	–	–	8,948	–
As at 31 December 2022	**280,057**	**8,668**	**234,621**	**–**	**84,992**	**16,136**	**4,201**	**1,136,291**	**1,764,966**

32. RESERVES *(Continued)*

Notes:

(a) *Issue of new Shares*

Pursuant to subscription agreements dated 30 December 2020, two subscribers which are existing shareholders of the Company subscribed 414,616,000 new Shares at a price of HK$0.20 per Share ("Subscription"). The Subscription was completed on 12 January 2021 and the total proceeds of the Subscription amounted to approximately HK$82,924,000, of which approximately HK$10,366,000 was credited to share capital and the balance of approximately HK$72,558,000 was credited to the share premium account. These Shares rank pari passu with the existing Shares in all respects.

(b) *Nature and purpose of reserves*

(i) Share premium

The application of the share premium account is governed by Section 46(2) of the Companies Act 1981 of Bermuda.

(ii) Statutory reserves

Statutory reserves comprise statutory surplus reserves fund of the subsidiaries in the PRC and form part of shareholders' fund. According to the articles of association of certain subsidiaries, the subsidiaries are required to transfer 10% of the profit after tax to the statutory surplus reserves fund until the fund balance reaches 50% of the registered capital. The transfer to the funds must be made before distributing dividends to Shareholders.

(iii) Contributed surplus

The contributed surplus represents the difference between the underlying net assets of the subsidiaries which were acquired by the Company and the nominal amount of Shares issued by the Company for each acquisition at the time of the Group reorganisation.

Under the Companies Act 1981 of Bermuda, the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

(iv) Share option reserves

The share option reserves comprise the fair value of the actual or estimated number of unexercised share options granted to eligible participants of the Group recognised in accordance with the accounting policy adopted for share-based payments.

32. RESERVES *(Continued)*

Notes: (Continued)

(b) Nature and purpose of reserves (Continued)

(v) Property revaluation reserves

The property revaluation reserves comprise the net changes in fair value arising on the revaluation of properties held for own use upon transfer to investment properties.

(vi) Translation reserves

The translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(vii) Other reserves

The other reserves have been set up and dealt with in accordance with the accounting policies adopted for the changes in ownership interests in subsidiaries that do not result in a loss of control.

33. OTHER CASH FLOW INFORMATION

(a) Changes in liabilities arising from financing activities

Details of the changes in the Group's liabilities from financing activities are as follows:

	Bank and other loans HK$'000	Lease liabilities HK$'000
As at 1 January 2021	139,907	8,859
Additions	–	4,171
Lease modification	–	5,677
Net cash flows	(99,017)	(8,259)
Exchange differences	772	59
Interest accrued	3,295	317
As at 31 December 2021 and as at 1 January 2022	44,957	10,824
Lease modification	–	7
Net cash flows	(29,562)	(7,198)
Exchange differences	(4,572)	(434)
Interest accrued	2,065	285
As at 31 December 2022	**12,888**	**3,484**

(b) Major non-cash transactions

During the year ended 31 December 2022, the Group redeemed two private investment funds and received equity securities delisted from the New York Stock Exchange but traded actively in the Over-The-Counter market in the United States amounted to approximately HK$5,273,000 *(2021: Nil)* and cryptocurrencies amounted to approximately HK$18,257,000 *(2021: Nil)* respectively.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries		**1,849,250**	1,774,697
CURRENT ASSETS			
Prepayments, deposits paid and other receivables		**29,589**	396
Financial assets at fair value through profit or loss		**1,377**	3,950
Pledged bank deposits		**–**	28
Cash and bank balances		**64,687**	164,189
		95,653	168,563
CURRENT LIABILITIES			
Other payables		**3,491**	5,885
Dividend payables		**31**	31
Amounts due to subsidiaries		**1,489,140**	1,419,728
		1,492,662	1,425,644
NET CURRENT LIABILITIES		**(1,397,009)**	(1,257,081)
TOTAL ASSETS LESS CURRENT LIABILITIES		**452,241**	517,616
NON-CURRENT LIABILITIES			
Income tax payable		**8,532**	5,487
NET ASSETS		**443,709**	512,129
CAPITAL AND RESERVES			
Share capital		**62,193**	62,193
Reserves	(a)	**381,516**	449,936
TOTAL EQUITY		**443,709**	512,129

This statement of financial position was approved and authorised for issue by the Board on 23 March 2023 and signed on its behalf by:

Li Qiang
Director

Cong Yu
Director

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

(a) Reserves

	Share premium HK$'000 (note 32(b)(i))	Contributed surplus HK$'000 (note 32(b)(iii))	Share option reserves HK$'000 (note 32(b)(iv))	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2021	207,499	380,621	10,423	(105,593)	492,950
Loss for the year	–	–	–	(115,572)	(115,572)
Total comprehensive loss for the year	–	–	–	(115,572)	(115,572)
Transactions with owners:					
Contributions and distributions					
Issue of new Shares *(note 32(a))*	72,558	–	–	–	72,558
Share options lapsed	–	–	(1,475)	1,475	–
Total transactions with owners	72,558	–	(1,475)	1,475	72,558
As at 31 December 2021 and as at 1 January 2022	280,057	380,621	8,948	(219,690)	449,936
Loss for the year	–	–	–	(68,420)	(68,420)
Total comprehensive loss for the year	–	–	–	(68,420)	(68,420)
Transactions with owners:					
Contributions and distributions					
Share options lapsed	–	–	(8,948)	8,948	–
Total transactions with owners	–	–	(8,948)	8,948	–
As at 31 December 2022	**280,057**	**380,621**	**–**	**(279,162)**	**381,516**

35. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to secure the loan facilities:

	2022	2021
	HK$'000	HK$'000
(a) Investment properties	**66,652**	70,682
(b) Leasehold improvements	**53**	77
(c) Right-of-use assets	**67,001**	70,695
(d) Financial assets at fair value through profit or loss	**1,377**	3,950
(e) Bank deposits	**200**	8,827

36. SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") pursuant to the ordinary resolutions passed by the Shareholders at the special general meeting ("SGM") on 14 January 2015 (the "Option Adoption Date"). The Share Option Scheme is valid for ten years from the Option Adoption Date and shall expire at the close of business on the day immediately preceding the 10 anniversary thereof unless terminated earlier by Shareholders in general meeting.

The purpose of the Share Option Scheme is to enable the Company to grant share options to the selected eligible participants as incentives or rewards for their contribution or potential contribution to the growth and development of the Group.

The Directors may, at their absolute discretion, invite any person belonging to any of the following categories of participants (the "Eligible Participants") to take up share options to subscribe for the Shares:

Category A Eligible Participants

(a) any Director or proposed Director (whether executive or non-executive, including any independent non-executive director), employee or proposed employee (whether full-time or part-time) of any member of the Group or any substantial Shareholder or any company controlled by a substantial Shareholder; or

(b) any individual for the time being seconded to work for any member of the Group or any substantial Shareholder or any company controlled by a substantial Shareholder.

36. SHARE OPTION SCHEME *(Continued)*

Category B Eligible Participants

Any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group and shall include any company controlled by one or more persons belonging to any of the above classes of participants.

Options granted to the Eligible Participants are subject to vesting conditions. Options granted to an eligible participant who has joined the Group for more than three years are subject to a vesting scale in tranches of 40%, 30% and 30% each per annum starting from the date of grant and will become fully vested on the third anniversary of the grant. Options granted to an eligible participant who has joined the Group for less than three years are subject to a vesting scale in tranches of 10%, 20%, 35% and 35% each per annum from the second to the fifth year after the grant and will become fully vested on the fifth anniversary of the grant.

The total number of Shares which may be issued upon the exercise of all share options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total issued share capital of the Company on the Option Adoption Date (the "Scheme Mandate") unless the Company obtains an approval from the Shareholders to renew the 10% limit on the basis that the maximum number of Shares in respect of which share options may be granted under the Share Option Scheme together with any share options outstanding and yet to be exercised under the Share Option Scheme and any other share option schemes shall not exceed 30% of the total issued share capital of the Company from time to time. At the SGM which was held on the Option Adoption Date, the Scheme Mandate was approved by the Shareholders and the total number of Shares that may be allotted and issued under the Share Option Scheme would be 179,211,680 Shares, representing 10% of the total number of Shares in issue as at the Option Adoption Date and 7.20% of the total number of Shares in issue as at the date of this report.

The maximum number of Shares issued and to be issued upon the exercise of the share options granted under the Share Option Scheme and any other share option schemes of the Company to any eligible participant (including cancelled, exercised and outstanding share options), in any 12-month period up to the date of grant shall not exceed 1% of the number of Shares in issue, without prior approval from the Shareholders. Any grant of a share option to a Director, chief executive of the Company or substantial Shareholder (or any of their respective associates) must be approved by the Independent Non-Executive Directors. Where any grant of share options to a substantial Shareholder or an Independent Non-Executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon the exercise of the share options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of the Company (including share options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant: (i) representing in aggregate over 0.1% of the Shares in issue; and (ii) having an aggregate value, based on the closing price of the Shares at each date of grant, in excess of HK$5,000,000, such further grant of share options is required to be approved by the Shareholders in general meeting.

36. SHARE OPTION SCHEME *(Continued)*

Category B Eligible Participants *(Continued)*

An offer for the grant of share options must be accepted within 30 days inclusive of the day on which such offer was made. The amount payable by the grantee of a share option to the Company on acceptance of the offer for the grant of a share option is HK$1.0. A share option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period commencing on such date on or after the date on which the share option is granted as the Board may determine in granting the share options and expiring at the close of business on such date as the Board may determine in granting the share options but in any event shall not exceed ten years from the date of grant (which is the date of offer of grant if the offer for the grant of the share options is accepted). The exercise price of the share option is to be determined by the Board provided always that it shall be at least the higher of: (i) the closing price of the Shares on the date of offer of grant; and (ii) the average closing price of the Shares for the five business days immediately preceding the date of offer of grant, provided that the option price per Share shall in no event be less than the nominal amount of the Shares.

On 30 August 2019, the Company offered to grant 11 eligible participants to subscribe for a total of 100,000,000 ordinary Shares of HK$0.025 each in the capital of the Company at an exercise price HK$0.33 per Share (the "2019 Share Options"). The 2019 Share Options are exercisable up to three years from the date of grant. As there is no vesting condition for the 2019 Share Options, they were vested immediately at the date of grant. As a result, non-cash share-based compensation expenses in respect of all the 2019 Share Options of approximately HK$10,481,000 was recognised as expense by the Group with the same amount credited to share option reserves under equity for the year ended 31 December 2019. For details of the terms of the 2019 Share Options, please refer to the Company's announcement dated 30 August 2019. As at the beginning and as at the end of the reporting period, 79,112,680 Shares were available for grant under the Share Option Scheme.

No share options were exercised and granted during the years ended 31 December 2022 and 2021.

(a) Movements in share options outstanding:

	Number of share options outstanding	
	2022	2021
At beginning of the reporting period	**85,000,000**	99,000,000
Lapsed during the year	**(85,000,000)**	(14,000,000)
At end of the reporting period	**–**	85,000,000

(b) Terms of vested and unexercised share options at the end of the reporting period:

Date of grant	Exercisable period	Exercise price per Share	Number of share options	
		HK$	**2022**	2021
30.08.2019	30.08.2019–29.08.2022	0.33	–	85,000,000

36. SHARE OPTION SCHEME *(Continued)*

(c) Details of share options granted

Details of the movements of the 2019 Share Options granted to subscribe for the Shares are as follows:

For the year ended 31 December 2022

Name of grantees	Date of grant	Exercise price per Share HK$	Exercisable period	Number of Shares issuable under the share options Outstanding as at 1 January 2022	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2022
2019 Share Options								
Directors								
Mr. Li Qiang	30.08.2019	0.33	30.08.2019–29.08.2022	2,000,000	–	–	(2,000,000)	–
Mr. Gao Fei	30.08.2019	0.33	30.08.2019–29.08.2022	2,000,000	–	–	(2,000,000)	–
Mr. Shi Guangrong	30.08.2019	0.33	30.08.2019–29.08.2022	13,000,000	–	–	(13,000,000)	–
Mr. Zhu Jiang	30.08.2019	0.33	30.08.2019–29.08.2022	13,000,000	–	–	(13,000,000)	–
Ms. Shen Yan	30.08.2019	0.33	30.08.2019–29.08.2022	1,000,000	–	–	(1,000,000)	–
Ms. Dong Hairong	30.08.2019	0.33	30.08.2019–29.08.2022	2,000,000	–	–	(2,000,000)	–
Continuous contract employees	30.08.2019	0.33	30.08.2019–29.08.2022	33,000,000	–	–	(33,000,000)	–
Other eligible participants								
Service providers	30.08.2019	0.33	30.08.2019–29.08.2022	19,000,000	–	–	(19,000,000)	–
				85,000,000	–	–	(85,000,000)	–
Weighted average exercise price (HK$)				0.33	–	–	0.33	–

36. SHARE OPTION SCHEME *(Continued)*

(c) Details of share options granted *(Continued)*

For the year ended 31 December 2021

Name of grantees	Date of grant	Exercise price per Share HK$	Exercisable period	Outstanding as at 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2021
				Number of Shares issuable under the share options				
2019 Share Options								
Directors								
Mr. Li Qiang	30.08.2019	0.33	30.08.2019–29.08.2022	2,000,000	–	–	–	2,000,000
Mr. Gao Fei	30.08.2019	0.33	30.08.2019–29.08.2022	2,000,000	–	–	–	2,000,000
Mr. Shi Guangrong	30.08.2019	0.33	30.08.2019–29.08.2022	13,000,000	–	–	–	13,000,000
Mr. Zhu Jiang	30.08.2019	0.33	30.08.2019–29.08.2022	13,000,000	–	–	–	13,000,000
Ms. Shen Yan	30.08.2019	0.33	30.08.2019–29.08.2022	1,000,000	–	–	–	1,000,000
Ms. Dong Hairong	30.08.2019	0.33	30.08.2019–29.08.2022	2,000,000	–	–	–	2,000,000
Continuous contract employees	30.08.2019	0.33	30.08.2019–29.08.2022	47,000,000	–	–	(14,000,000)	33,000,000
Other eligible participants								
Service providers	30.08.2019	0.33	30.08.2019–29.08.2022	19,000,000	–	–	–	19,000,000
				99,000,000	–	–	(14,000,000)	85,000,000
Weighted average exercise price (HK$)				0.33	–	–	0.33	0.33

Notes:

(i) The closing price of the Shares was HK$0.315 as quoted on the Stock Exchange on the trading day immediately before the date of grant of the 2019 Share Options.

(ii) 85,000,000 *(2021: 14,000,000)* share options were lapsed according to the terms of the Share Option Scheme during the year under review.

36. SHARE OPTION SCHEME *(Continued)*

(d) The non-cash share-based payment in respect of the 2019 Share Options for the year ended 31 December 2022 was HK$Nil *(2021: HK$Nil)*. The cost of share options granted is estimated on the date of the grant using the Binomial Model with the following parameters:

Date of grant	**30 August 2019**
Number of Shares issuable under options granted	100,000,000
Exercise price	HK$0.33
Fair value at the date of grant	HK$0.06 – HK$0.11
Risk-free interest rate based on the yields of	
(a) the 5-year Exchange Fund Notes	N/A
(b) the 6-month and 3-year Exchange Fund Notes	1.47% – 2.13%
Expected volatility#	54% – 77%
Expected dividend yield	0%
Expected life	0.5 year to 3 years

\# The expected volatility of the underlying stock is assumed to be constant during the life of the share options. It was estimated with reference to the historical volatility in similar life of the share options.

37. RETIREMENT BENEFITS SCHEME

The Group operates a MPF for all eligible employees in Hong Kong. The assets of the MPF are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of the relevant payroll costs of each eligible employee to the MPF, subject to a maximum amount of HK$1,500 per month. Since 1 July 2017, the Group has made voluntary contributions to the MPF for executive Directors and senior management up to 5% of their relevant monthly income.

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefits scheme operated by the government of the PRC. The subsidiaries are required to contribute certain percentage of their payroll costs to the retirement benefits scheme to fund the benefits. The principal obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions. At the end of the reporting period, there was no forfeited contribution available to reduce the contribution payable in future years.

The Group has made voluntary contributions to the 401(K) retirement plan for all eligible employees in the United States since 1 August 2020. The group contributes up to 6% of the relevant monthly income of each eligible employee to the plan. The assets of the pension fund are held separately from those of the Group in funds under the control of trustees.

The total cost charged to profit or loss of approximately HK$4,224,000 for the year ended 31 December 2022 *(2021: approximately HK$4,659,000)* represents contributions paid and payable to these schemes by the Group in respect of the current year.

38. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

During the year, the Group had the following transactions with related parties:

	2022 HK$'000	2021 HK$'000
Amrtan Ocean, a company which the Executive Director and substantial shareholder of the Company, Mr. Cong Yu, is one of its directors and beneficial owner		
– Loan advanced to the Group	–	30,577
– Interest expenses	**1,492**	1,596
Mr. Zhu Weisha, a substantial shareholder of the Company		
– Consultancy fee expenses	**1,977**	2,464

(b) Key management compensation

The emoluments of the Directors and other members of key management during the year are as follows:

	2022 HK$'000	2021 HK$'000
Salaries	**9,016**	8,684
Discretionary bonus	**1,200**	1,500
Housing and other allowances	–	–
Retirement benefits scheme contributions	**394**	368
	10,610	10,552

39. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2022 are as follows:

Name of subsidiary	Place of incorporation/ kind of legal entity	Principal activities/ place of operation	Particulars of issued and paid-up capital	Interest held
Direct subsidiaries:				
Billion State Limited	British Virgin Islands ("BVI")/ limited liability company	Trustee/Hong Kong ("HK")	100 ordinary shares of US$1 each	100%
Yuxing Capital Limited	BVI/limited liability company	Investment holding/HK	100 ordinary shares of US$1 each	100%
Yuxing Treasury Limited	BVI/limited liability company	Investment holding/HK	100 ordinary shares of US$1 each	100%
Cloud Rich Holdings Limited	BVI/limited liability company	Investment holding/HK	100 ordinary shares of US$1 each	100%
Yuxing Group (International) Limited	BVI/limited liability company	Investment holding/the PRC and HK	2,000 ordinary shares of US$1 each	100%
Wealthy Well Limited	Cayman Islands/ limited liability company	Investment/HK	100 ordinary shares of US$1 each	100%
Golden Rich Asia Investment Limited	HK/limited liability company	Investment holding/HK	1 ordinary share of HK$1	100%
HyBroad Vision Holdings Limited	HK/limited liability company	Investment holding/HK	1 ordinary share of HK$1	100%
Noble Rich Investment Limited	HK/limited liability company	Investment holding/HK	100 ordinary shares of HK$1 each	100%
Rich Universe International Limited	HK/limited liability company	Investment/HK	100 ordinary shares of HK$1 each	100%
Full Profit Enterprises Limited	BVI/limited liability company	Investment/HK	100 ordinary shares of US$1 each	100%
Grand Choice Developments Limited	BVI/limited liability company	Investment/HK	1 ordinary share of US$1	100%
Indirect subsidiaries:				
Harmony Wealthy Investments Limited	BVI/limited liability company	Investment/HK	1 ordinary share of US$1	100%
Up Spacious Global Investments Limited	BVI/limited liability company	Trading of securities/HK	3 ordinary shares of US$1 each	100%

39. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ kind of legal entity	Principal activities/ place of operation	Particulars of issued and paid-up capital	Interest held
Indirect subsidiaries: *(Continued)*				
Yield Lasting Investments Limited	BVI/limited liability company	Property holding/HK	1 ordinary share of US$1	100%
Cloud Digit Investment LP	BVI/limited partnership	Investment/HK	HK$60,000,000	100%
RiCloud Corp.	The United States/limited liability company	IDC/the United States	100 common stock of US$0.01 each	100%
Cloud Digital Co., Limited	HK/limited liability company	IDC/HK	100 ordinary shares of HK$1 each	100%
HyBroad Vision (HK) Technology Company Limited	HK/limited liability company	Trading and distribution of IHA and electronic components/HK	10,000,000 ordinary shares of HK$1 each	100%
Yuxing Technology Company Limited	HK/limited liability company	Trading and distribution of IHA and electronic components and investment holding/HK	2 ordinary shares of HK$1 each	100%
HK Orient Phoenix Limited	HK/limited liability company	Technology development and software design/HK	10,000,000 ordinary shares of RMB1 each	51%
Shenzhen Orient Phoenix Limited	The PRC/limited liability company	Technology development and software design/ the PRC	RMB10,000,000	51%
Beijing E'rich Investment Management Co., Ltd*	The PRC/domestic wholly owned enterprise	Investment consultancy/ the PRC	RMB14,000,000	100%
Beijing Yuxing Software Company Limited*	The PRC/foreign wholly owned enterprise	Research and development ("R&D") and software design/the PRC	HK$15,000,000	100%
Guangdong HyBroad Vision Electronics Technology Company Limited*	The PRC/domestic equity joint venture	Manufacturing, distribution and sales of IHA and R&D and software design/ the PRC	RMB90,000,000	100%
Zhongshan HyBroad Vision Trading Company Limited*	The PRC/domestic wholly owned enterprise	Trading and distribution of IHA and electronic components/the PRC	RMB5,000,000	100%

39. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ kind of legal entity	Principal activities/ place of operation	Particulars of issued and paid-up capital	Interest held
Sheng Bang Qiang Dian Electronics (Zhongshan) Company Limited*	The PRC/foreign wholly owned enterprise	Property holding/the PRC	RMB123,000,000	100%
Tibetan Crane (Shenzhen) Investment Company Limited*	The PRC/domestic wholly owned enterprise	Investment consultancy/ the PRC	RMB74,400,000	100%
Beijing 5th Forces Technology Ltd*	The PRC/domestic wholly owned enterprise	Technology development and software design/the PRC	RMB13,265,176	100%

The above table contains only the particulars of subsidiaries of the Company which principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would result in particulars of excessive length.

40. CAPITAL COMMITMENT

There was no capital commitment as at 31 December 2022. On 31 December 2021, an indirect wholly-owned subsidiary, Tibetan Crane (Shenzhen) Investment Company Limited* (黑頸鶴(深圳)投資有限公司) and Chengdu Hong Sheng Property Technology Company Limited* (成都洪盛產城科技有限公司), an independent third party, entered into a provisional agreement to acquire a property located in the PRC at a consideration of approximately RMB32,845,000. Details of the agreement are disclosed in note 26(e). As at 31 December 2021, approximately RMB3,285,000 (equivalent to approximately HK$4,017,000) was paid to Chengdu Hong Sheng Property Technology Company Limited and recognised as prepayment under non-current assets. As at 31 December 2021, the Group had remaining capital commitment in respect of the aforesaid acquisition of approximately RMB29,561,000 (equivalent to approximately HK$36,156,000). The provisional agreement was terminated during the year ended 31 December 2022.

* English names for identification purpose only

PARTICULARS OF PROPERTIES

Location	Usage	Tenure	Attributable interest of the Group
Investment properties			
Yuxing Industrial Park, Yanjiang Road East, Torch Development Zone, Zhongshan, the PRC	An industrial complex for rental and/or capital appreciation	Medium-term	100%
6580 Via Del Oro, San Jose, California, the United States	Internet data centre for rental and/or capital appreciation	Freehold interest	100%
Land and Building			
Land Register of Baden-Baden, Sheet 5320 district of Baden-Baden, parcel of land 256019, yard and building space, zeppe-linstraBe 5, Germany	Office complex	Freehold interest	100%