ENTERPRISE DEVELOPMENT
HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1808

ANNUAL REPORT 2023

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Yu Hui *(Chief Executive Officer)*
Li Zhuoyang
Liu Yang

Independent Non-executive Directors

Cai Jinliang
Chin Hon Siang
Chen Kwok Wang

COMPANY SECRETARY

Chan Yuen Ying, Stella

AUTHORISED REPRESENTATIVES

Li Zhuoyang
Chan Yuen Ying, Stella

AUDIT COMMITTEE

Cai Jinliang *(Committee Chairman)*
Chin Hon Siang
Chen Kwok Wang

REMUNERATION COMMITTEE

Chin Hon Siang *(Committee Chairman)*
Cai Jinliang
Li Zhuoyang

NOMINATION COMMITTEE

Chin Hon Siang *(Committee Chairman)*
Cai Jinliang
Li Zhuoyang

AUDITOR

BOFA CPA Limited

REGISTERED OFFICE

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Hutchins Drive
P.O. Box 2681
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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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18 Fenwick Street/46 Gloucester Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586, Gardenia Court
Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Two Chinachem Exchange Square
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Hong Kong

PRINCIPAL BANKER

Bank of Communications Co., Ltd.

STOCK CODE

1808

COMPANY WEBSITE

www.1808.com.hk

EXECUTIVE DIRECTOR'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors", each a "Director") of Enterprise Development Holdings Limited (the "Company"), I present herewith the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2023.

For the financial year ended 31 December 2023, the Group recorded the consolidated net profit attributable to equity shareholders of the Company of approximately RMB5.6 million as compared to the consolidated net loss attributable to equity shareholders of the Company of approximately RMB22.3 million in the last corresponding year. The Group's profit for the year ended 31 December 2023 was mainly a combined effect of, including but not limited to, (i) the distribution expenses of approximately RMB15.9 million; (ii) the general and administrative expenses of approximately RMB22.6 million; and (iii) loss allowance on contract assets and trade and other receivables of approximately RMB7.3 million; and net off by (i) gross profit of approximately RMB26.0 million; and (ii) gain on disposal of financial assets at fair value through profit or loss of approximately RMB23.9 million. For the year ended 31 December 2023, the Group recorded a gross profit of approximately RMB26.0 million. The gross profit ratio for the software business of the Group during the year was approximately 43% which is similar to the last corresponding year. The stable gross profit margin was mainly attributable to the transformation period of the software business, combined with the enhanced professional service sales resulting in an increase in stable sales of self-developed products and software maintenance services during both financial years.

Despite the economic landscape and environment remained challenging as result from the post negative influence of Pandemic in the society and domestic economy, China's economy shows gradual recovery after COVID reopening. The software business of the Group was benefited from the all-round improvement in management, and the transformation of software business has started to yield result, therefore, the software business was recovered gradually in 2023 compared with the corresponding period in 2022. The Group is continuing to maintain its competitiveness in 2023 by putting great effort to embrace the opportunities of localization, introduction of new products and services and enhancing collaborative partnerships with clients etc..

Looking ahead to 2024, in spite of the challenges imposed by the unfavourable business environment, we believe that the market will gradually step out of the Pandemic and return to normality. Chinese economy is expected to keep a good momentum of steady growth. From the software market in the PRC, we will keep attention to alignment government's localization policy for the database software business and focusing on the domestic-produced database service. The Company expects that on a long-term basis, in line with the national policy of information technology self-sufficiency, there will be more PRC-based customers switching to the domestic brand when seeking for database software service providers. With the in-depth reform and transformation, it is expected that the software business in the future will see more business opportunities along with replacement and popularization of domestic products.

For the sake of enhancing the return to the shareholders of the Company ("Shareholders"), the Group will continue to explore potential integration opportunities for the Group's existing IT services, strengthen project management practice, put the best effort on the Group's growth opportunities and increasing our competitive advantage to facilitate the long-term business development of the Group.

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation for the full support of all Shareholders, the wholehearted cooperation of business partners and the diligent work of the staff, we will commit and continue to do our best to achieve excellent results in the future.

Li Zhuoyang
Executive Director

Hong Kong, 28 March 2024

BIOGRAPHIES OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Yu Hui (**"Mr. Yu"**), aged 60, was appointed as an executive Director and the chief executive officer of the Company on 26 October 2023. Mr. Yu, with a Master's degree in economics, is a digital government and digital economy professional. He served as the dean of technology research institution of Fujian Xingyun Big Data Application Service Co., Ltd.*, chief architect of Fujian Big Data Co., Ltd.*, and president of Fujian Start Group Co., Ltd.*. Mr. Yu organized and participated in research and development of over 20 patents in IT software such as big data, internet of things (IoE) and blockchain etc. and has deep knowledge and extensive practical experience in areas of cloud network edge, data elementization and digital government construction. Mr. Yu graduated from Xiamen University with a Master's degree in economics, specialising in global economics in 1999.

Ms. Li Zhuoyang (**"Ms. Li"**) (formerly, Li Yueqiu), aged 49, was appointed as an executive Director on 24 May 2021. She is also a member of each of the nomination committee (the "Nomination Committee") and the remuneration committee (the "Remuneration Committee") of the Company. Ms. Li obtained a Bachelor's degree from Southwestern University of Finance and Economics in December 1998. She is currently an EMBA student at China Europe International Business School. Ms. Li has joined 北京東方龍馬軟件發展有限公司 (Beijing Orient LegendMaker Software Development Co., Ltd.*) ("Beijing Orient LegendMaker"), a non wholly-owned subsidiary of the Company since 2000. She was a director of Beijing Orient LegendMaker, a legal representative and an executive director of each of 上海東方龍馬技術有限公司 (Shanghai Orient LegendMaker Technology Co., Ltd.*) and 成都東方龍馬信息產業有限公司 (Chengdu Orient LegendMaker Information Industry Co., Ltd.*), all are non wholly-owned subsidiaries of the Company, and a legal representative of the Guangzhou Branch of Beijing Orient LegendMaker. Ms. Li has been a legal representative, chairman and president of Beijing Orient LegendMaker since 2019.

Mr. Liu Yang (**"Mr. Liu"**), aged 39, was appointed as an executive Director on 28 April 2023. He was an executive director and chief executive officer of Kingwisoft Technology Group Company Limited (the shares of which are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), stock code: 8295) during June 2022 to March 2023. He worked as a co-president in ZZ Capital Management Limited 中植資本管理有限公司 during August 2013 to June 2022. Mr. Liu obtained a Bachelor's degree in management from Renmin University of China in 2008 and he has been a certified public accountant in China since 2011. Mr. Liu has more than 10 years of experience in enterprise management and investment and accounting industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cai Jinliang (**"Mr. Cai"**), aged 54, was appointed as an independent non-executive Director on 24 August 2020. He is also the chairman of the audit committee of the Company (the "Audit Committee"), and a member of each of the Remuneration Committee and the Nomination Committee.

Mr. Cai was graduated from Gannan Normal University in July 1989, majoring in Mathematics and obtained a Master degree of Business Administration and a Postgraduate Degree from Northwest Polytechnical University in September 2006. He has been a certified public accountant in China since August 2008 and has more than 15 years of practicing experience and obtained the qualification of a certified internal auditor, certification in control self-assessment and an independent director in the Shanghai Stock Exchange. Mr. Cai joined Wuyige Certified Public Accountants LLP in October 2012 and has been a partner and department manager since April 2018. He had been a senior project manager and a manager in RSM China LLP (now known as Ruihua Certified Public Accountants) during the period from 2006 to September 2012. Mr. Cai has been an independent director, and the convener of the board of directors and the audit committee of Fujian Start Group Co., Ltd. ("Fujian Start") (a company listed on the Shanghai Stock Exchange; stock code: 600734) since September 2018.

According to the announcement of Fujian Start made on 8 April 2022 (the "Fujian Start Regulatory Announcement"), 中國證券監督管理委員會福建監管局 (China Securities Regulatory Commission (Fujian)*) ("CSRC") concluded after investigation that Fujian Start failed to make accurate disclosure (i) in relation to its financial statements of 2018 (the "Fujian Start FY2018 Financial Statements"), which contained inflated recorded revenue and costs of sales of one of its subsidiaries; and (ii) in relation to its financial statement of 2019 (the "Fujian Start FY2019 Financial Statements"), which contained inflated net profits and net assets of Fujian Start as a result of inaccurate impairment valuation assessment. CSRC considered that the relevant directors of Fujian Start, including Mr. Cai, who was then an independent director of Fujian Start, failed to exercise proper due diligence to ensure true, accurate and complete disclosure of the financial conditions of Fujian Start in the Fujian Start FY2018 Financial Statements and Fujian Start FY2019 Financial Statements and hence had breached the applicable securities laws in the PRC. According to the Fujian Start Regulatory Announcement, CSRC issued a warning against the relevant directors of Fujian Start, including Mr. Cai, and imposed penalty in the amount of RMB90,000 (as confirmed by the announcement of CSRC issued on 8 December 2022) against Mr. Cai.

He had conducted the audit work on the annual reports of Shandong Xinneng Taishan Power Generation Co., Ltd. (a company listed on the Shenzhen Stock Exchange; stock code: 720), Xinyangfeng Agricultural Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange; stock code: 902), Metallurgical Corporation of China Ltd. (a company listed on both the Shanghai Stock Exchange and the Stock Exchange; stock code: 601618, 01618), China Huaneng Group Co., Ltd., Great Wall Securities Co., Ltd (a company listed on the Shenzhen Stock Exchange; stock code: 2939) and Yintai Securities Co., Ltd., and has extensive experience in auditing annual report, significant assets restructuration and special audit on state-owned enterprises and listed companies. Mr. Cai performed internal audits according to corporate internal control standards of Datang International Power Generation Co., Ltd. (a company listed on both the Shanghai Stock Exchange and the Stock Exchange; stock code: 601991, 991) and Angang Steel Company Limited (a company listed on both the Shenzhen Stock Exchange and the Stock Exchange; stock code: 898, 347), provided consultation services on the establishment of internal control system of Xinjiang Bayi Iron & Steel Group Co., Ltd. (a company listed on the Shanghai Stock Exchange; stock code: 600581) and has extensive experience in internal audit, evaluation and system construction consulting services.

Mr. Chin Hon Siang (**"Mr. Chin"**), aged 54, was appointed as an independent non-executive Director on 26 May 2021. He is also the chairman of each of the Remuneration Committee and the Nomination Committee, and a member of the Audit Committee. Mr. Chin holds a Bachelor of Commerce Degree from Monash University, Australia. He is a member of CPA Australia. He has over 20 years of experience in external auditing, merger and acquisition and corporate finance.

Mr. Chin served as the financial controller of Zhong Ji Longevity Science Group Limited (a company listed on the Main Board of the Stock Exchange; stock code: 767) from 10 September 2021 to 25 March 2022. He served as an independent non-executive director of Pine Capital Group Limited (a company formerly listed on the Catalist Board of the Singapore Exchange until 28 January 2022; stock code: ADJ.SI) from January 2020 to July 2020. He had also served as an independent non-executive director of Blockchain Group Company Limited (a company incorporated in the Cayman Islands with limited liability and formerly listed on the Main Board of the Stock Exchange until 10 August 2021; stock code: 00364) from July 2016 to July 2018. Blockchain Group Company Limited was principally engaged in the manufacture and sale of raw teas, refined teas and other related products in the PRC and was ordered to be wound up by the High Court of Hong Kong on 19 November 2018. Mr. Chin also served as an independent non-executive director of Rentian Technology Holdings Limited (a company incorporated in the Cayman Islands with limited liability and formerly listed on the Main Board of the Stock Exchange until 29 May 2022; stock code: 00885) from October 2015 to January 2021. Rentian Technology Holdings Limited was the controlling shareholder (as defined under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) of the Company which is principally engaged in the businesses of (i) the provision of integrated smart internet-of-things solutions to enterprise customers; (ii) human-machine interactive devices; (iii) intelligent documentation service; (iv) securities investment; and (v) money lending and was ordered to be wound up by the High Court of Hong Kong on 21 October 2020. Mr. Chin confirmed that he is not a party of such winding up proceedings and is not aware of any actual or potential claim that has been or will be made against him as a result of the above. He served as the Chief Financial Officer of Asia Green Agriculture Corp (a company formerly listed on the Over-the-Counter Bulletin Board in the United States of America; stock code: AGAC) from September 2012 to August 2015, the Chief Finance Manager of Dukang Distillers Holdings Limited (a company formerly listed on Singapore Exchange and Taiwan Stock Exchange Corporation; stock code: GJ8.SI and 911616.TW) from May 2010 to March 2012 and the Chief Financial Officer of United Food Holdings Limited (a company listed on Singapore Exchange; stock code: AZR.SI) from September 2002 to April 2010.

Mr. Chen Kwok Wang (**"Mr. Chen"**), aged 61, was appointed as an independent non-executive Director on 9 December 2021. He is also a member of the Audit Committee. Mr. Chen is currently a partner of Fairbairn Catley Low & Kong. He has been admitted as a solicitor of the High Court since 2005 and a member of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) since February 1990. Mr. Chen obtained a Master degree of Business Administration in December 1997 from the University of Hong Kong. He also obtained his Bachelor of Laws from the University of Wolverhampton in February 2002 and his Postgraduate Certificate in Laws from the University of Hong Kong in June 2003.

Mr. Chen had been an independent non-executive director of Wai Chi Holdings Company Limited (a company listed on the main board of the Stock Exchange; stock code: 1305) from 11 March 2014 to 31 October 2023 and an independent director of Fujian Start Group Co., Ltd (a company listed on the Shanghai Stock Exchange; stock code: 600734) from 20 May 2014 to 27 March 2022.

According to the Fujian Start Regulatory Announcement, CSRC concluded after investigation that Fujian Start failed to make accurate disclosure (i) in relation to the Fujian Start FY2018 Financial Statements, which contained inflated recorded revenue and costs of sales of one of its subsidiaries; and (ii) in relation to Fujian Start FY2019 Financial Statements, which contained inflated net profits and net assets of Fujian Start as a result of inaccurate impairment valuation assessment. CSRC considered that the relevant directors of Fujian Start, including Mr. Chen, who was then an independent director of Fujian Start, failed to exercise proper due diligence to ensure true, accurate and complete disclosure of the financial conditions of Fujian Start in the Fujian Start FY2018 Financial Statements and Fujian Start FY2019 Financial Statements and hence had breached the applicable securities laws in the PRC. According to the Fujian Start Regulatory Announcement, CSRC issued a warning against the relevant directors of Fujian Start, including Mr. Chen, and imposed penalty in the amount of RMB30,000 (as confirmed by the announcement of CSRC issued on 8 December 2022) against Mr. Chen.

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2023, the Group recorded the revenue of approximately RMB60,646,000 (2022: RMB47,909,000), of which revenue mainly comprised (i) software maintenance and other services amounted to approximately RMB36,251,000 (2022: RMB34,218,000); and (ii) sale of software license and other products amounted to approximately RMB24,395,000 (2022: RMB13,691,000). The increase in overall revenue for the software business rose 25.4% year on year to RMB60,084,000 driven largely by the improvement in operating performance of the Group resulted from the recovery from the negative impact of COVID-19.

Gross Profit

For the year ended 31 December 2023, the Group recorded a gross profit of approximately RMB26,045,000 (2022: RMB20,816,000). The gross profit ratio for the software business of the Group during the year was approximately 43% which is similar to the last corresponding year. The stable gross profit margin was mainly attributable to the transformation period of the software business, combined with the enhanced professional service sales resulting in an increase in stable sales of self-developed products and software maintenance services during the both financial years.

Distribution Expenses

For the year ended 31 December 2023, distribution expenses were approximately RMB15,918,000 (2022: RMB14,475,000). The increase in distribution expenses was mainly due to the increase in staff costs and travelling expenses of the software business in the PRC during the year.

General and Administrative Expenses

For the year ended 31 December 2023, general and administrative expenses were approximately RMB22,573,000 (2022: RMB16,849,000). The increase in general and administrative expenses was attributable to the increase in staff costs, professional fee, travelling expenses and transactions cost on trading of listed equity securities.

Finance Costs

For the year ended 31 December 2023, finance costs were approximately RMB918,000 (2022: RMB877,000). The increase in finance costs was due to the increase in interest expenses on interest-bearing borrowings during the year.

Change in Fair Value and Gain on Disposal of Financial Assets at Fair Value Through Profit or Loss

The Group invested in various financial instruments for short-term investments, including the equity securities listed in Hong Kong and the United States. During the year ended 31 December 2023, fair value gain on financial assets at fair value through profit or loss of approximately RMB330,000 (2022: loss of RMB9,074,000) was recognised in profit or loss, and recorded net gain on disposal of financial assets at fair value through profit or loss of approximately RMB23,854,000 (2022: RMB8,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax

Income tax credit of the Group for the year ended 31 December 2023 amounted to approximately RMB397,000 (2022: RMB2,655,000). The income tax credit is mainly due to the reversal of overprovision of income tax in the PRC in respect of prior years recognised in the years ended 31 December 2023 and 2022.

Profit for the Year

As a result, the Group recorded a profit for the year ended 31 December 2023 of approximately RMB3,801,000 (2022: loss of RMB25,014,000).

Liquidity and Financial Resources

The Group's working capital is funded by the cash generated from operating and financing activities. As at 31 December 2023, the Group maintained cash and cash equivalents amounted to approximately RMB177,805,000 (2022: RMB101,036,000). As at 31 December 2023, the Group's current ratio was approximately 7.69 times (2022: 5.67 times); and the Group's net gearing ratio as at 31 December 2023 was not applicable (2022: not applicable), since the Group had cash in excess of interest-bearing borrowings.

Foreign Exchange

The Group's revenue is mainly denominated in Renminbi and no related hedge is required for the time being.

Pledge of Assets

As at 31 December 2023 and 2022, the Group had no pledge of assets in order to obtain general banking facilities or short-term bank borrowings.

Capital Increase in Beijing Orient LegendMaker Software Development Co., Ltd. ("Beijing Orient LegendMaker")

On 4 November 2022, the Company entered into a capital increase agreement (the "Capital Increase Agreement") with Beijing Orient LegendMaker and Oriental Legend Maker Technology Ltd. ("OLM"), an indirect non-wholly owned subsidiary of the Company, pursuant to which, the Company agreed to carry out the increase in capital by the Company in Beijing Orient LegendMaker with an investment amount of RMB12.85 million (the "Capital Increase"), representing approximately 10.46% of the equity in Beijing Orient LegendMaker following the completion of the Capital Increase. The completion of the Capital Increase was taken place in February 2023.

Before the Capital Increase, Beijing Orient LegendMaker was wholly owned by OLM, a company 60% owned by the Company. Upon completion of the Capital Increase, the Company directly holds approximately 10.46% interests in Beijing Orient LegendMaker and OLM holds approximately 89.54% interests in Beijing Orient LegendMaker, such that the Company holds approximately 53.72% beneficial equity interest in Beijing Orient LegendMaker through OLM. Together with the 10.46% interests directly held by the Company, the Company holds an aggregate of approximately 64.18% interests in Beijing Orient LegendMaker.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Structure

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the Shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, including interest-bearing borrowings, and equity attributable to equity shareholders of the Company, comprising issued share capital, share premium, accumulated losses and other reserves. The management of the Group reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

Use of Proceeds from Fund Raising Activities

Subscription of New Shares

On 29 December 2021, the Company allotted and issued an aggregate of 226,770,954 shares with the par value of HK$0.1 each at the subscription price of HK$0.1 per share to two independent third parties for cash (the "Subscriptions") with aggregate nominal value of HK$22,677,096. The gross proceeds and net proceeds arising from the Subscriptions amounted to approximately HK$22.67 million and HK$22.37 million, respectively.

The Company intended to apply (i) approximately HK$11.64 million for capital injection in Beijing Orient LegendMaker as detailed in the announcements of the Company dated 9 November 2021, 29 November 2021 and 5 August 2022 (the "Capital Injection") and (ii) approximately HK$10.73 million for general working capital of the Group which shall be applied on, including, but not limited to, approximately 70% for staff cost, approximately 20% for professional fees, approximately 5% for rental payments and approximately 5% for general administrative and operating expenses of the Group.

As at 31 December 2023, the net proceeds from the Subscriptions were used as intended, of which:–

(i) approximately RMB9,515,000 (equivalent to HK$11,640,000) for the Capital Injection:

 (a) research and development in artificial intelligent solution software (the "R&D Project"), including approximately RMB3,276,000 (equivalent to HK$4,012,000) on salaries and allowances for employment of engineers for the R&D Project, approximately RMB296,000 (equivalent to HK$363,000) on procurement of computers, equipment and related hardware and approximately RMB520,000 (equivalent to HK$637,000) on payment of service fees for engagement of consultants and service providers in relation to R&D Project;

 (b) expansion of the current solution services provided in conjunction with, and to complement the procurement of new domestic-produced database software in its database software business, including approximately RMB5,086,000 (equivalent to HK$6,216,000) on staff costs for employment of engineers providing onsite technical support services to end customers of the database software business and approximately RMB337,000 (equivalent to HK$412,000) on procurement of computer, equipment and related hardware; and

(ii) approximately RMB8,771,000 (equivalent to HK$10,730,000) for general working capital of the Group, among which approximately RMB6,008,000 (equivalent to HK$7,350,000) is for staff cost, approximately RMB392,000 (equivalent to HK$480,000) is for rental payments, approximately RMB1,807,000 (equivalent to HK$2,210,000) is for professional fee and the remaining RMB564,000 (equivalent to HK$690,000) is for general administrative expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Placing of New Shares

On 10 August 2022, the Company entered into a placing agreement (the "Placing Agreement") with VC Brokerage Limited (the "Placing Agent"), pursuant to which the Placing Agent has conditionally agreed, as the placing agent of the Company, to procure on a best effort basis to not less than six placees to subscribe for up to 13,606,000 placing shares (the "Placing Share(s)") at the placing price of HK$0.84 per Placing Share (the "Placing"). The maximum Placing Shares of up to 13,606,000 shares with par value of HK$0.1 each represent approximately 20% of the then existing issued share capital of the Company as at the date of the Placing Agreement and approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of all the Placing Shares. The Placing Shares were approved to issue under the general mandate granted to the Directors at the annual general meeting of the Company held on 1 June 2022.

On 1 September 2022, an aggregate of 13,600,000 Placing Shares with the par value of HK$0.1 each have been successfully issued at placing price of HK$0.84 per Placing Share with aggregate nominal value of HK$1,360,000. The gross proceeds from the Placing amounted to approximately HK$11.4 million and the net proceeds amounted to approximately HK$10.95 million (after deduction of commission and other expenses of the Placing), representing a net issue price of approximately HK$0.82 per Placing Share.

The Company intends to apply the net proceeds of the Placing (i) as to HK$4.0 million for part of the Capital Injection in Beijing Orient LegendMaker which would be applied towards the research and development of the artificial intelligence related solutions software and expansion of Group's existing business to promote a domestic-produced database software to its end customers, and (ii) as to the remaining approximately HK$6.95 million as general working capital for the Company's Hong Kong office including staff cost, professional fees, rental payments and other general administrative and operating expenses. Completion of Placing took place on 1 September 2022.

As at 31 December 2023, the net proceeds from the Placing were utilised in full as intended of which (i) approximately RMB3,335,000 (equivalent to HK$4,000,000) for the Capital Increase: (a) research and development in the R&D Project, including approximately RMB1,908,000 (equivalent to HK$2,288,000) on salaries and allowances for employment of engineers for the R&D Project; (b) expansion of the current solution services provided in conjunction with, and to complement the procurement of new domestic-produced database software in its database software business, including approximately RMB1,427,000 (equivalent to HK$1,712,000) on staff costs for employment of engineers providing on-site technical support services to end customers of the database software business; and (ii) approximately RMB6,350,000 (equivalent to HK$6,950,000) for general working capital of the Group, among which approximately RMB3,198,000 (equivalent to HK$3,500,000) is for staff cost, RMB2,010,000 (equivalent to HK$2,200,000) is for professional fee, RMB411,000 (equivalent to HK$450,000 is for rental payment) and the remaining RMB731,000 (equivalent to HK$800,000) is for general administrative expenses.

Rights Issue

On 29 November 2022, the Company announced the proposed rights issue, by issuing up to 124,896,729 ordinary shares with par value of HK$0.1 each in the share capital of the Company (the "Right Shares") on the basis of three (3) Rights Shares for every two (2) existing shares of the Company held on the record date (i.e. 10 February 2023) at the subscription price of HK$0.85 per Rights Share (the "Rights Issue").

On 10 January 2023 and 3 February 2023, the Company and VC Brokerage Limited, the underwriter of the Rights Issue, entered into the supplemental underwriting agreement and second supplemental agreement to the underwriting agreement dated 29 November 2022 entered into between the parties, pursuant to which, the record date has been extended to 3 March 2023 and further extended to 24 March 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

On 25 April 2023, an aggregate of 122,446,911 Rights Shares with nominal value of HK$12,244,691.10 had been issued and allotted. The subscription price of HK$0.85 per Rights Share represents a discount of approximately 39.72% to the closing price of HK$1.410 per share of the Company as quoted on the Stock Exchange on 29 November 2022. The gross proceeds from the Rights Issue was approximately HK$104.08 million and the net proceeds from the Rights Issue, after deducting professional fees and all other relevant expenses, was approximately HK$102.653 million (equivalent to a net subscription price of approximately HK$0.84 per Rights Share). For the details of the Rights Issue, including the reasons for and benefits of the Rights Issue, please refer to the Company's prospectus dated 24 March 2023.

The Company originally intended to apply (i) 96% of the net proceeds from the Rights Issue of approximately HK$98.553 million for the general working capital of the Group in industrial parks (the "Industrial Park Software Project"); and (ii) 4% of the net proceeds of approximately HK$4.10 million from the Rights Issue will be used for the general working capital such as overhead expenses including salary, rental and other expenses of the Company.

As at 20 December 2023, the Company utilised approximately HK$0.308 million of the net proceeds from the Rights Issue on the general working capital of the Group in the Industrial Park Software Project; and HK$4.100 million the net proceeds from the Rights Issue on the general working capital of the Group. Having considered the current needs of working capital of the Company and its subsidiaries, as well as the prevailing market conditions, the Company announced on 20 December 2023 that the Board resolved to change the use of the unutilised net proceeds from the Rights Issue of approximately HK$98.245 million (the "Unutilised Net Proceeds from the Rights Issue") to: (a) HK$68.245 million for the general working of the Group in Industrial Park Software Project, and (b) HK$30.0 million for the general working capital of the Group such as overhead expenses including salary, rental and other expenses, details of which are set forth as follows:

Use of Proceeds	**Initial allocation** *HK$ million*	**Utilised Net Proceeds** *HK$ million*	**Unutilised Net Proceeds for re-allocation** *HK$ million*	**Revised allocation of the Unutilised Net Proceeds** *HK$ million*
General working capital of the Group in the Industrial Park Software Project	98.553	0.308	98.245	68.245
General working capital of the Group	4.100	4.100	–	30.000
Total:	102.653	4.408	98.245	98.245

As at 31 December 2023, the net proceeds from the Rights Issue was utilised as intended as to (i) approximately RMB272,000 (equivalent to HK$308,000) for the general working capital of the Group in the Industrial Park Software Project, among which approximately RMB160,000 (equivalent to HK$181,000) in the staff cost and approximately RMB112,000 (equivalent to HK$127,000) in management and other operating expenses including the management fee such as rent and utilities etc.; and (ii) approximately RMB4,829,000 (equivalent to HK$5,450,000) for general working capital of the Group, among which approximately RMB655,000 (equivalent to HK$741,000) is for professional fee, approximately RMB550,000 (equivalent to HK$615,000) is for rental expenses, approximately RMB2,692,000 (equivalent to HK$3,043,000) is for staff costs and the remaining RMB932,000 (equivalent to HK$1,051,000) is for general administrative expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

The remaining Unutilised Net Proceeds from the Rights Issue of approximately RMB85,552,000 (equivalent to HK$96,895,000) will be used according to the intended usage in which (i) approximately RMB60,255,000 (equivalent to HK$68,245,000) for the general working capital of the Group in the Industrial Park Software Project; and (ii) approximately RMB25,297,000 (equivalent to HK$28,650,000) for the general working capital such as overhead expenses including salary, rental and other expenses of the Group, which are expected to be utilized on or before 31 December 2024.

Details of the Rights Issue and details of the utilization of its proceeds were set out in the Company's announcements dated 29 November 2022, 9 December 2022, 10 January 2023, 3 February 2023, 14 March 2023, 24 April 2023, 20 December 2023 and 20 February 2024, the circular of the Company dated 24 February 2023 and the prospectus of the Company dated 27 March 2023.

Significant Investment

The Group has not made any significant investment for the year ended 31 December 2023 (2022: Nil).

Material Acquisition and Disposal of Subsidiaries, Associated Companies or Joint Ventures

Save for the Capital Increase mentioned above, the Group has not made any material acquisition or disposal of subsidiaries, associated companies or joint ventures for the year ended 31 December 2023.

Material Acquisition and Disposal of Listed Securities

Subsequent to the year ended 31 December 2023, the Group through Enterprise Development (Hong Kong) Holdings Limited, a wholly-owned subsidiary of the Company, acquired and disposed certain listed securities, including shares of NVIDIA Corporation, RIOT Blockchain Inc., The Boeing Company and Tesla Inc., which are listed on NASDAQ or New York Stock Exchange. These acquisitions and/or disposals of listed securities constituted notifiable transactions of the Company under Chapter 14 of the Listing Rules.

For details, please refer to the Company's announcements dated 10 January 2024, 12 January 2024, 24 January 2024, 7 February 2024 and 14 February 2024.

Events after the Reporting Period

Other than the acquisitions and disposals of listed securities as disclosed above, there was no other events after the reporting period.

Employees and Remuneration Policies

As at 31 December 2023, the Group employed 128 (2022: 89) full time employees. The staff costs amounted to approximately RMB25,182,000 for the year ended 31 December 2023 (2022: RMB21,980,000). The remuneration package of employees is determined by reference to their performance, experience, positions, duties and responsibilities in the Group and the prevailing market conditions. The Group continued to provide retirement, medical, employment injury, employment and maternity benefits which are governed by the state-managed social welfare scheme operated by the local government of the PRC to the employees in the PRC. In addition, the Group maintains a mandatory provident fund scheme for all qualifying employees in Hong Kong. The Company had also adopted a share option scheme.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent Liabilities

As at 31 December 2023, the Group had no significant contingent liability (2022: Nil).

Final Dividend

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

BUSINESS REVIEW

The Group recorded the revenue of approximately RMB60,646,000 for the year ended 31 December 2023 (2022: RMB47,909,000), representing an increase of approximately 26.6%. In spite of the continuing influence of COVID-19 pandemic (the "Pandemic") in the operation of the Group's software business in Mainland China, the software business was benefited from the all-round improvement in management to recover slightly in 2023 compared to the corresponding period in 2022. The increase in overall revenue for the software business was driven largely by the demand from both existing and new customers, and new contracts signed for domestic-produced database software, which is in alignment with localisation policy for the database software business.

OUTLOOK AND FUTURE BUSINESS STRATEGIES

We have an experienced technical team which can provide our clients with prompt and effective services and business solutions and we have established a solid client base over the years. Over the past ten years, the Group's software business has provided database software and engineering services to the PRC enterprise customers in terms of life cycle management, health check, troubleshooting and function upgrade which has a significant market share and a strong brand effect in this area.

In 2023, despite the economic landscape and environment remained challenging as result from the post negative influence of Pandemic in the society and domestic economy, China's economy shows gradual recovery after COVID reopening. President Xi Jinping's political report mentions China's continuous pursuit of technological self-reliance and urging for greater localisation across the whole hardware supply chain and software industry. The Group maintained its competitiveness through introduction of new products and services, enhanced collaborative partnerships with clients, further broadening of client base and proactively embraced opportunities of localisation. The Group has put great effort on the implementation of database software localisation, included investing in talent over the year to enhance the research and development capability and broadening of client base during the year of 2023 etc. As a result, the Group recorded an increase of 26.6% in the consolidated revenue for the year ended 31 December 2023 as compared with the same period of 2022.

Looking ahead, the management believes that the market will gradually step out of the Pandemic and return to normal. The Company expects that on a long-term basis, in line with the national policy of information technology self-sufficiency, there will be more PRC based customers switching to the domestic brand when seeking for database software service providers. In order to maintain the Group's sustainability and value creation capability over the long term, the Group will try to maintain its competitiveness through introduction of new products and services, and will continue to look for suitable business opportunities so as to diversify the Group's business into a new line of business with growth potential and to broaden its source of income that can enhance return to its Shareholders.

FIVE-YEAR SUMMARY AND KEY FINANCIAL RATIOS

	For the year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**60,646**	47,909	40,825	70,839	101,628
Cost of sales	**(34,601)**	(27,093)	(24,313)	(53,261)	(78,303)
Gross profit	**26,045**	20,816	16,512	17,578	23,325
Profit (loss) for the year	**3,801**	(25,014)	(30,734)	(25,322)	(104,119)
Loss attributable to non-controlling interests	**(1,749)**	(2,746)	(6,914)	(8,489)	(22,256)
Profit (loss) for the year attributable to equity shareholders of the Company	**5,550**	(22,268)	(23,820)	(16,833)	(81,863)

FIVE-YEAR SUMMARY AND KEY FINANCIAL RATIOS

SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA

	At 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**12,483**	6,164	3,362	5,179	14,374
Current assets	**290,281**	196,814	208,214	185,346	173,665
Current liabilities	**(37,748)**	(34,697)	(30,736)	(31,653)	(45,875)
Net current assets	**252,533**	162,117	177,478	153,693	127,790
Total assets less current liabilities	**265,016**	168,281	180,840	158,872	142,164
Non-current liability	**(875)**	(1,167)	–	(771)	(821)
Net assets	**264,141**	167,114	180,840	158,101	141,343
Total equity attributable to equity shareholders of the Company	**212,888**	113,549	124,581	94,914	69,628
Non-controlling interests	**51,253**	53,565	56,259	63,187	71,715
Total equity	**264,141**	167,114	180,840	158,101	141,343

	At 31 December				
	2023	2022	2021	2020	2019
Profitability ratios					
Return on shareholder's equity* *(Note 1)*	**1.76%**	(14.38%)	(18.14%)	(16.91%)	(53.84%)
Return on assets* *(Note 2)*	**1.50%**	(12.07%)	(15.29%)	(13.38%)	(42.46%)
Liquidity ratios					
Current ratio *(Note 3)*	**769.00%**	567.24%	677.43%	585.56%	378.56%
Receivables turnover days* *(Note 4)*	**110.68**	190.59	187.78	107.52	77.64
Inventory turnover days* *(Note 5)*	**N/A**	N/A	7.03	6.42	4.37
Payables turnover days* *(Note 6)*	**54.62**	89.42	59.48	72.93	59.36
Capital adequacy ratios					
Net gearing ratio *(Note 7)*	**N/A**	N/A	N/A	N/A	N/A

(Note 1) Profit (loss) for the year divided by average total equity and multiplied by 100%.
(Note 2) Profit (loss) for the year divided by average total assets and multiplied by 100%.
(Note 3) Current assets divided by current liabilities and multiplied by 100%.
(Note 4) Balance of average trade receivables and bills divided by revenue of the year and multiplied by 365 days.
(Note 5) Average inventory balance divided by cost of sales of the year and multiplied by 365 days.
(Note 6) Balance of average trade payables and bills divided by cost of sales of the year and multiplied by 365 days.
(Note 7) Balance of total borrowings less cash, time deposits and pledged deposits divided by total equity and multiplied by 100%.

* Included revenue, cost of sales and loss for the year from both continuing and discontinued operations

CORPORATE GOVERNANCE REPORT

The Company is committed to maintain good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") in Appendix C1 to the Listing Rules as its own code of corporate governance. During the year ended 31 December 2023, the Company was in compliance with all the relevant code provisions set out in the CG Code except for the deviation from code provision C.2.1, which is explained below.

Under CG Code provision C.2.1, the role of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company has not appointed a chairman. Mr. Yu Hui has been appointed as the chief executive officer of the Company on 26 October 2023. The roles and functions of chairman have been performed by the Board jointly.

Save as those mentioned above and in the opinion of the Directors, the Company has met all the relevant code provisions set out in the CG Code during the year ended 31 December 2023.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2023.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company, and is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall Group strategy, major acquisitions and disposals, annual budgets, annual and interim results, recommendations on Directors' appointment or re-appointment, approval of major capital transactions and other significant operational and financial matters. The management was delegated the authority and responsibility by the Board for the daily management of the Group. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this report.

The Board currently consists of six Directors including three executive Directors and three independent non-executive Directors:

Executive Directors

Mr. Yu Hui *(Chief Executive Officer)*
Ms. Li Zhuoyang
Mr. Liu Yang

Independent Non-Executive Directors

Mr. Cai Jinliang
Mr. Chin Hon Siang
Mr. Chen Kwok Wang

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board. The composition of the Board reflects the balanced skills and experience for effective leadership. The biographical information of the Directors is set out on pages 4 to 6 under the section headed "Biographies of Directors".

Mr. Liu Yang has been appointed as an executive Director on 28 April 2023 and Mr. Yu Hui has been appointed as an executive Director and the chief executive officer of the Company on 26 October 2023. Mr. Liu Yang and Mr. Yu Hui obtained legal advice from a firm of solicitors qualified to advise on Hong Kong law as regards the requirements under the Listing Rules that are applicable to him as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 23 May 2024 and 6 November 2024 respectively. Each of them has confirmed he understood his obligations as a director of a listed issuer.

Directors' Training

According to the code provision C.1.4 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

All Directors had participated in continuous professional development and provided a record of training they received for the financial year ended 31 December 2023 to the Company.

CORPORATE GOVERNANCE FUNCTIONS

The Audit Committee is responsible for reporting to the Board on the matters in the CG Code, while Board is also responsible for performing the corporate governance duties as set out below:

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

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

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

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Company and Directors; and

(e) to review the Company's compliance with the CG Code by reference to the recommendation of the Audit Committee and to review the disclosure in the Corporate Governance Report.

The individual training record of each Director received for the year ended 31 December 2023 is set out below:

Name of Directors	Attending or participating in seminars/in-house briefing or reading materials relevant to the Group's business/ director's duties
Executive Directors	
Mr. Yu Hui	✓
Ms. Li Zhuoyang	✓
Mr. Liu Yang	✓
Independent Non-executive Directors	
Mr. Cai Jinliang	✓
Mr. Chin Hon Siang	✓
Mr. Chen Kwok Wang	✓

Chairman and Chief Executive Officer

Code provision C.2.1 of the CG Code requires that the roles between the chairman and the chief executive officer should be segregated. Mr. Yu Hui has been appointed as the chief executive officer of the Company on 26 October 2023. The Company has not appointed a chairman and the roles and functions of chairman have been performed by the Board Jointly.

The Company is in the process of identifying suitable candidates to assume the role as chairman of the Company and further announcement in this regard will be made as and when appropriate.

Non-executive Directors

The three independent non-executive Directors are persons of high calibre, with academic and professional qualifications in the fields of accounting and finance. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director has provided his confirmation of independence to the Company pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them is independent.

The Company has renewed the appointment letter with Mr. Cai Jinliang, an independent non-executive Director, for a term of three years with retrospective effect from 24 August 2023.

The Company has also renewed the appointment letter with Mr. Chin Hon Siang, an independent non-executive Director, for a term of three years commencing from 26 May 2024 upon expiry of the existing term of three years commencing from 26 May 2021.

Mr. Chen Kwok Wang, an independent non-executive Director, signed an appointment letter issued by the Company for an initial term of three years commencing from 9 December 2021.

Each of the above independent non-executive Director is subject to retirement by rotation at least once in every three years in accordance with the articles of association of the Company (the "Articles").

Board Diversity Policy

The Board has adopted a Board Diversity Policy on 27 August 2013 (the "Policy") which sets out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Board delegated certain duties under the Policy to the Nomination Committee. The Nomination Committee will discuss and review the necessity to set the measurable objectives for implementing the Policy from time to time.

The Nomination Committee will review the implementation and effectiveness of the Policy annually.

BOARD LEVEL

Pursuant to the Policy, selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

For the year ended 31 December 2023 and as at the date of this annual report, the Board consists of five male members and one female member. The Nomination Committee considered that the Board was sufficiently diverse in terms of gender and the Board had not set any measurable objectives. The Company has also reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain a high standard of operation.

The Company, through its commitment to providing equal opportunities as well as selecting the right candidates based on objective criteria with due regard for the benefits of diversity, will ensure that gender diversity is emphasised and maintained at the Board level in respect of succession planning in order to make available a diverse pipeline of candidates for appointment to the Board in case of any vacancies.

WORKFORCE LEVEL

The Group is also committed to achieving gender diversity across the workforce (including senior management). The details of gender ratio in the workforce (including senior management) are shown in the section headed "Environmental, Social and Governance Report" of this annual report. The recruitment policy of the Group is to only consider the personal merits and capabilities, qualifications, working experiences and performance of the individuals during the recruitment process, transferal, promotion, and training regardless of gender. In the interests of enhancing efficiency, the Company has not set any measurable objective for achieving gender diversity at workforce level. The Company has nonetheless always adopted a meritocratic approach and adhered to the principle of openness and fairness without any discrimination in respect of gender, disability, marital status, pregnancy, religion, nationality, social or economic class, rural or urban, political opinion, pathogen-carrier or sexuality.

CORPORATE GOVERNANCE REPORT

Board Meetings

The Board has four scheduled meetings a year at approximately quarterly interval and additional meetings will be held as and when required. The four scheduled Board meetings for a year are planned in advance. During the regular meetings of the Board, the Board reviewed the operation and financial performance and reviewed and approved the annual and interim results. During the year ended 31 December 2023, the Board held four meetings. All Directors were given an opportunity to include any matters in the agenda for regular Board meetings, and were given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance. The relevant Directors' attendance is shown on page 24.

Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

The Board adopted a mechanism for Directors to obtain independent opinions and perspectives for them to discharge their duties and responsibilities, and to ensure independent views and input are available to the Board. The Board will review the implementation and effectiveness of such mechanism annually.

The Company shall arrange suitable and sufficient resources to cover any matters relating to the obtaining of an independent opinion by the Board, including but not limited to the engagement of a legal team or any other professionals for such purpose (where appropriate).

The Directors shall give at least three working days' notice to the Company Secretary to obtain an independent opinion, including but not limited to engaging a professional team for such purpose (where appropriate).

The Board is required to review its structure, size, composition (including skills, knowledge and experience) and the policy at least annually to ensure that the composition of the Board complies with the relevant requirements of the Listing Rules including maintaining a balanced mix of executive and non-executive directors (including independent non-executive directors) so that the Board has a strong element of independence which can effectively exercise independent judgment.

If all the independent non-executive Directors have served on the Board for more than nine years, the Company should consider to appoint a new independent non-executive director at the next annual general meeting.

General Meetings

During the year ended 31 December 2023, two general meetings of the Company were held, being the extraordinary general meeting held on on 14 March 2023 (the "EGM") and 2023 annual general meeting held on 23 June 2023 (the "2023 AGM"). The relevant Director's attendance is shown on page 24.

The Board is responsible for maintaining an on-going dialogue with Shareholders and in particular, uses annual general meeting or other general meetings to communicate with them and encourage their participation.

NOMINATION COMMITTEE

In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. The Company established the Nomination Committee with written terms of reference on 18 December 2006 and currently consists of two independent non-executive Directors, namely Mr. Chin Hon Siang (chairman) and Mr. Cai Jinliang, and one executive Director, namely Ms. Li Zhuoyang.

The latest terms of reference of the Nomination Committee is currently made available on the websites of the Stock Exchange and the Company. Terms of reference of the Nomination Committee are aligned with the code provisions set out in the CG Code.

The functions of the Nomination Committee are to review and monitor the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board and made recommendations on any proposed changes to the Board to complement the Company's corporate strategy; to identify qualified individuals to become members of the Board; to assess the independence of the independent non-executive Directors; to review the Policy, and review the measurable objectives that the Board has set for implementing the Policy, the progress on achieving the objectives; and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer of the Company.

To ensure changes to the Board composition can be managed without undue disruption, there should be a formal, considered and transparent procedure for selection, appointment and re-appointment of directors, as well as plans in place for orderly succession (if considered necessary), including periodical review of such plans. The appointment of a new director (to be an additional director or fill a casual vacancy as and when it arises) or any re-appointment of directors is a matter for decision by the Board upon the recommendation of the proposed candidate by the Nomination Committee.

The criteria to be applied in considering whether a candidate is qualified shall be his or her ability to devote sufficient time and attention to the affairs of the Company and contribute to the diversity of the Board as well as the effective carrying out by the Board of the responsibilities which, in particular, are set out as follows:

a. participating in Board meetings to bring an independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts;

b. taking the lead where potential conflicts of interests arise;

c. serving on the Audit Committee, the Remuneration Committee and the Nomination Committee (in the case of candidate for non-executive director) and other relevant Board committees, if invited;

d. bringing a range of business and financial experience to the Board, giving the Board and any committee on which he or she serves the benefit of his or her skills, expertise, and varied backgrounds and qualifications and diversity through attendance and participation in the Board/committee meetings;

e. scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance;

f. ensuring the committees on which he or she serves to perform their powers and functions conferred on them by the Board; and

g. conforming to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitutional documents of the Company or imposed by legislation or the Listing Rules, where appropriate.

If the candidate is proposed to be appointed as an independent non-executive director, his or her independence shall be assessed in accordance with, among other things, the factors as set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time. Where applicable, the totality of the candidate's education, qualifications and experience shall also be evaluated to consider whether he or she has the appropriate professional qualifications or accounting or related financial management expertise for filling the office of an independent non-executive director with such qualifications or expertise as required under Rule 3.10(2) of the Listing Rules.

During the year ended 31 December 2023, the Nomination Committee held three meetings for assessing the independence of the independent non-executive Directors; considering the re-election of Directors; reviewing the composition of the Board; and making recommendation of new Director candidates for the Board's approval. The relevant Directors' attendance is shown on page 24.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee with written terms of reference on 18 December 2006 and currently consists of two independent non-executive Directors, namely Mr. Chin Hon Siang (chairman) and Mr. Cai Jinliang, and one executive Director, namely Ms. Li Zhuoyang.

The latest terms of reference of the Remuneration Committee is currently made available on the websites of the Stock Exchange and the Company. Terms of reference of the Remuneration Committee are aligned with the code provisions set out in the CG Code.

The functions of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure on the remuneration packages for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy as well as review and/or approve matters relating to shares schemes under Chapter 17 of the Listing Rules. The Remuneration Committee has adopted the approach under code provision E.1.2(c)(ii) of the CG Code to make recommendations to the Board on remuneration packages of the Directors and the members of senior management.

During the year ended 31 December 2023, the Remuneration Committee held three meetings for reviewing the remuneration of Directors and senior management, and considering and recommending to the Board on the remuneration of the proposed executive Directors. The relevant Directors' attendance is shown on page 24.

The emoluments payable to Directors and senior management depend on their respective contractual terms under the employment agreements, if any, and is fixed by the Board with reference to the recommendation of the Remuneration Committee, the performance of the Group and the then prevailing market conditions. Details of the remuneration of the Directors and senior management are set out in note 7 to the consolidated financial statements.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference on 18 December 2006 and currently consists of three independent non-executive Directors, namely Mr. Cai Jinliang (chairman), Mr. Chin Hon Siang and Mr. Chen Kwok Wang.

The latest terms of reference of the Audit Committee is currently made available on the websites of the Stock Exchange and the Company. Terms of reference of the Audit Committee are aligned with the code provisions set out in the CG Code.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor; reviewing the interim and annual reports and consolidated financial statements of the Group; overseeing the Company's financial reporting system including the adequacy of resources, qualifications and experience of staff in charge of the Company's financial reporting function and their training arrangement and budget, and reviewing the risk management and internal control systems.

The Audit Committee meets the external auditor regularly to discuss any area of concern during the audit. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual report.

During the year ended 31 December 2023, the Audit Committee held two meetings. Each committee meeting has been supplied with necessary financial information of the Group for members to consider, review and access significant issues arising from the work conducted. The relevant Directors' attendance is shown on page 24.

During the year ended 31 December 2023, the Audit Committee reviewed the interim results of the Group for the six months ended 30 June 2023 and the annual results of the Group for the year ended 31 December 2022, which were in the opinion of the Audit Committee that the preparation of such results complied with the applicable accounting standards and the Listing Rules.

The Audit Committee noted the existing internal control system of the Group and also noted that review of the same will be carried out on an annual basis.

The accounts of the Group for the year ended 31 December 2023 were audited by BOFA CPA Limited whose term of office will expire upon the conclusion of the 2024 annual general meeting of the Company to be held on 28 June 2024 ("2024 AGM"). The Audit Committee has reviewed the terms of engagement of BOFA CPA Limited by taking into account, inter alias, (i) the size and structure as well as the nature and complexity of the business of the Group, (ii) the relevant audit fees and (iii) the resources deployed by BOFA CPA Limited in respect of the audit of the financial statements of the Group in accordance with "Guidelines for the Effective Operation of Audit Committees – Selection, Appointment and Reappointment of Auditors" published by the Financial Reporting Council on 16 December 2021 and recommended to the Board the re-appointment of BOFA CPA Limited as the auditor of the Company at the 2024 AGM.

MEETINGS ATTENDANCE RECORD

The following table summarises the attendance of the Directors and committee members in the respective Board, committees and general meetings held during the year ended 31 December 2023.

	Meetings attended/held in 2023				
	Board	Audit Committee	Nomination Committee	Remuneration Committee	General Meetings
Number of meetings held during the year	4	2	3	3	2
Executive Directors					
Mr. Yu Hui *(appointed on 26 October 2023)*	N/A	N/A	N/A	N/A	N/A
Ms. Li Zhuoyang	4/4	N/A	3/3	3/3	2/2
Mr. Liu Yang *(appointed on 28 April 2023)*	2/2	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Cai Jinliang	4/4	2/2	3/3	3/3	2/2
Mr. Chin Hon Siang	4/4	2/2	3/3	3/3	2/2
Mr. Chen Kwok Wang	4/4	2/2	N/A	N/A	2/2

AUDITOR'S REMUNERATION

During 2023, the fee paid/payable to the Company's external auditor, BOFA CPA Limited, for providing audit services and non-audit services were approximately RMB668,000 and RMB274,000 respectively. Fees for non-audit services consist of review of disclosure of financial information in 2023 interim report.

COMPANY SECRETARY

The Company engaged an external professional company secretarial services provider, Uni-1 Corporate Services Limited ("Uni-1"), to provide compliance and full range of company secretarial services to the Group in order to assist the Group to cope with the changing regulatory environment and to suit different commercial needs.

Ms. Chan Yuen Ying Stella ("Ms. Chan"), the representative of Uni-1, was appointed as the named Company Secretary of the Company.

Ms. Li Zhuoyang, the executive Director, is the primary point of contact at the Company for the Company Secretary.

According to the requirements of Rule 3.29 of the Listing Rules, Ms. Chan has taken not less than 15 hours of relevant professional training during the financial year ended 31 December 2023.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Shareholders may convene an extraordinary general meeting of the Company according to the provisions as set out in the Articles and the Companies Act (2013 Revision) of the Cayman Islands. The procedures shareholders can use to convene an extraordinary general meeting are set out in the Articles, which is currently available on the website of the Stock Exchange and the Company.

PUTTING ENQUIRIES BY SHAREHOLDERS TO THE BOARD

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong.

PROCEDURES FOR PUTTING FORWARD PROPOSALS BY SHAREHOLDERS AT SHAREHOLDERS' MEETING

Shareholders should follow the procedures set out in the sub-section headed "Shareholders to convene an extraordinary general meeting" above for putting forward proposals for discussion at general meeting.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions to be set out in the notice of the 2024 AGM will be voted by poll.

COMMUNICATION WITH SHAREHOLDERS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its Shareholders.

The Board adopted a Shareholders communication policy on 16 March 2012 (the "Shareholders Communication Policy") which sets out the provisions with the objective of ensuring that the Shareholders, both individual and institutional, and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments and governance), in order to enable shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company.

General Policy

The Board shall maintain an on-going dialogue with shareholders and the investment community, and will regularly review the Shareholders Communication Policy to ensure its effectiveness.

According to the Shareholders Communication Policy, there are multiple channels for information of the Company to be disseminated to Shareholders, which are included in the following manners:

- Delivery of annual and interim results and reports to all Shareholders;
- Publication of announcements on the annual and interim results on the Stock Exchange website, and issue of other announcements, shareholders' circulars, corporate communications and other corporate publications in accordance with the continuing disclosure obligations under the Listing Rules on the Company's website and the website of the Stock Exchange; and
- The general meeting of the Company is also an effective communication channel between the Board and Shareholders.

Effective and timely dissemination of information to Shareholders and the investment community shall be ensured at all times.

All Directors attended the EGM and the 2023 AGM to answer questions of the meeting and collect views of Shareholders.

Communication Strategies

Shareholders' Enquiries

Shareholders should direct their questions about their shareholdings to the Company's branch share registrar in Hong Kong. Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available. Shareholders and the investment community shall be provided with designated contacts, email addresses and enquiry lines of the Company in order to enable them to make enquiry in respect of the Company.

Corporate Communication

Corporate communication will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding.

Corporate Website

A dedicated Investors Relationship section is available on the Company's website. Information on the Company's website will be updated on a regular basis.

Information released by the Company to the Stock Exchange will also be posted on the Company's website according to the requirements under the Listing Rules. Such information includes announcements of all types, financial statements, results announcements, circulars and notices of general meetings etc..

Shareholders' Meetings

Shareholders are encouraged to participate in all general meetings or to appoint proxies to attend and vote for and on their behalf if they are unable to attend any general meetings. Appropriate arrangements for the general meetings shall be in place to encourage Shareholders' participation. The process of the Company's general meeting will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are best served. Board members, in particular, the chairman of the Board, the chairmen of Board committees or their delegates, appropriate management executives and external auditors will attend annual general meetings to answer Shareholders' enquiries.

Shareholder Privacy

The Company recognises the importance of shareholders' privacy and will not disclose shareholders' information without their consent, unless required by law to do so.

The Board has conducted a review of the Shareholders Communication Policy for the year ended 31 December 2023 to ensure the effectiveness of the Shareholders Communication Policy. Such review shall be conducted annually. The Board considered that the Shareholders Communication Policy for the year ended 31 December 2023 was effective.

DIVIDEND POLICY

The Board adopted the Dividend Policy on 27 March 2020.

The amount of any dividends that the Company may declare and pay in the future will be subject to the discretion of the Board and will be based upon the Group's overall results of operation, financial condition, working capital requirements, capital expenditure requirements, liquidity position, future expansion plans, amount of retained earnings, distributable reserves and any other conditions that the Directors consider relevant. Any declaration and payment of dividends may also be limited by restrictions under the Companies Act of the Cayman Islands, the Company's constitutional documents, the Listing Rules and any other applicable laws and regulations. The amounts of dividend distributions that the Group has declared and made in the past are not indicative of the dividends that the Company may pay in the future.

The Directors may recommend a payment of dividends after taking into account the general economic conditions, business cycle of the Group's business and any other internal and external factors that may affect the business and financial performance and position of the Group in addition to the above mentioned criteria. Any future declaration of dividends may or may not reflect the historical declarations of dividends and will be at the absolute discretion of the Directors.

The Board will review the Dividend Policy on a regular basis and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy from time to time. The Dividend Policy shall in no way constitute a legally binding commitment by the Company.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's consolidated financial statements for each financial year which give a true and fair view of the financial position of the Group and the Company and of its financial performance and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 December 2023, the Board has selected suitable accounting policies and applied them consistently; made judgements and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for ensuring an effective system of risk management and internal control be maintained and for reviewing its effectiveness to safeguard the Company's assets and the Shareholders' interests.

The Audit Committee has been established under the Board, which is responsible for monitoring and reviewing the risk management procedures and internal control system of the Group.

The purpose of the Company's risk management process is to identify and manage risks in such a way that the Company is able to meet its strategic and financial targets. The Group formulated risk management procedures by taking into account adequately the five elements of the risk management framework: internal environmental control, risk management, control activities, information and communication and monitoring and improvement.

The Group aims to develop risk awareness and control responsibility as the Company's culture and the foundation of Company's internal control system. The internal control system applies to the Group's critical business processes including strategy development, business planning, investment decisions, capital allocation and day-to-day operations.

At beginning of each year, the Group conducts a risk assessment on the existing or potential risks that may impact the achievement of business objectives over the course of business operation. The assessment includes potential likelihood and impact of the identified risks. For the risks identified, the management determines the action plans and management targets in the expected time of completion according to the risk assessment result. The management is also responsible for managing their respective day-to-day operating risks, implementing measures to mitigate such risks.

The internal control system is designed and implemented to reduce the risks associated with the business accepted by the Group and minimise the adverse impact resulted from the risks. The risk management and internal control system are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company does not have an internal audit department. The Board has reviewed the need for an internal audit function and is of the view that in light of the size, nature and complexity of the business of the Group, as opposed to diverting resources to establish a separate internal audit department, it would be more cost effective to appoint external independent professionals to perform independent review of the adequacy and effectiveness of the risk management and internal control systems of the Group. Nevertheless, the Board will continue to review at least annually the need for an internal audit department.

During the year, an external consulting firm has been engaged by the Group to advise on and review risk management and internal control of the Group and provide recommendations on improvement to the Audit Committee. No significant deficiency and weakness on the internal control system has been identified for the year ended 31 December 2023 and the Company agrees with the recommendations provided by the consulting firm and therefore will adopt the practice in the coming year.

The Board considered that, for the year ended 31 December 2023, the risk management and internal control system and procedures of the Group, covering all material controls were reasonably effective and adequate.

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company is aware of the relevant obligations under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") and the Listing Rules. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

(a) access of inside information is restricted to a limited number of employees on a need-to-know basis;

(b) transmission of inside information in electronic form should be password-protected;

(c) prohibit employees to discuss inside information in public area;

(d) code names are assigned to confidential projects so that any reference to them would not be linked to the projects themselves to minimize possibilities of unintentional leakage;

(e) trainings or briefings are provided to employees who will be in possession of inside information to ensure that they are fully conversant with their obligations to preserve confidentiality with reasonable care;

(f) confidentiality agreements are in place before the Group enters into significant negotiations; and

(g) officers and employees other than the designated representative are prohibited to speak externally on behalf of the Company when communicating with external parties such as the media, analysts or investors.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2023, the Company has made amendments to its memorandum of association and the articles of association to align with the latest legal and regulatory requirements, including the applicable laws of the Cayman Islands and the amendments made to Appendix 3 to the Listing Rules which took effect on 1 January 2022 by way of adoption of the amended and restated memorandum and articles of association by a special resolution passed by the Shareholders at the 2023 AGM. The amended and restated memorandum and articles of association of the Company is available on the websites of the Company and the Stock Exchange.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

The Environmental, Social and Governance (“ESG”) Report (“Report”) of Enterprise Development Holdings Limited (“Company” and together with its subsidiaries, “Group”) has made reference to the ESG Reporting Guide in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“HKEx ESG Reporting Guide”), and compile the report content in accordance with the principles of materiality, quantitative, balance and consistency.

The scope of this report is based on the Group and its all business segments in Hong Kong, Beijing, Shanghai, Chengdu and Guangzhou of the People’s Republic of China (“PRC”). There were no significant changes observed in the Group’s operating locations, the suppliers’ locations and supply chain structure in the financial year ended 31 December 2023 (“Year” or “Reporting Period”).

REPORTING PERIOD AND SCOPE

The statistics, figures and information cited in this Report are referenced from the archived questionnaires, records and research of the Group. This Report highlights the Group’s sustainability efforts in environmental and social aspects.

Reporting Period: 1 January 2023 to 31 December 2023, the financial period of the Group’s Annual Report 2023.

Organisations covered: The Group and its subsidiaries.

The reporting boundaries are determined by whether the subsidiaries are contributing to the operating business of the Group. In 2023, all subsidiaries and business entities of the Group are included in the ESG Report.

REFERENCE GUIDELINES

HKEx ESG Reporting Guide

CONTACT

Should you have any enquiries or feedback on this Report, please feel free to contact the Group via the following methods:

Address	:	Room 1105, 11/F, Jubilee Centre, 18 Fenwick Street/ 46 Gloucester Road, Wanchai, Hong Kong
Tel	:	+852 3707 1901
Fax	:	+852 3611 6041
Official website	:	http://www.1808.com.hk/

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

EXECUTIVE DIRECTOR STATEMENT

I would like to commend our colleagues for their exceptional work and dedication in the past year, which has enabled the Group to achieve outstanding results and foster sustainable development for the benefit of the Group and our stakeholders. Even though our environmental impact is minimal, we have been implementing an ESG management system that is embedded in the Group's governance structure and enhances the board-level oversight. We have also established a designated team to handle ESG-related matters within the Group, which involves regular engagement with internal and external stakeholders to assess their views on the Group's ESG strategy. The team will report any ESG-related issues or potential risks to the Board for further evaluation. Moreover, the team will present the annual ESG performance to the Board to track the progress towards the Group's ESG goals and targets, and to allocate additional resources if needed.

As a socially responsible corporation, we have a duty to provide our employees with the best industry standards, which can ultimately improve their productivity. We are determined to further improve our overall environmental performance to enhance our business. We recognize the undeniable impact of climate change on our society and will do our utmost to contribute by reducing our carbon footprint.

Finally, I would like to thank our staff for their remarkable contributions to the Company's success over the past year.

Li Zhuoyang
Executive Director

28 March 2024

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CORE VALUES/MANAGEMENT PRINCIPLES

As a listed company engaging in software business, the Group has the obligation to serve the society responsibly. The Group has started to integrate sustainable development during the business decision making process. Policies and guidelines are well-established internally to manage different aspects of the ESG issues the Group's facing during operation. Moreover, the current management structure ensures the common principles of ESG management are adhered across the Group.

ESG GOVERNANCE STRUCTURE

The Group attaches great importance to its ESG commitment and is dedicated to fully integrating the factors into the decision-making process. The Group has established a governance framework to ensure its ESG strategies are aligned with the company's strategic growth and advocate incorporating ESG elements into the daily business operations. The Group's ESG governance structure consists of the Board and the ESG working group that work together to drive its ESG strategies.

The Board	– Has full responsibility for the Group's ESG strategy and reporting, including setting and overseeing related goals and policy directions. – Regularly discusses and reviews the Group's ESG-related risks and opportunities, performance, goals and measures with the assistance of the ESG working group. – Ensures the effectiveness of ESG risk management and internal control mechanism.
The ESG working group	– Comprised of core members from various departments of the Group and reports progress to the Board on a regular basis, assisting and supporting the Board's oversight of ESG-related issues. – Responsible for collecting and analysing ESG data, monitoring and evaluating the Group's ESG performance to ensure compliance with relevant law and regulations as well as preparing ESG reports. – Arranges meetings regularly to discuss and review ESG-related issues including but not limited to the effectiveness of the Group's ESG performance, policies and procedures and sustainability strategy goals.

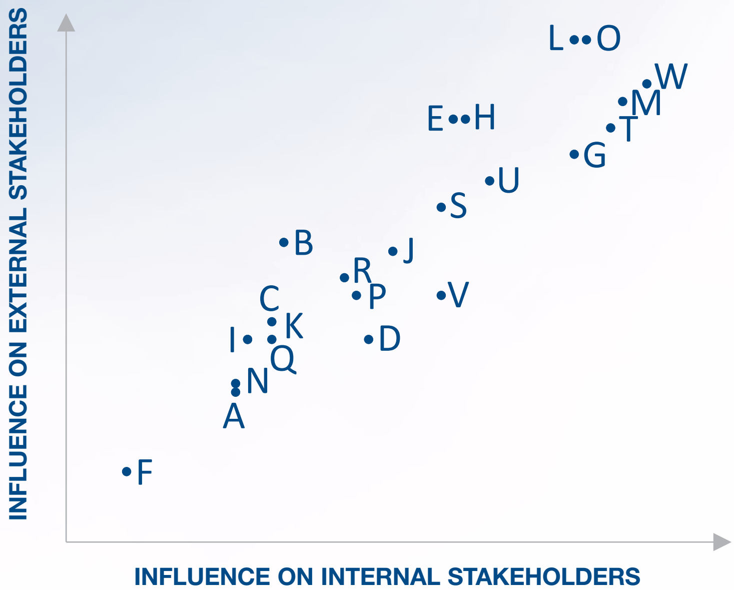
STAKEHOLDER IDENTIFICATION AND COMMUNICATION

To further improve the sustainable development strategy, the Group engages with the key stakeholders regularly to understand their concerns. During the past few years, the Group has maintained good relationship with the stakeholders which allows the Group to fully understand the risks and opportunities of the Group's business. The following table sets forth the key methods for communicating with internal and external stakeholders of the Group:

	Types of stakeholders	Key issues	Major communication method
Internal stakeholders	Directors	– Risk management	– Consultation via phone calls and emails – Direct communication – Company conferences – Suggestion box
	Employees	– Vocational training and development – Salaries and benefits – Health and safety	– Consultation via phone calls and emails – Direct communication – Company conferences – Suggestion box
External stakeholders	Shareholders/investors	– Stable return on investment – Transparency of information disclosure	– Annual general meeting – Consultation via phone calls and emails
	Suppliers/customers	– Performance of contract – Standardised supply chain management system and procurement process – Establishment of complaint system	– Annual report – Meetings
	Distributors	– Well-established information exchange system – Steady and stable supply of products	– After-sales opinion box – Consultation via phone calls and emails – Meetings
	Government	– Business operation in compliance with relevant laws and regulations	– Annual report – Meetings
	Community/academic institutions	– Contributions to community development	– Annual report – Community services

MATERIALITY ASSESSMENT

The Group sought feedback from its main stakeholders on sustainability issues for this year's ESG report and conducted a materiality assessment to determine the key areas of its ESG work. The material topics were rated and ranked based on their business impact, both externally and internally. The following topics emerged as the most important for the stakeholders: customer satisfaction survey, customer data protection and privacy policies, occupational health and safety, and employees' welfare and pay system.



A	Environmental management system and related policies	**I**	Information on greenhouse gas emission	**Q**	Measures to reduce emissions and achievements
B	Compliance with laws and regulations on emissions	**J**	Amount of hazardous waste generated and handling method	**R**	Amount of non-hazardous waste generated and handling method
C	Waste management and recycling method	**K**	Energy efficiency and management	**S**	Resource management
D	Water consumption and wastewater discharge control	**L**	Occupational health and safety	**T**	Employees' training and development
E	Employees' rights and turnover rate	**M**	Employees' welfare and pay system	**U**	Employment practices to avoid child labour and forced labour
F	Donation and community investment	**N**	Stakeholder communication	**V**	Supply chain management
G	Product safety and quality assurance management	**O**	Customer data protection and privacy policies	**W**	Customer satisfaction survey
H	Anti-corruption policies	**P**	Whistle-blowing procedures		

ENVIRONMENTAL PERFORMANCE

The Group operates in a way that minimizes its environmental impact, even though its core business is not very harmful to the environment. The Group has taken effective steps to reduce its environmental footprint. The main environmental impact of the Group comes from its use of vehicles and electricity. The Group produces very little waste, and none of it is hazardous. The Group has improved its environmental performance compared to the previous year.

The Group follows the relevant laws and regulations in the PRC and Hong Kong, as well as the local government policies and the Group's own system management standards. The Group is committed to fulfilling its social responsibility for environmental protection. Some of the laws that the Group complies with are the Environmental Protection Law, the Prevention and Control of Atmospheric Pollution, and the Regulation on Urban Drainage and Sewage Treatment in the PRC.

The Group's main business did not change significantly during the Reporting Period, and the Group adhered to the latest environmental regulations.

1. Environmental Targets

Through sustainable development goals, the Group facilitates collaboration among the operating entities to achieve common goals. With the improvements in standards, efficiency and innovation, the Group aims to mitigate operational risks and build long-term resilience for its businesses.

Category	Metrics and targets	Implementation measures
Greenhouse gas emission reduction	Metrics: – Gas emissions – Scope 1 emissions – Scope 2 emissions – GHG emissions intensity Targets: – Actively respond to the national carbon peak and carbon neutrality goals and practice green operations. – All kinds of gaseous pollutants consistent with the level of the Reporting Period in the next 3 to 5 years.	Implemented: – All departments to manage their power consumption of air-conditioners, and to monitor departmental staff to switch off all electrical equipment and production facilities during breaks and after work. – Set up ventilation and air-conditioning system and maintain at 25 degrees Celsius. – Encourage the carpooling to reduce the usage of vehicles. To-be implemented: – Green office to be implemented. – Carbon emission to be verified.

Category	Metrics and targets	Implementation measures
Waste reduction	Metrics: – Hazardous waste disposal quantity – Hazardous waste intensity – Non-hazardous waste disposal quantity – Non-hazardous waste intensity Targets: – Green procurement will be implemented and green procurement standards will be incorporated into supplier management. – Garbage classification will be implemented in all office premises in Hong Kong and the PRC. – All electronic waste will be disposed in a harmless manner.	Implemented: – Promote “paper-free” office and encourage staff to reduce printing demands. – Encourage material and stationery re-use and choosing suitable packaging materials. – Reduce the use of paper cup in pantry and promote the use of environment friendly cleaning products. – Promote waste segregation and recycling within the office to further reduce the generation of general waste. To-be implemented: – Awareness of avoiding food waste to be promoted.
Resources conservation	Metrics: – Total energy consumption – Energy consumption intensity – Amount of water consumed – Water consumption intensity Targets: – Electricity consumption consistent with the level of the Reporting Period in the next 3 to 5 years. – Water consumption consistent with the level of the Reporting Period in the next 3 to 5 years.	Implemented: – All employees to switch off and unplug any electronic devices that are not in use to avoid standby power loss. – Doors and curtains are shut to enhance the thermal insulation of the office. – Maintains the air-conditioning system at 25 degrees Celsius, which is the optimal level for energy efficiency. – Encourages employees to share rides when using the Group’s vehicles. To-be implemented: – Water-saving facilities to be improved, and water-saving faucets to be installed in certain workplaces.

2. Emissions

The Group adheres to all relevant national and local laws and regulations regarding emission during operation and monitors them closely. The Group has consulted with stakeholders and taken into account the possible business recovery and growth.

2.1. Gas Emission

The Group emits a higher amount of gaseous pollutants compared to the previous years. Vehicular emission is the major source of gas emission from the Group. For greenhouse gases, the Group has implemented measures to reduce the usage of its vehicles and electricity. In 2023, the increased amount of gaseous pollutants and Scope 1 emission was due to the recovery of business-as-usual activities in the PRC after the end of the pandemic.

Major Gas Emission Indicators

GHG Emission[1]	Unit	2023 PRC	2023 HK	2023 Total	2022 Total
Nitrogen oxides (NO_x)	kg	2.01	0.37	**2.39**	1.44
Sulphur dioxide (SO_2)	kg	0.03	0.01	**0.04**	0.02
Particular matter (PM)	kg	0.15	0.03	**0.18**	0.11
Scope 1[2]	Tonnes of CO_2-e	5.97	1.60	**7.56**	4.46
Scope 2[3]	Tonnes of CO_2-e	32.91	5.99	**38.90**	41.66
Total	**Tonnes of CO_2-e**	**38.88**	**7.59**	**46.47**	**46.12**
GHG Emission	Tonnes of CO_2-e/m^2	0.04	0.06	**–**	PRC: 0.04 HK: 0.06

Notes:

1. The calculation method of the corresponding air emissions and the emission factors used in the calculation are based on HKEx ESG Reporting Guide and their referred documentation, unless stated otherwise.
2. Scope 1: Direct emission from sources that are owned or controlled by the Group.
3. Scope 2: Indirect emission from the generation of purchased electricity consumed by the Group.

2.2 Waste Management

The Group operates without producing any material hazardous waste. The main non-hazardous waste comes from the office activities. The Group has taken steps to reduce the amount of waste and the waste produced in 2023 was very low. The Group did not measure the waste level in 2023.

The Group uses little water in its production process and generates minimal wastewater. The Group follows all the relevant laws and regulations strictly.

The Group has a waste management system in place that handles hazardous and non-hazardous waste properly. The Group reviews the system regularly and encourages the recycling and reuse of office documents to lower the non-hazardous waste.

3. Use of Resources

The Group is committed to minimizing the environmental impact of its operations by optimizing the use of resources and implementing energy and water efficiency measures. The Group also promotes a culture of resource conservation among its employees.

In 2023, the electricity consumption maintained at a similar level compared to 2022 and the use of non-renewable fuel such as petrol increased due to the higher usage frequency in business travelling upon operation recovery.

The Group's operations in the PRC and in Hong Kong are mainly situated in commercial buildings that are managed by external property management service providers. The Group was unable to obtain water consumption data for such subsidiaries in 2023 as it did not have access to the water usage record. However, the Group regularly reminds employees to be mindful of water usage and advises them to avoid unnecessary water wastage during daily operation.

Resource Consumption	Unit	2023 PRC	2023 HK	2023 Total	2022 Total
Purchased Electricity	Kilowatt Per Hour In '000s	41.92	8.81	**50.74**	54.23
Petrol	Kilowatt Per Hour In '000s	19.66	5.26	**24.91**	14.42
Total	**Kilowatt Per Hour In '000s**	**61.58**	**14.07**	**75.65**	**68.65**
Energy Consumption intensity	Kilowatt Per Hour In '000s/m^2	0.06	0.12	**–**	PRC: 0.05 HK: 0.08
Water	m^3	2,922.72	–	**2,922.72**	2,922.72
Water consumption intensity	m^3/m^2	2.90	–	**–**	PRC: 3.50 HK: –

4. The Environment and Natural Resources

The Group strives to minimize the impact of the business operation to the environment and natural resources. During daily operation, all environmental protection measures are under supervision to ensure proper implementation. The Group also constantly explores any potential emission reduction measures day-to-day.

The Group is committed to environmental protection while proactively managing the impact of its business on the environment and natural resources. The Group strives to achieving the goal of environmentally sustainability and integrating environmental protection concepts into internal management and business operations. Therefore, the Group has implemented a number of resource use and emission reduction measures, and actively promote environmental awareness among employees to encourage them to make suggestions of innovative ideas to reduce environmental damage and assist the Group in achieving more sustainable operations. Relevant details are described in the "Environmental Targets", "Emissions" and "Use of Resources" sections.

5. Climate Change

In the context of global warming, the risks and impacts of climate change are becoming more and more significant, which is a major challenge for humanity. Based on the framework and recommendations proposed by the Task Force on Climate-related Financial Disclosure ("TCFD") and focusing on "governance", "strategy", "risk management" and "metrics and targets", the Group proactively identified and analysed the physical risks and transitional risks associated with climate change that affect the Group, in order to deal with the impact of climate change on the Group's operations.

5.1. Governance

The Group's Board sets the direction and monitors the progress of sustainable development initiatives, including those related to climate change. The Board delegates the ESG working group to oversee the ESG management and report regularly to the Board on the major climate risks and mitigation actions. The ESG working group handles the daily climate risk identification and assessment and drives the work on climate change issues.

5.2. Strategies

The Group is aware of the possible physical and transitional impacts of climate change on its operations, as well as the new opportunities for growth. The Group's physical impacts are mainly related to acute and chronic changes in the climate. The Group expects that extreme rainfall and higher average temperature will affect its business in some ways. For instance, extreme rainfall could disrupt the infrastructure and the mobility of the staff. Transitional impacts are mainly associated with policy and regulatory, technological and reputational changes that result from the shift to a low-carbon economy. For instance, relevant national policies have set high standards of Power Usage Effectiveness ("**PUE**") and energy efficiency for the technology industry, which means the Group has to adopt more low-carbon technologies. On the other hand, climate change also offers the Group some benefits, such as improving the use of energy resources, developing green and low-carbon technologies, and lowering and optimizing operational costs. Moreover, by mitigating climate risks and adapting to market and policy demands, the Group will continue to activate its own business and explore its potential for development.

5.3. Risk Management

The Group considers climate risk as part of its corporate risk management and developed the following procedures to identify the relevant risks:

Step 1: Risk inventory	– Preliminary identification of climate risk and opportunity aligned with the TCFD categories – Analyse sector and peer best practices – Interviews with climate risk related departments – Generate a long list of climate-related risks and opportunities ("**CRROs**")
Step 2: Scenario analysis	– Selection of low and high carbon climate scenarios for analysis – Selection of the time horizon for analysis – Conducting scenario analysis for CRROs to identify material climate risks and opportunities
Step 3: Risk quantification	– Selecting quantitative indicators, database and models for quantitative analysis – Developing financial impact transmission pathways – Developing financial impact quantification tools – Quantifying the financial impact of material risks and opportunities
Step 4: Risk response	– Developing risk management measures for material CRROs – Assessing the effectiveness of the risk mitigation measures

In 2023, the Board and the ESG working group evaluated the impact of climate change on the Group's business, including the following types of risks: physical, transition, acute, chronic, policy and regulatory, technological and reputational. They also developed appropriate adaptation and mitigation strategies and suggestions. The table below summarizes the climate change risks and the corresponding actions that the Group has taken or planned to take:

Risk categories			Risk impacts	Control measures
Physical Risks	Acute Risk	Typhoon Extreme precipitation	Extreme weather such as typhoons and extreme precipitation will affect the normal operation of infrastructure facilities and employees commuting. The Group may be involved in breach of contract, compensation, and legal liability due to business interruption and other problems.	– When selecting a site for office, the Group studies the historical data of local disasters and give priority to weather-friendly regions. – The Group extends the natural disaster emergency management systems to its customers. – The Group incorporates disaster prevention drills into its maintenance system and conduct them on a regular basis.
Physical Risks	Chronic Risk	Rising of average temperature	Increasing temperature could cause a potentially adverse impact on the daily operation and maintenance of the hardware of the Group, including impacting the lifespan of the facilities and equipment within the offices. The energy consumption pressure for heat dissipation and cooling of the hardware is high, resulting in higher carbon emissions. Simultaneously, it also increases the consumption of water resources.	– When selecting a site for office, the Group gives priority to areas that can efficiently use natural resources, and which are rich in renewable energy. – The Group actively communicate with energy trading institutions about green energy consumption opportunities.

Risk categories			Risk impacts	Control measures
Transition Riks	Policy and Regulatory Risk	Strengthening the responsibility of emission reporting	International and domestic regulatory agencies, capital market index ratings all have continuously upgraded requirements for disclosing environment-related information. To implement carbon trading, carbon tax, and environmental tax, the government must raise the accuracy requirement of carbon emissions data reporting. The Group needs to improve the overall comprehensiveness and accuracy of environmental data disclosure. If the environmental reporting requirements are not met, the Group will face compliance risks from regulatory authorities.	– The Group actively conduct research on policy control risks, enhance communication with stakeholders, and actively respond to the demands of the stakeholders. – The Group continues to promote the meticulous management of energy and establish the management and control systems for energy statistical analysis, so as to mitigate the compliance risk of information disclosure. – The Group continues to promote energy conservation and emission reduction, such as the implementation of green office policies and minimizing waste in daily business operation.
	Technology Risk	Cost of transition to low emission technologies/failure to successfully invest in new technologies	In view of global warming and environmental protection, China has introduced new energy consumption and carbon emission control policies and measures and has put forward a high standard of PUE and energy-saving requirements for the technology industry. The Group thus faces pressure to transition to low carbon technologies. This may lead to an increase in compliance and operating costs. Failing to invest in or develop new low-carbon technologies could increase the Group's risk of financial loss.	– The Group examines the justification of new technology investments and the compatibility with its business. The latest technologies need to be proven compatible, and which have passed technical experiments and have applied on a small scale before entering the large-scale application stage, so as to avoid the financial losses caused by unnecessary development failures. – The Group encourages its business partners and customers to adopt low-carbon and energy-saving new technologies.

Risk categories		Risk impacts	Control measures
Reputational Risk	Increased concerns or negative feedback from stakeholders	Extreme climate events, such as extreme precipitation and typhoons, and chronic climate change, such as rising average temperature, may affect the safe and continuous operation of the Group. This may cause concerns and negative feedback from stakeholders regarding the stability of the Group's business. Besides, energy-saving and emission reduction have become a major concern of regulatory and investment institutions under the dual carbon target initiative. High energy consumption in daily operation may trigger concerns among stakeholders (including the government and investors) regarding the Group's operational efficiency and commitment to compliance obligations.	– According to the requirements of regulatory authorities, the Group improves the accuracy and comprehensiveness of the disclosure of carbon emission data and energy consumption data and reduce the concerns and negative feedback of the Group's stakeholders. – The Group formulates emergency management plans for extreme natural disasters, natural disasters prevention plans and a summary of contingency measures for emergencies to minimize the impact of climate change on the Group's operation, reducing the concerns and negative feedback of the Group's stakeholders.

The Group is committed to minimizing its environmental impact and enhancing its sustainability performance. It has adopted various measures to reduce its resource consumption and emissions and fostered a culture of environmental responsibility among its staff. The Group welcomes innovative suggestions from its employees on how to further protect the environment and operate more sustainably. More information can be found in the sections on "Environmental Targets".

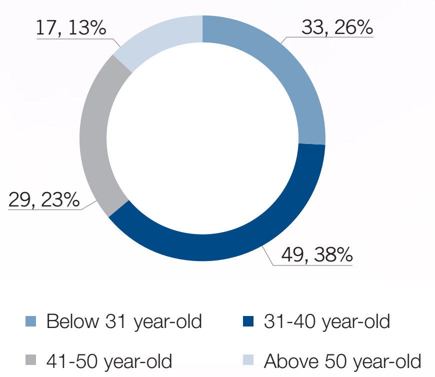
SOCIAL PERFORMANCE

1. Employment

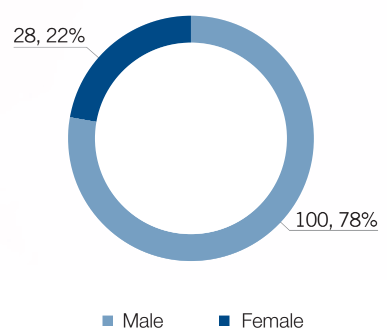
The Group has employed 128 full-time employees in 2023. All employment is strictly complied with national regulations, such as Employment Ordinance in Hong Kong, the Labour Law of the PRC, the Labour Contract Law of the PRC, the Employment Promotion Law of the PRC, the Labour Dispute Mediation and Arbitration Law of the PRC, the Regulation on the Annual Leave of Employees and local labour laws and regulations, and the Group uses such laws and regulations to formulate the Group's policies and work codes. The Group ensures all the Group's employees are fully protected in terms of compensation and benefits, recruitment and promotion, working hours, rest periods, entitled leaves, equal opportunity, diversity, anti-discrimination, staff training, attendance and performance. Furthermore, the Group also adheres to its internal measures to prevent employment discrimination on the grounds of nationality, age, ethnicity, race, religion, gender, marital status, pregnancy, sexual orientation, or political stance and all applicants are qualified for application and selection.

Major indicators for employment

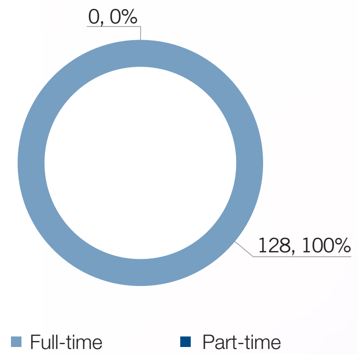
Number and percentage of staff by age group, 2023



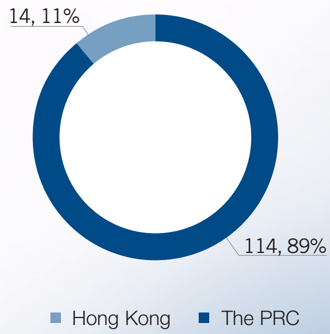
Number and percentage of staff by gender, 2023



Number and percentage of staff by employment type, 2023



Number and percentage of staff by geographical region, 2023



The employee turnover rates during the Reporting Period by gender, age group, and geographical region as follow:

Employee turnover rate	2023	2022
By gender		
– Male	**21%**	22%
– Female	**0%**	10%
By age group		
– Age 30 or below	**13%**	38%
– Age 31-40	**25%**	15%
– Age 41-50	**15%**	–
– Age 51 or above	**–**	6%
By geographical region		
– Hong Kong	**7%**	0%
– The PRC	**18%**	22%
– Others	**–**	–
– Overall	**17%**	19%

The Group organises different events to enhance the bonding and productivities of the employees, such as team building activities and annual dinner. The Group strives to provide suitable benefits and support to the staff in order to retain talents for the Group's business. The Group also promotes work-life balance working style to the employees.

2. Health and Safety

Safe and comfortable working environment is the Group's top priority and the Group strictly complies with the Labour Law of the PRC, the Prevention and Control of Occupational Diseases of the PRC, Fire Control Law of the PRC, Measures for the Determination of Work-related Injuries and relevant local laws and regulations. To provide a low-risk working environment for the staffs, the Group has implemented various measures, such as medical insurance scheme, regular maintenance on the air ventilation system to reduce indoor air quality. All firefighting and safety equipment are placed in the office. All safety equipment are checked by authorised third parties annually.

In each of the past three years, including the current reporting year, the Group has neither work-related fatalities nor loss of working days due to work injuries recorded.

3. Development and Training

The Group aims to provide continuous training to the Group's people, in order to facilitate their career and personal development, as well as to maintain an efficient and effective workforce for the Group's business. The Group's training programs are tailored to the needs of different job functions to strengthen the skills and abilities of the Group's employees. Based on the business vision and objectives of the Group and assessment of the performance and capability of employees, training topics include updates on rules and regulations, technical knowledge, management skills to customer service standards. The Group also encourages the Group's staff to have discussion on their learning plans with their supervisors during the performance evaluation process and the Group provides financial subsidies for employees to attend external training courses, where appropriate.

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

Major indicators for development and training

Training	Percentage of employees trained (%)		Average training hours (hours/employees)	
	2023	2022	**2023**	2022
By gender				
– Male	**81%**	38%	**61.1**	39.7
– Female	**35%**	27%	**11.8**	20.7
By employment category				
– Senior Management	**31%**	33%	**11.0**	5.4
– Middle Management	**45%**	40%	**20.0**	14.8
– General	**49%**	34%	**60.3**	44.2

4. Labour Standards

The Group does not engage in or tolerate any use of child or forced labour in its operations. All employees are hired in strict compliance with local labour laws and regulations, including the minimum working age requirement. Employment is offered based on the principles of fairness, openness and willingness. All positions are bound by legal contracts with detail terms and conditions of employment to protect employees' and the Company's interests.

The Group fully complies with the Employment Ordinance in Hong Kong, the Labour Law of the PRC, the Employment Promotion Law of the PRC, the Labour Dispute Mediation and Arbitration Law of the PRC, the Regulation on the Annual Leave of Employees and local labour laws and regulations, and strictly emphasizes on the prohibition of child labour and forced labour. In particular, the age of the employees is verified by inspecting their identification documents. Individuals under the age of 18 or without any identification documents are disqualified from employment. Besides, all works should be voluntarily performed and shall not involve forced labour. Upon discovery of any child labour and use of forced labour, the person will be dismissed immediately.

During the Reporting Period, the Group was not aware of any material cases of non-compliance with laws and regulations relating to labour standards arising in the Reporting Period that would have had a significant impact on the Group.

5. Supply Chain Management on Environmental and Social Risks

The Group has established a fair and transparent supplier selection process with independent review and approval for procurement exercises and does not tolerate any fraud and bribery in the Group's supply chain. The Group is committed to establishing a comprehensive vertical supply chain management system. The supply chain management system includes regular evaluation of suppliers' performance and requires the suppliers to take remedial measures where this performance is sub-standard. The management system is crucial for the Group the build long-term and stable strategic partnership with the Group's suppliers.

Distribution of suppliers by regions

Region	Number of suppliers
Northern China	15
Eastern China	11
Southern China	2
Central China	7
South-western China	3
Others	1

6. Product Responsibility

Quality of products and services and business ethics are the topic priority of the Group. The Group does not engage in unfair business activities of any kind. Its procurement and service delivering processes ensure information regarding products and services are clear and open.

The Group has ISO 9001 quality management system demonstrating its commitment to quality and its capability to satisfy customer's requirements. The Group also has ISO 20000 international standards for IT service management showing its commitment to provide quality services to customers.

The Group strictly adheres to relevant laws and regulations to protect intellectual property rights, such as the Trademark Law of the People's Republic of China, the Patent Law of the People's Republic of China, and the Copyright Law of the People's Republic of China. The Group continuously improves its intellectual property protection management, whilst encouraging and enhancing the employees' enthusiasm in technology innovation. Additionally, the Group arranges regular training and publicity on intellectual property protection to the Group's employees and promote their awareness and the requirement of reporting via email if they are aware of any of intellectual property right infringements.

The Group focuses on catering customer needs, providing customers with the most suitable and high quality and service products. The Group implements all relevant and necessary measures to uphold the Group's commitment, aiming at providing the best services to customers. The Group conducts a strict compliance review and testing on the products and perform a comprehensive inspection and vigorous evaluation of product stability and safety before the product is launched. The Group is also committed to protecting the confidentiality of the personal data and privacy of customers. The Group puts personal data privacy as the Group's top priority. The Group only collects information which the Group considers necessary for the Group's operations. The data collected will be used directly for the purposes as stated at the time such data is collected. The Group's requirements are conveyed to employees clearly by entering an agreement with the employees in order to fully abide by the guidance on prohibiting any unauthorized accessing or disclosure of confidential information. Employees who violate the agreement will be subject to disciplinary action as defined in Staff Handbook.

During the Reporting Period, the Group did not receive any complaint regarding product responsibility.

7. Anti-Corruption

The Group has no tolerance in any form of corruption, bribery, extortion, fraudulent behavior and money laundering. The Group has designed and implemented various internal controls to minimize the occurrence of bribery, extortion, fraud and money-laundering. The requirements for employees' ethical requirements and conduct are stipulated in the employee handbook, which is distributed and communicated to all employees. Upon proven misconduct case, the employee will be subject to disciplinary action and reported to the police and related governing body when necessary.

The Group has also established a whistle-blowing channel to enable staff to report on suspicious misconducts. Reports made are followed up and investigated by independent personnel on a timely basis. In addition, throughout 2023, training was regularly provided to management and employees in order to equip them with an understanding of the latest regulations and best practices relating to anti- bribery, extortion, fraud and money-laundering matters, including but not limited to the national anti-corruption policies and the Group's internal Code of Conduct.

The Group is in strict compliance with the Prevention of Bribery Ordinance in Hong Kong, the Criminal Law of the PRC, the Anti-Unfair Competition Law of the PRC and other applicable laws and regulations. The Group is not aware of any cases of material non-compliance with laws and regulations relating to bribery, extortion, fraud and money-laundering arising during the Reporting Period that would have had a significant impact on the Group.

8. Community Investment

The Group places high priority in creating value for the communities it serves and encourages its employees to actively participate in sponsorships and charitable support through direct donation or involvement in various community and charitable activities to support those in need. The Group is committed to providing career opportunities to the locals and promoting the development of community's economy. Going forward, the Group is looking for opportunities to contribute to the community.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUBJECT AREAS, ASPECTS, GENERAL DISCLOSURES AND KPIS

ESG Reporting Guidelines Aspects		Description	Pages/ Remark
A. Environmental			
Aspect A1：Emissions			
General Disclosure	A1	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.	37
KPI	A1.1	The types of emissions and respective emissions data.	37
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and intensity.	37
	A1.3	Total hazardous waste produced and intensity.	37
	A1.4	Total non-hazardous waste produced and intensity.	37
	A1.5	Description of measures to mitigate emission targets and steps taken to achieve them.	37
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and steps taken to achieve them.	37
Aspect A2: Use of Resources			
General Disclosure	A2	Policies on the efficient use of resources, including energy, water and other raw materials.	38
KPI	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity.	38
	A2.2	Water consumption in total and intensity.	38
	A2.3	Description of energy use efficiency targets and steps taken to achieve them.	38
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and steps taken to achieve them.	38
	A2.5	Total packaging material used for finished products.	38

ESG Reporting Guidelines Aspects		Description	Pages/ Remark
Aspect A3: The Environment and Natural Resources			
General Disclosure	A3	Policies on minimizing the issuer's significant impact on the environment and natural resources.	38
KPI	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	38
Aspect A4: Climate Change			
General Disclosure	A4	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	39-43
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.	43
B. Social			
Employment and Labour Practices			
Aspect B1：Employment			
General Disclosure	B1	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.	44
KPI	B1.1	Total workforce by gender, employment type (for example, full- or parttime), age group and geographical region.	44-45
	B1.2	Employee turnover rate by gender, age group and geographical region.	44-45
Aspect B2: Health and Safety			
General Disclosure	B2	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.	45
KPI	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	45
	B2.2	Lost days due to work injury.	45
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	45

ESG Reporting Guidelines Aspects		Description	Pages/ Remark
Aspect B3: Development and Training			
General Disclosure	B3	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	45
KPI	B3.1	The percentage of employees trained by gender and employee category.	46
	B3.2	The average training hours completed per employee by gender and employee category.	46
Aspect B4: Labour Standards			
General Disclosure	B4	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.	47
KPI	B4.1	Description of measures to review employment practices to avoid child and forced labour.	47
	B4.2	Description of steps taken to eliminate such practices when discovered.	47
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure	B5	Policies on managing environmental and social risks of the supply chain.	48
KPI	B5.1	Number of suppliers by geographical region.	48
	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.	48
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	48
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	48

ESG Reporting Guidelines Aspects		Description	Pages/ Remark
Aspect B6: Product Responsibility			
General Disclosure	B6	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, labeling and privacy matters relating to products and services provided and methods of redress.	47
KPI	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	47-48
	B6.2	Number of products and service-related complaints received and how they are dealt with.	47-48
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	47-48
	B6.4	Description of quality assurance process and recall procedures.	47-48
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	47-48
Aspect B7: Anti-corruption			
General Disclosure	B7	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.	48
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.	48
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	48
	B7.3	Description of anti-corruption training provided to directors and staff.	48
Aspect B8: Community Investment			
General Disclosure	B8	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.	48
KPI	B8.1	Focus areas of contribution.	48
	B8.2	Resources contributed (e.g. money or time) to the focus area.	48

DIRECTORS' REPORT

The Board of Directors is pleasure in presenting their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

"Management Discussion and Analysis" on pages 7 to 13 and "Five-Year Summary and Key Financial Ratios" on pages 14 and 15 form part of this Directors' report.

The environmental policies and performance, compliance with relevant laws and regulations and relationships with employees are also discussed under section headed "Environmental, Social and Governance Report" on pages 30 to 52.

Principal Risks and Uncertainties Facing the Company

The Group's business and profitability growth in the year under review was affected by the volatility and uncertainty of macro-economic conditions in the PRC and Hong Kong.

The Group's business is also exposure to credit, liquidity, interest rate, foreign currency and equity price risks. An analysis of the Group's financial risk management is provided in note 27 to the consolidated financial statements.

Environmental Policies and Performance

The Group recognises its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts attributable from the operational activities in order to minimise these impacts if possible.

Compliance with the Relevant Laws and Regulations

During the year ended 31 December 2023 and up to the date of this report, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the Group's business and operation.

Key Relationships with Employees, Customers and Suppliers

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the year ended 31 December 2023, there was no material and significant dispute between the Group and its employees, customers and suppliers.

DIRECTORS' REPORT

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2023 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 68 to 73.

DIVIDENDS

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

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders of the Company entitled to attend and vote at the 2024 AGM, the register of members of the Company will be closed from Monday, 24 June 2024 to Friday, 28 June 2024, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Friday, 21 June 2024.

DISTRIBUTABLE RESERVES

At 31 December 2023, the Company did not have reserves available for distribution to equity shareholders of the Company (2022: Nil).

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 December 2023 are set out in note 22(a) to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

GROUP FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on pages 14 and 15 of this report.

CHARITABLE DONATIONS

During the year, the Group did not have charitable donation (2022: Nil).

FIXED ASSETS

Details of movements in fixed assets are set out in note 11 to the consolidated financial statements.

DIRECTORS

The list of Directors of the Company during the year and up to the date of this annual report is set out below:

Executive Directors

Mr. Yu Hui *(Chief Executive Officer)* (appointed on 26 October 2023)
Ms. Li Zhuoyang
Mr. Liu Yang (appointed on 28 April 2023)

Independent Non-executive Directors

Mr. Cai Jinliang
Mr. Chin Hon Siang
Mr. Chen Kwok Wang

In accordance with Article 86(3) of the Articles, Mr. Yu Hui, being a Director appointed after the 2023 AGM, shall retire from office as a Director and, being eligible, offers himself for re-election at the 2024 AGM.

In accordance with Article 87 of the Articles, Ms. Li Zhuoyang and Mr. Cai Jinliang shall retire from office as Directors by rotation and, being eligible, offer themselves for re-election at the 2024 AGM.

DIRECTORS' SERVICE CONTRACTS

Mr. Yu Hui, an executive Director and the chief executive officer of the Company, has entered into a management employment contract with the Company for an initial term of three years commencing from 26 October 2023. Mr. Yu Hui is subject to retirement and re-election at the next annual general meeting of the Company after his appointment and thereafter subject to retirement by rotation at least once in every three years in accordance with the Articles.

The Company has renewed the management employment contract with Ms. Li Zhuoyang, an executive Director, for a term of three years commencing from 24 May 2024 upon expiry of the existing term of three years commencing from 26 May 2021.

Mr. Liu Yang, an executive Director, has entered into a management employment contract with the Company for an initial term of three years commencing from 28 April 2023.

The Company has renewed the appointment letter with Mr. Cai Jinliang, an independent non-executive Director, for a term of three years with retrospective effect from 24 August 2023.

The Company has also renewed the appointment letter with Mr. Chin Hon Siang, an independent non-executive Director, for a term of three years commencing from 26 May 2024 upon expiry of the existing term of three years commencing from 26 May 2021.

Mr. Chen Kwok Wang, an independent non-executive Director, signed an appointment letter issued by the Company for an initial term of three years commencing from 9 December 2021.

Each Director is subject to retirement by rotation at least once in every three years in accordance with the Articles.

None of the Directors who are proposed for re-election at the 2024 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE

Each of the independent non-executive Director has provided his annual confirmation of independence to the Company pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme (as defined below) as set out below, there was no other equity-linked agreement entered into by the Group during the year or subsisting at the end of the year.

SHARE OPTION SCHEME

The Company has adopted the share option scheme at the annual general meeting of the Company held on 26 May 2016 and amended its terms at the 2023 AGM held on 23 June 2023 (the "Share Option Scheme"). The amendments are to conform with the amendments to the Listing Rules relating to share schemes of listed issuers which took effect from 1 January 2023.

The principal terms of the Share Option Scheme (as amended on 23 June 2023) are summarised as follows:

1. The purpose of the Share Option Scheme is to enable the Company to grant options to directors and employees of the Company and the subsidiaries on the basis of their past contribution and potential contribution to the development and growth of the Group.

2. The participants of the Share Option Scheme include only the full time or part time employees (including any directors) of the Company or its subsidiaries.

3. The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not exceed 10% of the issued shares of the Company as at 26 May 2016, being the date of approval of the Share Option Scheme, which was 417,924,982 shares (the "Scheme Mandate Limit") and such limit might be refreshed by Shareholders at general meeting. Upon the share consolidation of every ten (10) issued and unissued shares of par value of HK$0.01 each into one (1) consolidated share of par value of HK$0.10 each becoming effective on 30 June 2016, the Scheme Mandate Limit has been adjusted to 41,792,498 shares. On 30 June 2021, the Scheme Mandate Limit was refreshed to 113,385,477 shares, representing 10% of the number of shares in issue as at the date of the annual general meeting held on 30 June 2021. The Scheme Mandate Limit was adjusted to 5,669,273 shares upon the effective of the capital reorganisation became effective on 25 March 2022. On 23 June 2023, the Scheme Mandate Limit was further refreshed to 20,407,818 shares, representing 10% of the number of shares in issue as at the date of the 2023 AGM held on 23 June 2023.

4. The total number of options available for grant under the Scheme Mandate Limit at 1 January 2023 and 31 December 2023 was 5,669,273 and 20,407,818 respectively. As at the date of this report, the total number of shares available for issue under the Share Option Scheme is 20,407,818 shares, representing approximately 10% of the issued shares of the Company.

5. Unless approved by the Shareholders, the total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant class of the shares in issue. Unless approved by the Shareholders, any granted of awards to an independent non-executive Director or any of their associates in any 12-month period must not exceed 0.1% of the relevant class of the shares in issue.

6. The option may be exercised at any time during a period to be determined and notified by the Directors to each grantee and such period shall not exceed the period of 10 years from the date of grant.

7. The vesting period of the options granted under the Share Option Scheme shall not be shorter than 12 months from the date of acceptance of the offer. The Board may, however, at its absolute discretion, set any performance targets that must be achieved before the option can be exercised upon the grant of an option to a grantee.

8. The offer of a grant of options may be accepted within 28 days after the date of making the offer and the grantee shall pay HK$1.00 to the Company by the way of consideration for the grant.

9. The subscription price shall be determined by the Board in its absolute discretion but in any event shall be not less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

10. Subject to earlier termination by the Company at general meeting, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption, i.e. 26 May 2016.

Details of the Share Option Scheme are set out in the circulars of the Company dated 25 April 2016 and 19 May 2023.

Details of the movement in the share options granted under the Share Option Scheme during the year ended 31 December 2023 are as follows:

Name of category of participants	Date of grant of share option	Exercise Period	Exercise Price *(HK$)*	Outstanding as at 1 January 2023	Adjustment#	Outstanding as at 31 December 2023
Li Zhuoyang	1 September 2020	1 December 2020 to 31 August 2030	3.6356#	324,070	43,719	367,789
Employees in aggregate	1 September 2020	1 December 2020 to 31 August 2030	3.6356#	1,309,142	176,605	1,485,747
				1,633,212	220,324	1,853,536

The vesting period of the share options is from the date of grant up to 30 November 2020. These share options are vested to the grantees on 1 December 2020 and exercisable up to 31 August 2030.

The exercise price of the share options and the number of shares to be issued upon exercise of the outstanding share options have been adjusted from HK$4.126 per share to HK$3.6356 and from 1,633,212 shares to 1,853,536 shares respectively upon completion of the Rights Issue to reflect the bonus element of the Rights Issue. Details are set out in the Company's announcement dated 24 April 2023.

As at 31 December 2023, the Company had 1,853,536 adjusted share options (adjusted as a result of the Rights Issue) outstanding under the Share Option Scheme. The number of shares that may be issued in respect of the share options granted under the Share Option Scheme divided by the weighted average number of issued shares of the Company for the year ended 31 December 2023 was 1.10%. No share option was granted, lapsed, cancelled and exercised during the year ended 31 December 2023.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly subsisted at the year-end or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2023, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code as set out in Appendix C3 to the Listing Rules, are set out below:

Name of Director	Capacity	Long Position/ Short Position	Number of Shares held/ Percentage in total number of issued Shares
Ms. Li Zhuoyang *(Note)*	Beneficial Owner	Long Position	367,789 (0.18%)

Note:

6,300,000 share options were granted to Ms. Li on 1 September 2020. Subsequent to the grant date, the number of share options was adjusted to 6,481,413 to reflect the bonus element of rights issue completed on 18 May 2021; was adjusted to 324,070 upon the capital reorganisation became effective on 25 March 2022 and was further adjusted to 367,789 to reflect the bonus element of rights issue completed on 25 April 2023 pursuant to the Share Option Scheme. Therefore, under Part XV of the SFO, Ms. Li is taken to be interested in the underlying shares that she is entitled to subscribe for subject to the exercise of and/or the validity period of the share options granted.

Save as disclosed above, none of the Directors, or chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2023.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS INTERESTS IN SHARES

As at 31 December 2023, so far as is known to any Director or chief executive of the Company, the following persons (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

AGGREGATE INTEREST OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of shareholder	Nature of interest	Long Position/ Short Position	Number of Shares held/ percentage in total number of issued Shares
Hong Tai International II LPF	Beneficial Owner	Long position	37,000,850 (18.13%)

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2023.

SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 December 2023 are set out in note 13 to the consolidated financial statements.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2023 are set out in note 20 to the consolidated financial statements.

DIRECTORS' EMOLUMENTS

Details of the remuneration of the Directors for year ended 31 December 2023 are set out in note 7 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622, Laws of Hong Kong) when the Report of the Board of the Directors prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance (Chapter 622, Laws of Hong Kong).

MAJOR CUSTOMERS AND SUPPLIERS

Contracts with the Group's five largest suppliers combined by value, accounted for approximately 76% in value of total purchases during the year ended 31 December 2023, while contracts with the Group's largest supplier by value, accounted for approximately 37% in value of total purchases during the year ended 31 December 2023. Aggregate sales attributable to the Group's five largest customers were 61% of total revenue during the year ended 31 December 2023, while approximately 27% in value of total revenue attributable to the largest customer.

Save as disclosed above, none of the Directors, their associates or any other shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2023, the Group had not entered into any connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

HUMAN RESOURCES AND STAFF REMUNERATION

The Group has a dedicated management team with extensive experience and extensive service, and has a technological talent team with high technological standard and abundant practicable experience. They are the force for the rapid growth and expansion of the Group since its establishment.

For the year ended 31 December 2023, total staff costs for the year was approximately RMB25,182,000 of which contributions to defined contribution retirement schemes were approximately RMB2,590,000. The Group has been able to retain and motivate outstanding technological and management talents through remuneration at a competitive level, as well as training and development plans.

The Company's subsidiaries in the PRC provide retirement, medical, employment injury, unemployment and maternity benefits to its employees in accordance with a state-managed social welfare scheme operated by the local government of the PRC, and the relevant PRC rules and regulations. At the same time, the employees of the Company's subsidiaries in the PRC are members of a long-term dormitory provident fund scheme operated by the local government of the PRC. According to the scheme, the Group provides dormitory provident fund to the employees in the PRC in accordance with the relevant PRC rules and regulations.

Executive Directors and members of the senior management of the Group, being non-PRC citizens, may elect not to participate in the state-managed social welfare scheme operated by the local government of the PRC. If there is any change in the PRC rules and regulations with respect to the retirement scheme upon which the Group is required to contribute to the social welfare scheme for non-PRC citizens, the Group shall comply with such new rules and regulations within the time limit prescribed by the relevant authorities.

DIRECTORS' REPORT

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the year and up to the date of this report.

AUDIT COMMITTEE

The Company established the Audit Committee on 18 December 2006 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and to review the risk management and internal control systems of the Group. The Audit Committee comprises three independent non-executive Directors, Mr. Cai Jinliang (chairman), Mr. Chin Hon Siang and Mr. Chen Kwok Wang.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2023.

AUDITORS

Mazars CPA Limited resigned as auditor of the Company on 16 December 2021, and BOFA CPA Limited was appointed as auditor of the Company to fill the vacancy with effect from 16 December 2021.

Save as disclosed above, there was no change in auditor during the past three years.

A resolution will be submitted to the 2024 AGM to re-appoint BOFA CPA Limited as auditor of the Company.

On behalf of the Board
Enterprise Development Holdings Limited

Li Zhuoyang
Executive Director

Hong Kong, 28 March 2024

INDEPENDENT AUDITORS' REPORT

Room 1607, 16th Floor, Tower 3, Phase 1
Enterprise Square, 9 Sheung Yuet Road
Kowloon Bay, Hong Kong
Tel: +852 2757 0816
Email: info@bofacpa.com

To the shareholders of Enterprise Development Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Enterprise Development Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 68 to 140, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting 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 2023, and of its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. 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 International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (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 (cont'd)

Key audit matter identified in our audit is summarised as follows:

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of expected credit loss ("ECL") on trade and other receivables	
Refer to notes 2, 17 and 27(a) to these consolidated financial statements	
Included in the financial statement line item of the Group's trade and other receivables balance as of 31 December 2023 were trade receivables of approximately RMB9.9 million and other receivables of approximately RMB23.0 million. The ECL on trade and other receivables is a significant estimate that affects the financial statements and requires judgment in its determination. Management engaged an external valuer to assist in assessing the ECL due to the complexity of the task, which involves evaluating future economic conditions, credit risk, and customer payment behavior. The Group considered both quantitative and qualitative information, including historical experience and forward-looking information that is available without undue cost or effort when assessing the ECL. We have determined that the assessment of the ECL for trade and other receivables is a key audit matter because of the significance of the amounts and the assessment of ECL for trade and other receivables involves significant management judgements and estimates at the reporting date.	Our audit procedures related to this key audit matter included: – Obtaining an understanding of the Group's credit risk management and practices, and assessing if the Group's ECL policy is in accordance with the requirements of IFRS 9; – Assessing external valuer's qualifications, experience, and independence to determine the reliability of their work for our audit purposes; – Obtaining an understanding and evaluating the appropriateness of the Group's methodology for estimating expected credit loss, including consideration of historical data, and economic indicators; – Testing the accuracy and completeness of the underlying data used in the expected credit loss calculation; – Assessing the reasonableness of management's assumptions and judgments used in determining the expected credit loss, including the consideration of forward-looking information; and

KEY AUDIT MATTERS (cont'd)

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of expected credit loss ("ECL") on trade and other receivables	
Refer to notes 2, 17 and 27(a) to these consolidated financial statements	
	– Evaluating whether the disclosures related to the ECL were adequate in the context of the applicable financial reporting framework. Our procedures provided us with sufficient appropriate audit evidence to form our opinion on the reasonableness of the expected credit loss for trade and other receivables as presented in the financial statements. The judgments involved in estimating expected credit loss are subject to inherent uncertainty, and actual results may differ from those estimates. However, based on our audit procedures and professional judgment, we believe that the Group's estimation of expected credit loss for trade and other receivables is reasonable in accordance with the applicable accounting standards.

OTHER INFORMATION

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

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

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

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

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors 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, 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, 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.

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

- 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.

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 year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditor's report is Cheung Chun Kit Victor (Practising Certificate number: P07621).

BOFA CPA LIMITED
Certified Public Accountants
Hong Kong, 28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Revenue	3(a)	**60,646**	47,909
Cost of sales		**(34,601)**	(27,093)
Gross profit		**26,045**	20,816
Other income, gains and losses	4	**23,752**	141
Distribution expenses		**(15,918)**	(14,475)
General and administrative expenses		**(22,573)**	(16,849)
Fair value gain (loss) on financial assets at fair value through profit or loss ("FVPL")	15	**330**	(9,074)
Loss allowance on contract assets and trade and other receivables, net		**(7,314)**	(7,351)
Profit (loss) from operation		**4,322**	(26,792)
Finance costs	5(a)	**(918)**	(877)
Profit (loss) before taxation	5	**3,404**	(27,669)
Income tax credit	6	**397**	2,655
Profit (loss) for the year		**3,801**	(25,014)
Attributable to:			
Equity shareholders of the Company		**5,550**	(22,268)
Non-controlling interests		**(1,749)**	(2,746)
Profit (loss) for the year		**3,801**	(25,014)
		RMB	RMB (Restated)
Basic and diluted earnings (loss) per share	10	**0.033**	(0.270)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
Profit (loss) for the year	**3,801**	(25,014)
Other comprehensive income for the year (after tax)		
Items that are or may be reclassified to profit or loss:		
Exchange difference on translation of financial statements of overseas operations	**2,573**	2,032
	2,573	2,032
Total comprehensive income (loss) for the year	**6,374**	(22,982)
Attributable to:		
Equity shareholders of the Company	**8,051**	(20,288)
Non-controlling interests	**(1,677)**	(2,694)
Total comprehensive income (loss) for the year	**6,374**	(22,982)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	11	**2,419**	574
Intangible assets	12	**6,912**	3,485
Right-of-use assets	14	**3,152**	2,105
		12,483	6,164
Current assets			
Financial assets at FVPL	15	**30,078**	10,958
Contract assets	16	**22,936**	6,213
Trade and other receivables	17	**59,462**	78,607
Cash and cash equivalents	18	**177,805**	101,036
		290,281	196,814
Current liabilities			
Trade and other payables	19	**10,628**	16,553
Contract liabilities	16	**4,809**	2,085
Lease liabilities	14	**2,372**	1,008
Interest-bearing borrowings	20	**19,816**	14,531
Current taxation		**123**	520
		37,748	34,697
Net current assets		**252,533**	162,117
Total assets less current liabilities		**265,016**	168,281
Non-current liability			
Lease liabilities	14	**875**	1,167
NET ASSETS		**264,141**	167,114
Capital and reserves			
Share capital	22(a)	**17,752**	6,939
Reserves	22(b)	**195,136**	106,610
Total equity attributable to equity shareholders of the Company		**212,888**	113,549
Non-controlling interests		**51,253**	53,565
TOTAL EQUITY		**264,141**	167,114

These consolidated financial statements on pages 68 to 140 were approved and authorised for issue by the Board of Directors on 28 March 2024 and signed on its behalf by

Li Zhuoyang
Director

Liu Yang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to the equity shareholders of the Company									
	Share capital RMB'000 (Note 22(a))	**Share premium** RMB'000 (Note 22(b)(i))	**Other reserve** RMB'000 (Note 22(b)(ii))	**Share-based payment reserve** RMB'000 (Note 22(b)(iii))	**PRC Statutory reserve** RMB'000 (Note 22(b)(iv))	**Exchange reserve** RMB'000 (Note 22(b)(v))	**Accumulated losses** RMB'000	**Sub-total** RMB'000	**Non-Controlling interests** RMB'000	**Total equity** RMB'000
At 1 January 2022	114,835	556,194	(8,440)	2,291	8,483	19,963	(568,745)	124,581	56,259	180,840
Loss for the year	–	–	–	–	–	–	(22,268)	(22,268)	(2,746)	(25,014)
Other comprehensive income:										
Items that are or may be reclassified to profit or loss:										
Exchange difference on translation of financial statements of overseas operations	–	–	–	–	–	1,980	–	1,980	52	2,032
	–	–	–	–	–	1,980	–	1,980	52	2,032
Total comprehensive loss for the year	–	–	–	–	–	1,980	(22,268)	(20,288)	(2,694)	(22,982)
Transactions with owners:										
Contributions and distributions:										
Capital reorganisation, net of expenses (note 22(a)(i)	(109,093)	(429)	–	–	–	–	109,093	(429)	–	(429)
Issue of placing shares, net of expenses (note 22(a)(ii))	1,197	8,488	–	–	–	–	–	9,685	–	9,685
Total transactions with owners	(107,896)	8,059	–	–	–	–	109,093	9,256	–	9,256
As at 31 December 2022 and 1 January 2023	6,939	564,253	(8,440)	2,291	8,483	21,943	(481,920)	113,549	53,565	167,114
Profit for the year	–	–	–	–	–	–	5,550	5,550	(1,749)	3,801
Other comprehensive income:										
Items that are or may be reclassified to profit or loss:										
Exchange difference on translation of financial statements of overseas operations	–	–	–	–	–	2,501	–	2,501	72	2,573
	–	–	–	–	–	2,501	–	2,501	72	2,573
Total comprehensive income for the year	–	–	–	–	–	2,501	5,550	8,051	(1,677)	6,374
Transactions with owners:										
Contributions and distributions:										
Acquisition of non-controlling interest (note 23)	–	–	635	–	–	–	–	635	(635)	–
Issue of rights shares, net of expenses (note 22(a)(iii))	10,813	79,840	–	–	–	–	–	90,653	–	90,653
Total transactions with owners	10,813	79,840	635	–	–	–	–	91,288	(635)	90,653
At 31 December 2023	17,752	644,093	(7,805)	2,291	8,483	24,444	(476,370)	212,888	51,253	264,141

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
OPERATING ACTIVITIES			
Profit (loss) before taxation		**3,404**	(27,669)
Adjustment for:			
Amortisation of intangible assets	12	**427**	232
Depreciation of property, plant and equipment	11	**489**	204
Depreciation of right-of-use assets	14	**1,979**	1,505
Finance costs	5(a)	**918**	877
Fair value (gain) loss on financial assets at FVPL	15	**(330)**	9,074
Gain on disposal of financial assets at FVPL		**(23,854)**	(8)
Gain on disposal of property, plant and equipment		**–**	(196)
Increase in loss allowance on trade and other receivables		**6,215**	7,351
Increase in loss allowance on contract assets	16	**1,099**	93
Interest income		**(165)**	(15)
Changes in working capital:			
Contract assets		**(17,822)**	1,896
Contract liabilities		**2,724**	(4,690)
Financial assets at FVPL		**5,460**	(7,762)
Trade and other payables		**(6,110)**	6,366
Trade and other receivables		**13,029**	(12,881)
Net cash used in operating activities		**(12,537)**	(25,623)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	11	**(2,334)**	(304)
Proceeds from disposal of property, plant and equipment		**–**	211
Payment for intangible assets		**(3,854)**	(1,863)
Interest received		**124**	15
Net cash used in investing activities		**(6,064)**	(1,941)
FINANCING ACTIVITIES			
Proceeds from issue of placing shares, net of expenses	22	**–**	9,685
Proceeds from issue of rights shares, net of expenses	22	**90,653**	–
Proceeds from bank borrowings	20	**8,000**	3,000
Repayment of bank borrowings	20	**(3,000)**	–
Payment of transaction costs on share consolidation	22	**–**	(429)
Repayment of lease liabilities	18(b)	**(1,955)**	(1,186)
Finance costs paid	18(b)	**(816)**	(164)
Net cash generated from financing activities		**92,882**	10,906
Net increase (decrease) in cash and cash equivalents		**74,281**	(16,658)
Cash and cash equivalents at 1 January		**101,036**	115,636
Effect of foreign exchange rate changes		**2,488**	2,058
Cash and cash equivalents at 31 December	18(a)	**177,805**	101,036

1. MATERIAL ACCOUNTING POLICIES

Enterprise Development Holdings Limited (the "Company") is a company incorporated in the Cayman Islands as an exempted company with limited liability on 20 April 2006 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 11 January 2007.

(a) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with IFRS Accounting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS and disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance (Cap.622). The financial statements comply with IFRS as issued by the International Accounting Standards Board ("IASB"). The measurement basis used in the preparation of the consolidated financial statements is the historical cost, except for financial assets at FVPL (see note 1(f)), which are measured at fair value as explained in the material accounting policies set out below.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.

The consolidated financial statements comprise the Company and its subsidiaries. The consolidated financial statements are presented in Renminbi ("RMB"), and rounded to the nearest thousand.

(b) Changes in accounting policies

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's consolidated financial statements:

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

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

1. MATERIAL ACCOUNTING POLICIES (cont'd)

(c) New standards and interpretations not yet adopted

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

Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1	Non-current Liabilities with Covenants[1]
Amendments to IFRS 16	Lease liability in sale and leaseback[1]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

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

The directors do not anticipate that the adoption of the new/revised IFRSs in future periods will have any material impact on the results of the Group.

1. MATERIAL ACCOUNTING POLICIES (cont'd)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(o), (p) and (q) to these consolidated financial statements depending on the nature of the liability.

1. MATERIAL ACCOUNTING POLICIES (cont'd)

(d) Subsidiaries and non-controlling interests (cont'd)

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)).

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (see note 1(k)).

(e) 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 of Directors (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. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

1. MATERIAL ACCOUNTING POLICIES (cont'd)

(f) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, are set out below.

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 27(f). These investments are subsequently accounted for as follows, depending on their classification.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at fair value through other comprehensive income ("FVOCI") (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(w)(iii).

The Group's financial assets mandatorily measured at FVPL include equity securities listed in Hong Kong and the United States.

1. MATERIAL ACCOUNTING POLICIES (cont'd)

(g) Property, plant and equipment

The property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(k)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Machinery, equipment and tools	5-10 years
Motor vehicles and other fixed assets	2-8 years

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 between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(k)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(k)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives, except for customer contracts, which are amortised when the economic benefits of the assets are expected to be consumed. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Firewall patents	10 years
Software patents	10 years
Customer relationships	4 years

Both the period and method of amortisation are reviewed annually.

1. MATERIAL ACCOUNTING POLICIES (cont'd)

(h) Intangible assets (cont'd)

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above. The Group's intangible assets that are determined to have an indefinite useful life comprise trademarks.

(i) 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 has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single 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.

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

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

(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.

1. MATERIAL ACCOUNTING POLICIES (cont'd)

(i) Leases (cont'd)

As lessee (cont'd)

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 lives of the right-of-use asset as follows:

Office premises	Over lease term
Motor vehicles	Over lease term

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.

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.

1. MATERIAL ACCOUNTING POLICIES (cont'd)

(i) Leases (cont'd)

As lessee (cont'd)

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 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.

The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

1. MATERIAL ACCOUNTING POLICIES (cont'd)

(j) Credit losses and impairment of assets

Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for expected credit losses ("ECLs") on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables);

– contract assets as defined in IFRS 15 (see note 1(q));

Financial assets measured at fair value, including equity securities measured at FVPL, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

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

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

1. MATERIAL ACCOUNTING POLICIES (cont'd)

(j) Credit losses and impairment of assets (cont'd)

Measurement of ECLs (cont'd)

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on trade receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments including loan receivables, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. 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.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

1. MATERIAL ACCOUNTING POLICIES (cont'd)

(j) Credit losses and impairment of assets (cont'd)

Significant increases in credit risk (cont'd)

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

Basis of calculation of interest income

Interest income recognised in accordance with note 1(w)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

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

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

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

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

1. MATERIAL ACCOUNTING POLICIES (cont'd)

(k) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– right-of-use assets;

– intangible assets; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value-in-use ("VIU"). In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to disposal, if measurable or VIU, if determinable.

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1. MATERIAL ACCOUNTING POLICIES (cont'd)

(l) Inventories

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

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

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

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

(m) Trade and other receivables (other than prepayment made to suppliers)

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 1(q)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(j)).

(n) Prepayment made to suppliers

Prepayment made to suppliers are stated at cost less allowance for impairment losses.

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group’s accounting policy for borrowing costs (see note 1(y)).

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

1. MATERIAL ACCOUNTING POLICIES (cont'd)

(q) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 1(w)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 1(j) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(m)). This usually occurs when the Group issues an invoice to the customer.

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

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

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

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 1(j).

(s) Employee benefits

(i) Salaries, annual bonuses, contributions to defined contribution retirement plans and the cost of nonmonetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to appropriate local retirement schemes pursuant to the relevant labour rules and regulations in the People's Republic of China (the "PRC") are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

1. MATERIAL ACCOUNTING POLICIES (cont'd)

(t) Share-based payment transactions

Equity-settled transactions

The Group's employees, including directors, receive remuneration in the form of share-based payment transactions, whereby the employees rendered services in exchange for shares or rights over shares. The cost of such transactions with employees is measured by reference to the fair value of the equity instruments at the grant date. The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a reserve within equity. The fair value is determined using the binomial model, taking into account any market conditions and non-vesting conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the vesting conditions are to be fulfilled, ending on the date on which the entitlement of relevant employees to the award is no longer conditional on the satisfaction of any non-market vesting conditions ("vesting date"). 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 the review, with a corresponding adjustment to the reserve within equity.

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 options reserve will be transferred to retained profits.

(u) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payables on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payables in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

1. MATERIAL ACCOUNTING POLICIES (cont'd)

(u) Income tax (cont'd)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

1. MATERIAL ACCOUNTING POLICIES (cont'd)

(u) Income tax (cont'd)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- In the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- In the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(v) Provisions and contingent liabilities

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

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

(w) Revenue and other revenue

Nature of goods or services

The Group's revenue from software business represents the sales of software license and other products, the provision of software maintenance services and other services.

1. MATERIAL ACCOUNTING POLICIES (cont'd)

(w) Revenue and other revenue (cont'd)

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).

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.

1. MATERIAL ACCOUNTING POLICIES (cont'd)

(w) Revenue and other revenue (cont'd)

Timing of revenue recognition (cont'd)

Sale of good is 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.

Software maintenance services and other services are recognised over time when services are rendered.

For revenue recognised over time under IFRS 15, provided the outcome of the performance obligation can be reasonably measured, the Group applies the output method (i.e. based on the direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract) to measure the progress towards complete satisfaction of the performance obligation because the method provides a faithful depiction of the Group's performance and reliable information is available to the Group to apply the method. Otherwise, revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation. The Group applies the output method as services completed to date over the life of the contract.

Transaction price: significant financing components

When the contract contains a significant financing component (i.e. the customer or the Group is provided with a significant benefit of financing the transfer of goods or services to the customer), in determining the transaction price, the Group adjusts the promised consideration for the effects of the time value of money. The effect of the significant financing component is recognised as an interest income or interest expense separately from revenue from contracts with customers in profit or loss.

The Group determines the interest rate that is commensurate with the rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception by reference to, where appropriate, the interest rate implicit in the contract (i.e. the interest rate that discounts the cash selling price of the goods or services to the amount paid in advance or arrears), the prevailing market interest rates, the Group's borrowing rates and other relevant creditworthiness information of the customer of the Group.

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

(i) *Sales of goods*

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

1. MATERIAL ACCOUNTING POLICIES (cont'd)

(w) Revenue and other revenue (cont'd)

Transaction price: significant financing components (cont'd)

(ii) Software maintenance services and other services

Software maintenance services and other services are provided in the form of fixed-price contracts. Sales of these services are recognised in the period the services are provided, using a straight-line basis over the term of contract. The deferred revenue is included in contract liabilities.

(iii) Dividends

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

(x) Translation of foreign currencies

The functional currency of the Company and its subsidiaries in the PRC are Hong Kong dollars ("HK$") and RMB respectively. For the purposes of presenting the consolidated financial statements, the Group adopted RMB as its presentation currency.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into functional currencies at the foreign exchange rates ruling at the end of each reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

1. MATERIAL ACCOUNTING POLICIES (cont'd)

(x) Translation of foreign currencies (cont'd)

The results of operations outside the PRC are translated into RMB at the exchange rates approximating to the foreign exchange rates ruling at the dates of the transactions. Consolidated statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of operations outside the PRC, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(y) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(z) Related parties

For the purposes of the consolidated financial statements:

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

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

   (ii) has significant influence over the Group; or

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

1. MATERIAL ACCOUNTING POLICIES (cont'd)

(z) Related parties (cont'd)

(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.

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

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

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

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

2. ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Loss allowance of trade and other receivables

The Group estimates the loss allowances for trade and other receivables by assessing the ECLs. This requires the use of estimates and judgements. ECLs are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the end of the reporting period. Where the estimation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivable and thus the loss allowance in the period in which such estimate is changed. The Group keeps assessing the ECL of trade and other receivables during the expected lives.

(b) Provision for impairment of prepayment made to suppliers

The Group makes prepayment to suppliers in accordance with the purchase order entered into with the suppliers. These prepayments are to be offset against future services provided from suppliers.

The Group does not require collateral or other security against its prepayment made to suppliers. The Group estimates the provision for impairment of prepayment made to suppliers based on evaluation of utilisation, ageing analysis of accounts and market volatilities. The identification of impairment requires management's judgements and estimates. Where the actual outcome or expectation in future is different from the original estimation, such difference will have impact on the carrying value of the prepayment made to suppliers and impairment in the period in which such estimate has been changed.

(c) Impairment for non-current assets

The management determines the impairment loss on assets other than goodwill if circumstances indicate that the carrying value of an asset may not be recoverable. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

2. ACCOUNTING JUDGEMENTS AND ESTIMATES (cont'd)

Critical accounting estimates and assumptions (cont'd)

(c) Impairment for non-current assets (cont'd)

The recoverable amount is the greater of the fair value less costs of disposal and the value in use ("VIU"). In determining the VIU, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, sales revenue and amount of operating costs.

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the fair value less cost of disposal and the VIU of the cash-generating units to which the goodwill is allocated. Estimating the VIU requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(d) Impairment of investments

The Group assesses annually if investment in subsidiaries has suffered any impairment in accordance with IAS 36 and follows the guidance of IFRS 9 in determining whether amounts due from these entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

(e) Determination of discount rates for calculating lease liabilities

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.

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the sale of software licenses and other products and the provision of integrated business software solutions.

The amount of each significant category of revenue within the scope of IFRS 15 recognised during the year is as follows:

	2023	2022
	RMB'000	RMB'000
Software maintenance and other services	**36,251**	34,218
Sale of software license and other products	**24,395**	13,691
	60,646	47,909

Disaggregation of revenue from contract with customers by timing of revenue recognition is as follows:

	2023	2022
	RMB'000	RMB'000
Timing of revenue recognition		
At a point in time	**24,395**	13,691
Over time	**36,251**	34,218
	60,646	47,909

Disaggregation of revenue from contracts with customers by geographic market is disclosed in note 3(c) to these consolidated financial statements.

3. REVENUE AND SEGMENT REPORTING (cont'd)

(b) Segment reporting

The Group manages its businesses by divisions, which are mainly organised by business lines. In a manner consistent with the way in which information is reported internally to the Board for the purpose of resource allocation and performance assessment, the Group has presented the following one major reportable segment. No operating segments have been aggregated to form the following reportable segments.

Software Business:	Sale of software licenses and other products and the provision of integrated business software solutions in the PRC

In addition, other unreportable segment (money lending, security trading and trading of fresh cassava) are aggregated and presented as "Others".

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Board monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include trade payables and accruals attributable to the sales activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit (loss) is "adjusted profit (loss) before taxation". Adjusted profit (loss) before taxation is the Group's profits (losses) before items not specifically attributed to individual segments, such as directors' and auditor's remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted profit (loss) before taxation, the Board is provided with segment information concerning revenue, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and additions to non-current segment assets used by the segments in their operations.

Segment revenue reported below represents revenue generated from external customers. There were no inter-segment sales in both years.

Information regarding the Group's major reportable segment as provided to the Board for the purposes of resource allocation and assessment performance for the years ended 31 December 2023 and 2022 is set out below:

3. REVENUE AND SEGMENT REPORTING (cont'd)

(b) Segment reporting (cont'd)

(i) Segment results, assets and liabilities (cont'd)

	Software Business		Others		Total	
	2023	2022	**2023**	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue						
Revenue from external customers	**60,084**	47,909	**562**	–	**60,646**	47,909
Reportable segment revenue	**60,084**	47,909	**562**	–	**60,646**	47,909
Reportable segment profit (loss)						
Adjusted profit (loss) before taxation	**(5,230)**	(9,516)	**16,462**	(13,184)	**11,232**	(22,700)
Fair value gain (loss) on financial assets at FVPL	**–**	–	**330**	(9,074)	**330**	(9,074)
Depreciation and amortisation	**(2,049)**	(1,938)	**(402)**	(3)	**(2,451)**	(1,941)
Gain on disposal of financial assets at FVPL	**–**	–	**23,854**	8	**23,854**	8
Interest expenses	**(324)**	(792)	**(457)**	–	**(781)**	(792)
Interest income from bank deposits	**21**	14	**105**	1	**126**	15
Loss allowance on contract assets and trade and other receivables	**(6,600)**	(7,351)	**(714)**	–	**(7,314)**	(7,351)
Reportable segment assets	**180,763**	170,597	**89,159**	25,273	**269,922**	195,870
Additions to non-current segment assets during the year	**6,915**	4,550	**846**	–	**7,761**	4,550
Reportable segment liabilities	**28,956**	28,266	**671**	–	**29,627**	28,266

3. REVENUE AND SEGMENT REPORTING (cont'd)

(b) Segment reporting (cont'd)

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2023 RMB'000	2022 RMB'000
Revenue		
Reportable segment revenue	60,646	47,909
Profit (loss) before taxation		
Reportable segment profit (loss) derived from the Group's external customers	11,232	(22,700)
Unallocated head office and corporate expenses	(7,828)	(4,969)
Consolidated profit (loss) before taxation	3,404	(27,669)

	2023 RMB'000	2022 RMB'000
Assets		
Reportable segment assets	269,922	195,870
Unallocated head office and corporate assets	32,842	7,108
Consolidated total assets	302,764	202,978
Liabilities		
Reportable segment liabilities	29,627	28,266
Unallocated head office and corporate liabilities	8,996	7,598
Consolidated total liabilities	38,623	35,864

3. REVENUE AND SEGMENT REPORTING (cont'd)

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's property, plant and equipment, intangible assets, and right-of-use assets ("Specified non-current assets"). The geographical location of customers is based on the location at which the services were provided, or the goods delivered. The geographical location of the Specified non-current assets is based on the physical location of the asset in the case of property, plant and equipment, and the location of the operation to which they are allocated in the case of intangible assets and right-of-use assets.

	Revenue from external customers		**Specified non-current assets**	
	2023	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC	**60,084**	47,909	**11,008**	6,164
Thailand	**562**	–	**–**	–
Hong Kong	**–**	–	**1,475**	–
	60,646	47,909	**12,483**	6,164

For the year ended 31 December 2023, revenues of approximately RMB16,191,000 and RMB7,094,000 are derived from external customers, customer A and customer B respectively. These revenues are attributed to the software business segment in the PRC.

4. OTHER INCOME, GAINS AND LOSSES

	2023	2022
	RMB'000	RMB'000
Exchange losses, net	**(495)**	(574)
Gain on disposal of financial assets at FVPL	**23,854**	8
Gain on disposal of property, plant and equipment	**–**	196
Bad debt recovery of loan receivable	**–**	120
Others	**393**	391
	23,752	141

5. PROFIT (LOSS) BEFORE TAXATION

Profit (loss) before taxation is stated after charging (crediting):

		2023 RMB'000	2022 RMB'000
(a)	**Finance costs**		
	Interest on interest-bearing borrowings	**766**	811
	Interest on lease liabilities	**152**	66
		918	877
(b)	**Staff costs**		
	Salaries, wages and other benefits	**22,592**	19,719
	Contributions to defined contribution retirement schemes (note 25)	**2,590**	2,261
		25,182	21,980
(c)	**Other items**		
	Auditor's remuneration	**668**	590
	Amortisation of intangible assets (note 12)	**427**	232
	Depreciation of property, plant and equipment (note 11)	**489**	204
	Depreciation of right-of-use assets (note 14)	**1,979**	1,505
	Research and development expenditure	**205**	–
	Leases expenses of other premises under short term leases (note 14)	**422**	720
	Gain on disposal of property, plant and equipment	**–**	(196)
	Loss allowance on contract assets	**1,099**	93

6. INCOME TAX

(i) Income tax credit in the consolidated statement of profit or loss represents:

	2023 RMB'000	2022 RMB'000
Current tax – the PRC		
Provision for the year	**–**	79
Over-provision in respect of prior years	**(397)**	(2,734)
	(397)	(2,655)

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

The provision for the PRC income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC. The statutory income tax rate of its PRC subsidiaries is 25% for the years ended 31 December 2023 and 2022.

Beijing Orient LegendMaker Software Development Co., Ltd. is entitled to a preferential income tax rate of 15% for the years ended 31 December 2023 and 2022 as it was awarded high-technology status by the tax authority.

No provision of Hong Kong Profits Tax had been made as the Group's does not have assessable profit or incurred a loss for taxation purpose.

These tax rates were used to calculate the Group's deferred tax assets and liabilities as at 31 December 2023 and 2022.

(ii) Reconciliation between income tax credit and profit (loss) before taxation at applicable tax rates:

	2023 RMB'000	2022 RMB'000
Profit (loss) before taxation	**3,404**	(27,669)
Tax calculated at applicable tax rates of 25% (2022: 25%)	**(852)**	6,917
Tax effect of different tax rates of operations in other jurisdictions	**1,380**	(1,949)
Effect of non-deductible expenses	**(1,806)**	(2,788)
Effect of non-taxable income	**4,005**	50
Effect of tax loss not recognised	**(1,589)**	(1,462)
Effect of temporary difference not recognised	**(1,138)**	(847)
Over-provision in respect of prior years	**397**	2,734
Tax credit	**397**	2,655

7. DIRECTORS' REMUNERATION

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

	Year ended 31 December 2023			
	Directors' fees RMB'000	Salaries, allowance and benefits-in-kind RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive director				
Ms. Li Zhuoyang	**–**	**1,392**	**110**	**1,502**
Mr. Liu Yang	**–**	**875**	**–**	**875**
Mr. Yu Hui	**–**	**316**	**–**	**316**
Independent non-executive directors				
Mr. Cai Jinliang	**216**	**–**	**–**	**216**
Mr. Chen Kwok Wang	**216**	**–**	**–**	**216**
Mr. Chin Hon Siang	**216**	**–**	**–**	**216**
	648	**2,583**	**110**	**3,341**

	Year ended 31 December 2022			
	Directors' fees RMB'000	Salaries, allowance and benefits-in-kind RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive director				
Ms. Li Zhuoyang	–	1,114	106	1,220
Independent non-executive directors				
Mr. Cai Jinliang	206	–	–	206
Mr. Chen Kwok Wang	206	–	–	206
Mr. Chin Hon Siang	206	–	–	206
	618	1,114	106	1,838

There were no amounts paid during the years ended 31 December 2023 and 2022 to the directors in connection with their retirement from employment with the Group, or inducement to join. There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2023 and 2022.

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2022: one) of them are directors. The aggregate of the emoluments in respect of the other three (2022: four) individuals are as follows:

	2023 RMB'000	2022 RMB'000
Basic salaries, allowances and other benefits	**3,094**	4,277
Retirement scheme contributions	**32**	85
	3,126	4,362
Number of senior managements	**3**	4

The emoluments of the three (2022: four) individuals with the highest emoluments are within the following bands:

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

There were no amounts paid to the five highest paid employees in connection with their retirement from employment with the Group, or inducement to join during the years ended 31 December 2023 and 2022.

9. DIVIDENDS

No dividend was paid or proposed in respect of the year ended 31 December 2023 (2022: Nil), nor has any dividend been proposed since the end of the reporting period.

10. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share for the year ended 31 December 2023 is based on the profit attributable to ordinary equity shareholders of the Company of approximately RMB5,550,000 (2022: loss of approximately RMB22,268,000) and the weighted average of 168,968,574 (2022 (Restated): 82,325,382) ordinary shares in issue during the year.

The comparative amount of the basic loss per share for the year ended 31 December 2022 has been adjusted to reflect the impact of the bonus element of the rights issue effected subsequent to 31 December 2022.

Potential dilutive ordinary shares are not included in the calculation of diluted earnings (loss) per share because they are anti-dilutive. Therefore, the diluted earnings (loss) per share equals the basic earnings (loss) per share.

11. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:			
At 1 January 2022	773	1,509	2,282
Exchange adjustments	8	5	13
Additions	180	124	304
Disposals	(145)	(117)	(262)
At 31 December 2022 and 1 January 2023	816	1,521	2,337
Exchange adjustments	2	1	3
Additions	566	1,768	2,334
Disposals	–	(69)	(69)
At 31 December 2023	**1,384**	**3,221**	**4,605**
Accumulated depreciation:			
At 1 January 2022	(610)	(1,184)	(1,794)
Exchange adjustments	(7)	(5)	(12)
Charge for the year	(101)	(103)	(204)
Written back on disposals	136	111	247
At 31 December 2022 and 1 January 2023	(582)	(1,181)	(1,763)
Exchange adjustments	(2)	(1)	(3)
Charge for the year	(117)	(372)	(489)
Written back on disposals	–	69	69
At 31 December 2023	**(701)**	**(1,485)**	**(2,186)**
Net book value:			
At 31 December 2023	**683**	**1,736**	**2,419**
At 31 December 2022	234	340	574

12. INTANGIBLE ASSETS

	Customer relationships RMB'000	Customer contracts RMB'000	Trademarks RMB'000	Firewall patents RMB'000	Software patents RMB'000 (note (i))	Total RMB'000
Costs:						
At 1 January 2022	7,262	3,015	2,815	665	26,222	39,979
Additions	–	–	–	–	1,863	1,863
At 31 December 2022 and 1 January 2023	7,262	3,015	2,815	665	28,085	41,842
Additions	–	–	–	–	3,854	3,854
At 31 December 2023	**7,262**	**3,015**	**2,815**	**665**	**31,939**	**45,696**
Accumulated amortisation:						
At 1 January 2022	(7,262)	(3,015)	–	(665)	(5,043)	(15,985)
Charge for the year	–	–	–	–	(232)	(232)
At 31 December 2022 and 1 January 2023	(7,262)	(3,015)	–	(665)	(5,275)	(16,217)
Charge for the year	–	–	–	–	(427)	(427)
At 31 December 2023	**(7,262)**	**(3,015)**	**–**	**(665)**	**(5,702)**	**(16,644)**
Accumulated impairment:						
At 1 January 2022, 31 December 2022 and 31 December 2023	**–**	**–**	**(2,134)**	**–**	**(20,006)**	**(22,140)**
Net book value:						
At 31 December 2023	**–**	**–**	**681**	**–**	**6,231**	**6,912**
At 31 December 2022	–	–	681	–	2,804	3,485

Notes:

(i) Software patents

Software patents comprise staff costs which were costs capitalised in respect of development work carried out on internally generated intangible assets. The patents were designed and developed by the Group to assist the improvement of customer's computer system and expected to have useful economic life of 10 years. The management expected these software patents to contribute net cash inflows within the lifespan of these patents.

13. INVESTMENTS IN SUBSIDIARIES

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

Name of subsidiaries	Place of incorporation/ establishment and operation	Percentage of equity interests held by the Company Direct %	Indirect %	Particulars of issued share capital/paid up capital	Principal activities
Winsino Investments Limited	The BVI	100%	–	1 share of United States Dollars ("USD") 1	Investment holding
Smart Billion Enterprises Corporation	The BVI	100%	–	100 shares of USD1 each	Investment holding
Enterprise Development Investment Holdings Limited	Hong Kong	–	100%	100 shares of HK$100	Money lending
Enterprise Development (Hong Kong) Holdings Limited	Hong Kong	–	100%	1 share of HK$1	Securities investment
Easy Talent Limited	Cayman Islands	–	60%	10 shares of USD1 each	Investment holding
Liang Hui Holdings Limited	The BVI	–	60%	1 share of USD1	Investment holding
Oriental Legend Maker Technology Ltd.	Hong Kong	–	60%	1 share of HK$1	Investment holding
Beijing Orient LegendMaker Software Development Co., Ltd. ("Beijing OLM") (note (i) and (iii))	The PRC	10.46%	53.72%	RMB122,850,000	Provision of integrated business software solutions
Chengdu Orient LegendMaker Information Industry Co., Ltd. ("Chengdu OLM") (note (ii) and (iii))	The PRC	–	64.18%	RMB30,000,000	Provision of integrated business software solutions
Shanghai Orient LegendMaker Technology Co., Ltd. ("Shanghai OLM") (note (ii) and (iii))	The PRC	–	64.18%	RMB10,000,000	Provision of integrated business software solutions

Notes:

(i) These entities are wholly foreign owned enterprises established in the PRC.

(ii) These entities are limited liability companies established in the PRC.

(iii) The English translation of the company names are for reference only. The official names of these companies are in Chinese.

(iv) None of the subsidiaries had issued any debt securities during the year.

13. INVESTMENTS IN SUBSIDIARIES (cont'd)

The following table lists out the information relating to Beijing OLM, Chengdu OLM and Shanghai OLM, the subsidiaries of the Group which has material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	Beijing OLM		Chengdu OLM		Shanghai OLM	
	2023	2022	**2023**	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
NCI percentage	**35.82%**	40.00%	**35.82%**	40.00%	**35.82%**	40.00%
Current assets	**148,475**	138,393	**33,860**	34,699	**26,819**	34,954
Non-current assets	**40,190**	34,810	**13,603**	13,608	**808**	1,340
Current liabilities	**(101,464)**	(101,647)	**(1,054)**	(646)	**(8,269)**	(10,074)
Non-current liabilities	**(252)**	(373)	**–**	–	**(240)**	(794)
Net assets	**86,949**	71,183	**46,409**	47,661	**19,118**	25,426
Carrying amounts of NCI	**31,145**	28,473	**16,624**	19,064	**6,848**	10,170
Revenue	**52,226**	33,873	**860**	1,654	**7,111**	19,020
Profit (loss) for the year	**2,778**	(13,783)	**(1,253)**	(400)	**(6,306)**	7,167
Total comprehensive income (loss)	**2,778**	(13,783)	**(1,253)**	(400)	**(6,306)**	7,167
Profit (loss) allocated to NCI	**995**	(5,513)	**(449)**	(160)	**(2,259)**	2,867
Dividend paid to NCI	**–**	–	**–**	–	**–**	–
Cash flow generated from (used in) operating activities	**681**	(7,224)	**58**	(86)	**669**	(207)
Cash flow used in investing activities	**(6,134)**	(1,901)	**–**	(7)	**(12)**	(19)
Cash flow generated from (used in) financing activities	**16,926**	2,232	**–**	–	**(576)**	(582)

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

	Motor vehicles RMB'000	Office premises RMB'000	Total RMB'000
Costs:			
At 1 January 2022	–	3,800	3,800
Written-off	–	(2,078)	(2,078)
Additions	–	2,590	2,590
At 31 December 2022 and 1 January 2023	–	4,312	4,312
Exchange adjustments	10	5	15
Additions	1,442	1,574	3,016
At 31 December 2023	**1,452**	**5,891**	**7,343**
Accumulated depreciation:			
At 1 January 2022	–	(2,780)	(2,780)
Written-off	–	2,078	2,078
Charge for the year	–	(1,505)	(1,505)
At 31 December 2022 and 1 January 2023	–	(2,207)	(2,207)
Exchange adjustments	(2)	(3)	(5)
Charge for the year	(421)	(1,558)	(1,979)
At 31 December 2023	**(423)**	**(3,768)**	**(4,191)**
Net book value:			
At 31 December 2023	**1,029**	**2,123**	**3,152**
At 31 December 2022	–	2,105	2,105

Lease liabilities

	2023 RMB'000	2022 RMB'000
Current portion	**2,372**	1,008
Non–current portion	**875**	1,167
	3,247	2,175

The Group's right-of-use assets represent the leases of various offices and motor vehicles. Rental contracts for the year ended 31 December 2023 are typically made for fixed periods of 1 year to 3 years (2022: fixed periods of 1 year to 3 years). Lease terms are negotiated on an individual basis and contain similar terms and conditions. The Group has applied incremental borrowing rate of 5% (2022: 5%) to the lease liabilities for the year ended 31 December 2023.

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (cont'd)

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group, except for short-term leases and low-value assets. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Restrictions or covenants

Most of the leases impose a restriction that, unless the 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.

For leases of properties, the Group is required to keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

The Group has recognised the following amounts for the year:

	2023	2022
	RMB'000	RMB'000
Lease payments		
Short-term leases	**422**	720
Low-value assets	**3**	–
Expenses recognised in profit or loss	**425**	720
Lease payments:		
Interest on lease liabilities	**152**	66
Repayment of lease liabilities	**1,955**	1,186
Total cash outflow for leases	**2,532**	1,972

Commitments under leases

At 31 December 2023, the Group was committed to RMB229,000 (2022: RMB235,000) for short-term leases and low-value assets.

15. FINANCIAL ASSETS AT FVPL

	2023	2022
	RMB'000	RMB'000
Equity securities listed in Hong Kong	**2,020**	1,467
Equity securities listed in the United States	**28,058**	9,491
	30,078	10,958

Note:

The fair value of listed equity securities is based on quoted market prices in active markets at the end of the reporting period.

During the year ended 31 December 2023, a fair value gain on listed equity securities of RMB330,000 (2022: loss of RMB9,074,000) was recognised in profit or loss.

16. CONTRACT ASSETS AND LIABILITIES

	Note	2023 RMB'000	2022 RMB'000
Contract assets	(a)	**24,242**	6,420
Less: Loss allowance		**(1,306)**	(207)
		22,936	6,213
Contract liabilities	(b)	**4,809**	2,085

Notes:

(a) The movements (excluding those arising from increases and decreases both occurred within the same year) of contract assets from contracts with customers within IFRS 15 during the year are as follows:

	2023 RMB'000	2022 RMB'000
At 1 January	**6,420**	8,316
Transferred to trade receivables	**(6,420)**	(8,316)
Recognition of revenue	**24,242**	6,420
At 31 December	**24,242**	6,420

The contract assets are primarily related to the Group's right to consideration for Software Business because the rights are conditional upon the Group's fulfilment of certain future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

The increase in contract assets in 2023 was the result of the increase in the provision of maintenance and other services towards the end of the year.

At 31 December 2023, the contract assets that are expected to be settled within 12 months are RMB24,242,000 (2022: RMB6,420,000).

(b) Movements in contract liabilities:

	2023 RMB'000	2022 RMB'000
Balance at 1 January	**2,085**	6,775
Decrease in contract liabilities as a result of recognising revenue or other income during the year that was included in the contract liabilities at the beginning of the year	**(2,085)**	(6,775)
Increase in contract liabilities excluding amounts recognised as revenue during the year	**4,809**	2,085
Balance at 31 December	**4,809**	2,085

At 31 December 2023, the contract liabilities that are expected to be settled within 12 months are RMB4,809,000 (2022: RMB2,085,000).

The increase in contract liabilities in the current year was mainly due to increase in advance from customers.

17. TRADE AND OTHER RECEIVABLES

	Note	2023 RMB'000	2022 RMB'000
Trade receivables, net of loss allowance	(a)	**9,888**	26,893
Loan receivables from third parties	(b)	**11,902**	13,384
Less: loss allowance of loan receivables		**(9,902)**	(13,384)
Loan receivables, net of loss allowance		**2,000**	–
Prepayments made to suppliers, net of impairment	(c)	**23,146**	27,137
Deposits and other receivables, net of loss allowance	(d)	**24,428**	24,577
		47,574	51,714
		59,462	78,607

All of the trade and other receivables are expected to be recovered within one year.

Notes:

(a) As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date (or date of revenue recognition, if earlier) and net of loss allowance, is as follows:

	2023 RMB'000	2022 RMB'000
Within 1 month	**6,590**	14,881
Over 1 month but less than 3 months	**2,118**	2,668
Over 3 months but less than 1 year	**261**	6,443
Over 1 year but less than 2 years	**919**	2,901
Over 2 years	**–**	–
	9,888	26,893

Trade receivables are generally due within 90 (2022: 90) days from the date of billing. Further details of the Group's credit policy are set out in note 27(a) to these consolidated financial statements.

17. TRADE AND OTHER RECEIVABLES (cont'd)

Notes: (cont'd)

(b) At 31 December 2023, except that loan receivables of RMB2,719,000 (2022: Nil) were unsecured, interest-bearing at 8% per annum and repayable in December 2024, the remaining balance of RMB9,183,000 (2022: RMB13,384,000) were unsecured, carried at fixed interest rates of ranging from 7% to 8% (2022: 7% to 10%) per annum and overdue. All loan receivables were denominated in HK$.

Further details of the Group's credit policy are set out in note 27(a) to these consolidated financial statements.

(c) These prepayments are unsecured, interest-free and will be used to offset against future purchases from suppliers.

In respect of prepayments made to suppliers, individual credit evaluations are performed on all suppliers requiring prepayment over a certain amount. These evaluations focus on the suppliers' past history and take into account information specific to the suppliers as well as pertaining to the economic environment in which the suppliers operate.

(d) The deposits and other receivables mainly comprises of following loans:

- The loans of RMB14,709,000 (2022: RMB23,387,000) are made to third-party suppliers and customers of the Group. The loans are unsecured, interest-free and have repayment terms of two years. The Group is entitled to demand immediate repayment at any time during the loan terms.
- The loans of RMB8,248,000 (2022: Nil) made to other third parties are unsecured, interest-bearing at 7% per annum and have repayment terms of two years. The Group is entitled to demand immediate repayment at any time during the loan terms.

Further details of the Group's credit policy are set out in note 27(a) to these consolidated financial statements.

18. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) An analysis of the balance of cash and cash equivalents:

	2023	2022
	RMB'000	RMB'000
Cash on hand	**71**	26
Deposits on demand	**177,734**	101,010
Cash and bank deposits (note(i))	**177,805**	101,036

Note:

(i) Included in cash and bank deposits were approximately RMB92,126,000 (2022: approximately RMB80,174,000) placed in financial institutions in the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

18. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (cont'd)

(b) Reconciliation of liabilities arising from financing activities:

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

	Lease liabilities RMB'000 (Note 14)	Interest-bearing borrowing RMB'000 (Note 20)	Total RMB'000
At 1 January 2022	771	10,057	10,828
Change from financing cash flows:			
Proceeds from new interest-bearing borrowings	–	3,000	3,000
Repayment of lease liabilities	(1,186)	–	(1,186)
Interest expenses paid	(66)	(98)	(164)
Total changes from financing cash flows	(1,252)	2,902	1,650
Other changes:			
Finance costs	66	811	877
New lease liabilities	2,590	–	2,590
Exchange adjustments	–	761	761
Total other changes	2,656	1,572	4,228
At 31 December 2022	2,175	14,531	16,706

	Lease liabilities RMB'000 (Note 14)	**Interest-bearing borrowing and other overdrafts RMB'000 (Note 20)**	**Total RMB'000**
At 1 January 2023	**2,175**	**14,531**	**16,706**
Change from financing cash flows:			
Proceeds from new interest-bearing borrowings	**–**	**8,000**	**8,000**
Repayment of interest-bearing borrowings	**–**	**(3,000)**	**(3,000)**
Repayment of lease liabilities	**(1,955)**	**–**	**(1,955)**
Interest expenses paid	**(152)**	**(664)**	**(816)**
Total changes from financing cash flows	**(2,107)**	**4,336**	**2,229**
Other changes:			
Finance costs	**152**	**664**	**816**
New lease liabilities	**3,016**	**–**	**3,016**
Exchange adjustments	**11**	**285**	**296**
Total other changes	**3,179**	**949**	**4,128**
At 31 December 2023	**3,247**	**19,816**	**23,063**

19. TRADE AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables	**1,196**	9,159
Non-trade payables and accrued expenses	**8,721**	5,955
Other tax payables	**711**	1,439
	10,628	16,553

All trade and other payables are expected to be settled within one year.

The credit period of trade payables is normally within 90 (2022: 90) days. As of the end of the reporting period, the ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	2023 RMB'000	2022 RMB'000
Due within 1 month or on demand	**243**	8,747
Due after 1 month but within 3 months	**235**	–
Due after 3 months but within 6 months	**600**	–
Due after 6 months but within 1 year	**–**	353
Due after 1 year	**118**	59
	1,196	9,159

20. INTEREST-BEARING BORROWINGS

	Notes	2023 RMB'000	2022 RMB'000
Loan from a third party, unsecured and unguaranteed	(a)	**4,531**	4,422
Loan from a former fellow subsidiary, unsecured and unguaranteed	(b)	**7,285**	7,109
Loans from banks, unsecured and unguaranteed	(c)	**8,000**	3,000
		19,816	14,531

Notes:

(a) Loan from a third party, unsecured and unguaranteed

The loan due to an independent third party is denominated in HK$ (2022: HK$), unsecured, carried interest rate of 6.5% (2022: 2%) per annum and is repayable within one year.

(b) Loan from a former fellow subsidiary, unsecured and unguaranteed

The loan due to a former fellow subsidiary is denominated in HK$ (2022: HK$), unsecured, carried interest rate of 10% (2022: 10%) per annum and overdue.

20. INTEREST-BEARING BORROWINGS (cont'd)

Notes: (cont'd)

(c) Loans from banks, unsecured and unguaranteed

The loans due to banks are denominated in RMB (2022: RMB), unsecured, carried interest rate of 3.6% (2022: 4.05%) per annum and are repayable within one year.

21. DEFERRED TAXATION

(a) Deferred tax assets not recognised

	2023 **RMB'000**	2022 RMB'000
Before multiplied by the applicable tax rates:		
Deductible temporary differences	**83,446**	78,911
Tax losses	**55,139**	53,724
At end of the reporting period	**138,585**	132,635

No deferred tax asset has been recognised due to the unpredictability of future profit streams. Deductible temporary differences do not expire under current tax legislation. The expiry dates of unrecognised tax losses are as follows:

	2023 **RMB'000**	2022 RMB'000
Tax loss without expiry date	**21,043**	19,471
Tax losses expiring on 31 December 2024	**7,417**	14,187
Tax losses expiring on 31 December 2025	**7,339**	7,339
Tax losses expiring on 31 December 2026	**9,412**	9,412
Tax losses expiring on 31 December 2027	**3,315**	3,315
Tax losses expiring on 31 December 2028	**6,613**	–
	55,139	53,724

22. SHARE CAPITAL AND RESERVES

(a) Share capital

	2023		2022	
	Number of shares	**Amount HK$**	Number of shares	Amount HK$
Authorised:				
Ordinary shares of HK$0.1 each				
At 1 January and 31 December	**10,000,000,000**	**1,000,000,000**	10,000,000,000	1,000,000,000
Issued and fully paid:				
Ordinary shares of HK$0.1 each				
At 1 January	**81,631,274**	**8,163,127**	1,360,625,725	136,062,573
Capital reorganisation (note (i))	**–**	**–**	(1,292,594,451)	(129,259,446)
Issue of placing shares (note (ii))	**–**	**–**	13,600,000	1,360,000
Issue of rights shares (note (iii))	**122,446,911**	**12,244,691**	–	–
At 31 December	**204,078,185**	**20,407,818**	81,631,274	8,163,127
		RMB equivalent		RMB equivalent
		17,752,024		6,938,615

Notes:

(i) On 25 March 2022, the Company completed a capital reorganisation (the "Capital Reorganisation") involving the share consolidation (the "Share Consolidation"), the capital reduction (the "Capital Reduction") and the share subdivision (the "Share Subdivision"). The Capital Reorganisation was approved at the extraordinary general meeting held on 26 January 2022. Details of which are as follows:

(1) Share consolidation

Every twenty (20) existing issued and unissued ordinary shares with a par value of HK$0.1 each (the "Existing Share(s)") in the authorised share capital of the Company are consolidated into one (1) consolidated share with a par value of HK$2.0 (each a "Consolidated Share");

(2) Capital reduction

Any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation shall be cancelled and the par value of all issued Consolidated Shares is reduced from HK$2.0 each to HK$0.1 each (the "Adjusted Shares") and the issued share capital of the Company shall be reduced by HK$1.9 per Consolidated Share in issue;

(3) Share subdivision

Every unissued Consolidated Share in the share capital of the Company arising from the Share Consolidation is sub-divided into twenty (20) Adjusted Shares with a par value of HK$0.1 each.

As a result of the Capital Reorganisation, 1,292,594,451 issued and fully paid shares were cancelled and share capital amounting to HK$129,259,446 (equivalent to approximately RMB109,093,000) were cancelled and used to offset against the accumulated losses of the Company.

22. SHARE CAPITAL AND RESERVES (cont'd)

(a) Share capital (cont'd)

Notes: (cont'd)

(ii) On 10 August 2022, the Company entered into a placing agreement (the "Placing Agreement") with the placing agent pursuant to which the placing agent has conditionally agreed, as the placing agent of the Company, to procure on a best effort basis to not less than six placees to subscribe for up to 13,606,000 placing shares at the placing price of HK$0.84 per placing share.

All conditions to the Placing Agreement have been fulfilled and completion of the placing took place on 1 September 2022. An aggregate of 13,600,000 placing shares with the par value of HK$0.1 each have been successfully placed by the placing agent to not less than six placees at placing price of HK$0.84 per placing share pursuant to the terms and conditions of the Placing Agreement. The net proceeds of approximately RMB9,685,000 (equivalent to approximately HK$10,950,000) were received.

(iii) On 14 March 2023, the shareholders of the Company approved a rights issue on the basis of three rights shares for every two existing shares in issue and held on 24 March 2023 at a subscription price of HK$0.85 per rights share. The rights issue became unconditional on 18 April 2023. 122,446,911 rights shares with the par value of HK$0.1 each were allotted and issued on 25 April 2023. The net proceeds of approximately RMB90,653,000 (equivalent to approximately HK$102,653,000) were received.

(b) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands.

(ii) Other reserve

The application of the other reserve is set up to deal with the changes in ownership interests in subsidiaries that do not result in a loss of control. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised in equity.

(iii) Share-based payment reserve

The share-based payment reserve comprises the fair value at the grant date of unexercised share options granted to and other share-based payment transactions with employees of the Group and is dealt with in accordance with the accounting policy as set out in note 1(t) to these consolidated financial statements.

(iv) PRC statutory reserve

Transfers from retained profits to general reserve fund were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

22. SHARE CAPITAL AND RESERVES (cont'd)

(b) Nature and purpose of reserves (cont'd)

(iv) PRC statutory reserve (cont'd)

The general reserve fund can be used to reduce previous year's losses, if any, and may be converted into paid-up capital provided that the balance of the general reserve fund after such conversion is not less than 25% of the PRC subsidiary's registered capital.

Each PRC wholly owned subsidiary is required to transfer a minimum of 10% of its net profit, as determined in accordance with the PRC accounting rules and regulations, to the general reserve fund until the reserve balance reaches 50% of its registered capital. The transfer to this fund must be made before distribution of dividends to equity shareholders.

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from the hedges of the net investment in their foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 1(x).

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for its shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

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

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, the Group defines net debt as interest-bearing borrowings less cash and capital is defined as the total equity. As at 31 December 2023, the Group had cash in excess of interest-bearing borrowings. It is the management's intention to restrict the ratio below 50% in the long run. To achieve this end, the Group may adjust the amount of dividends to be paid to shareholders, issue new shares or raise new debts.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

23. ACQUISITION FROM NON-CONTROLLING INTEREST

During the year ended 31 December 2023, the Group subscribed shares of an indirect subsidiary, Beijing Orient LegendMaker Software Development Co., Ltd, with an aggregate amount of RMB12,850,000. Since the Group has obtained further equity interest in Beijing Orient LegendMaker Software Development Co., Ltd, therefore, the Group recognised directly in equity of approximately RMB635,000 as other reserve, being the difference between the amount by which the non-controlling interests are adjusted of approximately RMB5,237,000 and the fair value of consideration received of approximately RMB4,602,000 and attributed it to the non-controlling interest of the Group.

24. SHARE OPTION

(a) Share option scheme

On 26 May 2016, with approval by the shareholders, the Company adopted a new share option scheme (the "Scheme") for a period of 10 years to replace the share option scheme approved on 18 December 2006 that would otherwise expire on 17 December 2016. The Company amended its terms at the 2023 AGM held on 23 June 2023. The amendments are to conform with the amendments to the Listing Rules related to share schemes of listed issuers which took effect from 1 January 2023.

Under the Scheme (as amended on 23 June 2023), the Company may grant options to directors and employees of the Company and the subsidiaries on the basis of their past contribution and potential contribution to the development and growth of the Group. The options will expire either after 10 years from the date of grant or upon the termination or the issuance of termination notice of the relevant grantee's employment with the Group.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the shares in issue at the date of the passing of the relevant ordinary resolution. If any option is to be granted to connected person(s), it must be approved by independent non-executive directors or independent shareholders as the case may be.

Unless approved by the shareholders, the total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant class of the shares in issue. Unless approved by the shareholders, any grant of option to an independent non-executive director or any of their associates in any 12-month period must not exceed 0.1% of the relevant class of the shares in issue.

The options granted may be accepted by a participant within 28 days from the date of such offer. A consideration of HK$1 is payable on acceptance of the offer of grant of an option. The exercise period of the share options granted is determinable by the directors of the Company and ends on a date which is not later than 10 years from the date of offer of the share options. The vesting period of the options granted under the Scheme shall not be shorter than 12 months from the date of acceptance of the offer. The Board may, however, at its absolute discretion, set any performance targets that must be achieved before the option can be exercised upon the grant of an option to a grantee.

24. SHARE OPTION (cont'd)

(a) Share option scheme (cont'd)

The subscription price for shares payable on exercise of share options granted under the Scheme shall be a price determined by the directors of the Company, but shall in any event not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; and (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant.

Subject to earlier termination by the Company at general meeting, the Scheme shall be valid and effective for a period of 10 years from the date of its adoption, i.e. 26 May 2016.

(b) Movement in share option granted:

The following table discloses movements of the Company's share options held by directors and employees of the Group:

				Year ended 31 December 2023			
Name of category of participant	**Date of grant**	**Exercise period**	**Exercise price at 1 January 2023** HK$	**Outstanding at 1 January 2023**	**Adjustment (note i)**	**Outstanding at 31 December 2023**	**Exercise price at 31 December 2023** HK$
Directors in aggregate	1 September 2020	1 December 2020 to 31 August 2030	4.126	324,070	43,719	367,789	3.6356
Employees in aggregate	1 September 2020	1 December 2020 to 31 August 2030	4.126	1,309,142	176,605	1,485,747	3.6356
				1,633,212	220,324	1,853,536	

(i) Upon completion of the rights issue on 25 April 2023, the number of outstanding share options has been adjusted from 1,633,212 to 1,853,536 and the exercise price has been adjusted from HK$4.126 per share to HK$3.6356 per share. Details are set out in the Company's announcement dated 24 April 2023.

				Year ended 31 December 2022			
Name of category of participant	**Date of grant**	**Exercise period**	**Exercise price at 1 January 2022** HK$	**Outstanding at 1 January 2022**	**Adjustment (note ii)**	**Outstanding at 31 December 2022**	**Exercise price at 31 December 2022** HK$
Directors in aggregate	1 September 2020	1 December 2020 to 31 August 2030	0.2063	6,481,413	(6,157,343)	324,070	4.126
Employees in aggregate	1 September 2020	1 December 2020 to 31 August 2030	0.2063	26,182,850	(24,873,708)	1,309,142	4.126
				32,664,263	(31,031,051)	1,633,212	

(ii) Upon the capital reorganisation becoming effective from 25 March 2022, the number of outstanding share options has been adjusted from 32,664,263 to 1,633,212 and the exercise price has been adjusted from HK$0.2063 per share to HK$4.126 per share to reflect the capital reorganisation. Details are set out in the Company's announcement dated 3 January 2022.

No share options were exercised for the years ended 31 December 2023 and 2022. As at 31 December 2023 and 2022, all share options were exercisable.

24. SHARE OPTION (cont'd)

(c) Fair value of share options and assumptions

The fair value of the share options granted is measured at the date of grant, using the binomial option pricing model, taking into account the terms and conditions of the share-based arrangement. The fair value calculated is inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The inputs into the model are as follows:

Grant date	Fair value at grant date	The closing price of the Company's shares quoted on the Stock Exchange at grant date	Exercise Price	Risk-free interest rate	Expected Volatility	Expected life	Expected dividend yield
	HK$ per share option	HK$ per share	HK$ per share				
1 September 2020	0.081	0.200	0.212	0.60%	89.57%	10 years	N/A

Estimation of the value of the share options is subjective and uncertain as such values are subject to a number of assumptions and with regard to the limitation of the model. The expected volatility is based on the historical volatility reflecting the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. All significant features necessary to be considered for the measurement of fair values of the share options granted in the year were incorporated into such measurement.

25. RETIREMENT BENEFITS

As stipulated by the regulations of the PRC, the Group's subsidiaries in the PRC participate in basic defined contribution retirement schemes organised by the respective municipal governments under which they are governed. The contribution rates of the PRC subsidiaries employees administered by various municipal governments are ranged from 13% to 21% (2022: 12% to 22%).

All employees are entitled to retirement benefits equal to a fixed proportion of their salaries and benefits in kind prevailing at their normal retirement ages.

25. RETIREMENT BENEFITS (cont'd)

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of retirement benefits associated with this scheme beyond the contributions described above.

26. RELATED PARTY TRANSACTIONS

Remuneration to key management personnel

	2023 **RMB'000**	2022 RMB'000
Short-term employee benefits	**6,574**	4,361
Post-employment benefits	**391**	305
Equity-settled share-based payment	**–**	–
	6,965	4,666

The remuneration to key management personnel includes directors whose remuneration is detailed in note 7 to these consolidated financial statements.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligation. The Group's credit risk is primarily attributable to trade and other receivables, contract assets and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored on an on-going basis.

The Group assesses on a forward-looking basis the ECL associated with financial assets carried at amortised cost. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The Group assesses the ECL for trade receivables and contract assets based on a simplified approach. The Group adopts a "three-stage" model for impairment based on changes in credit quality since initial recognition, to estimate the expected credit losses for financial assets measured at amortised cost (except for trade receivables and contract assets, which apply simplified approach).

The key definition of the three stages are summarised below:

Stage 1: For financial instruments with no significant increase in credit risk after initial recognition or that have low credit risk at the reporting date, the expected credit losses are recognised at an amount equal to the portions of lifetime expected credit losses that result from default events possible within the next 12 months;

Stage 2: For financial instruments with significant increase in credit risk since initial recognition, but there is no objective evidence of impairment, lifetime expected credit losses are recognised and interest revenue is calculated on the gross carrying amount of the asset;

Stage 3: For financial instruments in default at the end of the reporting period, lifetime expected credit losses are recognised and interest revenue is calculated on the net carrying amount of the asset.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

(a) Credit risk (cont'd)

The Group is subject to credit risk exposure according to their relevant credit risk classification:

Gross carrying amount	Simplified approach RMB'000	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000
As at 31 December 2023				
Cash and cash equivalents	–	177,734	–	–
Contract assets	24,242	–	–	–
Trade and other receivables excluding deposits and prepayments	22,153	–	30,322	34,328
	46,395	177,734	30,322	34,328

Gross carrying amount	Simplified approach RMB'000	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000
As at 31 December 2022				
Cash and cash equivalents	–	101,010	–	–
Contract assets	6,420	–	–	–
Trade and other receivables excluding deposits and prepayments	34,760	–	28,745	36,714
	41,180	101,010	28,745	36,714

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

(a) Credit risk (cont'd)

The following tables present the movement in the gross amount and the loss allowance for loan receivables and other receivables during the year:

	Stage 1 Gross amount RMB'000	Stage 1 ECL RMB'000	Stage 2 Gross amount RMB'000	Stage 2 ECL RMB'000	Stage 3 Gross amount RMB'000	Stage 3 ECL RMB'000	Total Gross amount RMB'000	Total ECL RMB'000
At 1 January 2023	–	–	28,745	5,399	36,714	36,673	65,459	42,072
New assets originated or purchased	29,720	–	–	–	–	–	29,720	–
Payments and assets derecognised	–	–	(26,347)	–	(4,501)	(4,501)	(30,848)	(4,501)
Transfers to Stage 2	(29,720)	–	29,720	–	–	–	–	–
Transfers to Stage 3	–	–	(1,815)	(523)	1,815	523	–	–
Credit quality related changes	–	–	–	504	–	1,313	–	1,817
Exchange adjustment	–	–	19	5	300	300	319	305
At 31 December 2023	–	–	30,322	5,385	34,328	34,308	64,650	39,693
Total ECL charged to profit and loss account for the year								1,817

	Stage 1 Gross amount RMB'000	Stage 1 ECL RMB'000	Stage 2 Gross amount RMB'000	Stage 2 ECL RMB'000	Stage 3 Gross amount RMB'000	Stage 3 ECL RMB'000	Total Gross amount RMB'000	Total ECL RMB'000
At 1 January 2022	–	–	30,318	8,643	27,610	27,610	57,928	36,253
New assets originated or purchased	25,112	–	–	–	–	–	25,112	–
Payments and assets derecognised	–	–	(16,720)	–	(1,974)	(1,974)	(18,694)	(1,974)
Transfers to Stage 2	(25,112)	–	25,112	–	–	–	–	–
Transfers to Stage 3	–	–	(9,965)	(3,135)	9,965	3,135	–	–
Credit quality related changes	–	–	–	(109)	–	6,789	–	6,680
Exchange adjustment	–	–	–	–	1,113	1,113	1,113	1,113
At 31 December 2022	–	–	28,745	5,399	36,714	36,673	65,459	42,072
Total ECL charged to profit and loss account for the year								6,680

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

(a) Credit risk (cont'd)

Cash and cash equivalents

It is expected that there is no significant credit risk associated with the cash and cash equivalents as they are placed with major banks which are located in the PRC and Hong Kong, which the management believes are of high credit quality.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the consolidation statement of financial position after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group to credit risk.

Trade and other receivables and contract assets

In respect of trade receivables and contract assets, 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. Customers of Software Business are usually required to settle the payment based on the agreed schedule in according to the sales contract. Customers with balances overdue are normally requested to settle all outstanding balances before further service is provided. Normally, the Group does not obtain collateral from its customers.

The Group measures loss allowances on trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

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

In respect of loan receivables and other receivables, management makes periodic individual assessment on the recoverability of receivables based on historical settlement records, past experience and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there have been a significant increase in credit risk of these amounts since initial recognition. The Group measures loss allowance at an amount equals to lifetime ECLs by considering the probability of default and loss given default rates of other debtors with similar credit risk with reference to the research by external credit rating companies, such as Moody's and Standard and Poor.

The expected loss rates of all receivables are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the debtors to settle the receivables. The Group has identified the GDP and CPI of the countries to be the most relevant factors and accordingly adjusts the loss rates based on expected changes in these factors.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

(a) Credit risk (cont'd)

Trade and other receivables and contract assets (cont'd)

Trade receivables

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2023 and 2022:

	Expected loss rate %	Gross carrying amount RMB'000	Loss Allowance RMB'000
As at 31 December 2023			
Current (not past due)	**5.39**	**9,204**	**496**
Less than 3 months past due	**39.08**	**916**	**358**
Over 3 months to 1 year past due	**75.95**	**865**	**657**
Over 1 year to 2 years past due	**82.43**	**2,356**	**1,942**
Over 2 years past due	**100.00**	**8,812**	**8,812**
		22,153	**12,265**
As at 31 December 2022			
Current (not past due)	3.21	18,131	581
Less than 3 months past due	16.70	545	91
Over 3 months to 1 year past due	26.78	8,179	2,190
Over 1 year to 2 years past due	51.67	6,000	3,100
Over 2 years past due	100.00	1,905	1,905
		34,760	7,867

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

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

	2023 RMB'000	2022 RMB'000
At 1 January	**7,867**	7,196
Provision for loss allowance	**4,398**	671
At 31 December	**12,265**	7,867

As at 31 December 2023, the Group has recognised an allowance for credit losses on trade receivables amounted to approximately RMB12,265,000 (2022: approximately RMB7,867,000), of which approximately RMB4,398,000 (2022: approximately RMB671,000) were collectively determined to be impaired under ECLs during the year.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

(a) Credit risk (cont'd)

Trade and other receivables and contract assets (cont'd)

Loan receivables

Movements in the loss allowance account in respect of loan receivables during the year are as follows:

	2023 RMB'000	2022 RMB'000
At 1 January	13,384	14,245
Exchange adjustments	305	1,113
Increase in loss allowance for the year	714	–
Amount written off	(4,501)	(1,974)
At 31 December	9,902	13,384

As at 31 December 2023, the Group has recognised an allowance for credit losses on loan receivables amounted to approximately RMB9,902,000 (2022: approximately RMB13,384,000) of which approximately RMB9,183,000 (2022: approximately RMB13,384,000) was determined as credit impaired.

Contract assets

The movement in the loss allowance of contract assets during the year is as follows:

	2023 RMB'000	2022 RMB'000
At 1 January	207	114
Provision for loss allowance	1,099	93
At 31 December	1,306	207

As at 31 December 2023, the Group has recognised an allowance for credit losses on contract assets amounted to approximately RMB1,306,000 (2022: approximately RMB207,000), of which approximately RMB1,099,000 (2022: approximately RMB93,000) was impaired during the year.

An analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

(a) Credit risk (cont'd)

Trade and other receivables and contract assets (cont'd)

Deposits and other receivables

The movement in the loss allowance account in respect of deposits and other receivables during the year is as follows:

	2023 RMB'000	2022 RMB'000
At 1 January	28,688	22,008
Provision for loss allowance	1,103	6,680
At 31 December	29,791	28,688

As at 31 December 2023, the Group has recognised an allowance for credit losses on deposits and other receivables amounted to approximately RMB29,791,000 (2022: approximately RMB28,688,000) of which approximately RMB1,103,000 (2022: approximately RMB6,680,000) were individually determined to be impaired under ECLs during the year.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

(b) Liquidity risk

The individual subsidiaries within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Contractual maturities of financial liabilities

The maturity profile of the Group's non-derivative financial liabilities at end of the reporting period, based on contractual discounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates at end of the reporting period) are summarised below:

	Carrying Amount RMB'000	**Contractual undiscounted cash flow RMB'000**	**Within 1 year or on demand RMB'000**	**More than 1 year but less than 5 years RMB'000**
As at 31 December 2023				
Non-derivative financial liabilities				
Interest-bearing borrowings	**19,816**	**21,127**	**21,127**	**–**
Lease liabilities	**3,247**	**3,346**	**2,464**	**882**
Trade and other payables	**10,628**	**10,628**	**10,628**	**–**
	33,691	**35,101**	**34,219**	**882**

	Carrying Amount RMB'000	Contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 5 years RMB'000
As at 31 December 2022				
Non-derivative financial liabilities				
Interest-bearing borrowings	14,531	15,452	15,452	–
Lease liabilities	2,175	2,290	1,090	1,200
Trade and other payables	16,553	16,553	16,553	–
	33,259	34,295	33,095	1,200

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27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Other than bank balances with variable interest rate, loan receivables with fixed interest rate, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group's interest rate risk arises primarily from cash and cash equivalents, loan receivables and interest-bearing borrowings issued at variable rates and at fixed rates which expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate profile

The interest rate profile of the Group's interest-bearing financial instruments at the end of each reporting period is as follows:

	2023		2022	
	Effective weighted average interest rates % (annual)	RMB'000	Effective weighted average interest rates % (annual)	RMB'000
Fixed rate instruments				
Interest-bearing borrowings	6.62	(19,816)	6.34	(14,531)

(ii) Sensitivity analysis

The directors of the Company consider the Group's exposure to future cash flow interest rate risk is minimal taking into account no variable interest-bearing borrowing as at 31 December 2023 and 31 December 2022. Accordingly, no sensitivity analysis on interest rate risk is presented.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

(d) Foreign currency risk

The loan from a former fellow subsidiary amounted to approximately RMB7,285,000 (2022: RMB7,109,000) is denominated in Hong Kong Dollars ("HKD") which are different from the functional currency of the Group entities, i.e. RMB, which expose the Group to currency risk. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The management manages its foreign currency risk by monitoring the movement of the foreign currency rate and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2023, if RMB had weakened/strengthened by 5% against HKD and USD with all other variables held constant, the Group's profit after tax for the year would have been approximately RMB364,000 lower/higher, arising mainly as a result of the foreign exchange differences on borrowings denominated in HKD. Differences resulting from the translation of the financial statements of foreign operations into the group's presentation currency are excluded.

At 31 December 2022, if RMB had weakened/strengthened by 5% against HKD and USD with all other variables held constant, the Group's loss after tax for the year would have been approximately RMB355,000 higher/lower, arising mainly as a result of the foreign exchange differences on borrowings denominated in HKD. Differences resulting from the translation of the financial statements of foreign operations into the group's presentation currency are excluded.

(e) Equity price risk

The Group is exposed to equity price risk arising from financial assets at FVPL. The sensitivity analysis has been determined based on the exposure to equity price risk.

At end of the reporting period, if the fair value had been 100% (2022: 40%) higher or lower while all other variables were held constant, the Group's net profit before tax would increase or decrease by RMB30,078,000 (2022: net loss before tax would decrease or increase by RMB4,383,000) as a result of changes in fair value of investments. The Group's sensitivity to equity price has changed significantly during the year mainly due to more volatile price fluctuation.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the equity prices or other relevant risk variables had occurred at end of the reporting period and had been applied to the exposure to equity 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 equity prices or the relevant risk variables, and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in the relevant equity price or the relevant risk variables over the period until the end of the next annual reporting period.

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent equity price risk because the exposure at the end of each reporting period does not reflect the exposure during the year.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

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

(a) Assets measured at fair value

	31 December 2023 RMB'000	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**
Financial assets at FVPL				
– Listed equity securities	**30,078**	**30,078**	**–**	**–**

	31 December 2022 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Financial assets at FVPL				
– Listed equity securities	10,958	10,958	–	–

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

(b) Fair value of financial assets and liabilities carried at other than fair value

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

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

(g) Financial instruments by category

The carrying amounts of each of the categories of financial instruments at each of the reporting date are as follows:

	2023 RMB'000	2022 RMB'000
Financial assets		
– Financial assets measured at amortised cost	**212,691**	151,317
Financial liabilities		
– Financial liabilities measured at amortised cost	**32,980**	31,820

28. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2023, the Group had acquired and disposed of certain listed equity securities. Details of which are set out in the Company's announcement dated 10 January 2024, 12 January 2024, 24 January 2024, 7 February 2024 and 14 February 2024 respectively.

29. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AND RESERVES

(a) Company-level statement of financial position

	Notes	2023 RMB'000	2022 RMB'000
Non-current assets			
Investments in subsidiaries		**12,861**	11
Due from subsidiaries	29(c)	**101,771**	72,964
		114,632	72,975
Current assets			
Due from subsidiaries	29(d)	**90,475**	26,466
Deposits and other receivables		**199**	480
Bank balances and cash		**30,230**	6,282
		120,904	33,228
Current liabilities			
Other payables and accrued expenses		**3,422**	3,176
Interest-bearing borrowings		**4,531**	4,422
		7,953	7,598
Net current assets		**112,951**	25,630
NET ASSETS		**227,583**	98,605
Equity and reserves			
Share capital	22(a)	**17,752**	6,939
Reserves	29(b)	**209,831**	91,666
TOTAL EQUITY		**227,583**	98,605

This statement of financial position was approved and authorised for issue by the Board of Directors on 28 March 2024 and signed on its behalf by

Li Zhuoyang
Director

Liu Yang
Director

29. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AND RESERVES (cont'd)

(b) Company-level reserves

Details of the changes in the Company's individual components of reserves between the beginning and the end of the year are set out below:

	Share premium RMB'000	Exchange reserve RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2022	556,194	24,610	2,291	(580,695)	2,400
Loss for the year	–	–	–	(36,439)	(36,439)
Other comprehensive income:					
Exchange difference on translation of financial statements of overseas operations	–	8,553	–	–	8,553
Total comprehensive loss for the year	–	8,553	–	(36,439)	(27,886)
Transactions with owners:					
Contributions and distributions:					
Capital reorganisation, net of expenses (note 22(a)(i))	(429)	–	–	109,093	108,664
Issue of placing shares, net of expenses (note 22(a)(ii))	8,488	–	–	–	8,488
Total transactions with owners	8,059	–	–	109,093	117,152
At 31 December 2022 and 1 January 2023	564,253	33,163	2,291	(508,041)	91,666
Profit for the year	**–**	**–**	**–**	**33,937**	**33,937**
Other comprehensive income:					
Exchange difference on translation of financial statements	**–**	**4,388**	**–**	**–**	**4,388**
Total comprehensive income for the year	**–**	**4,388**	**–**	**33,937**	**38,325**
Transactions with owners:					
Contributions and distributions:					
Issue of rights shares, net of expenses (note 22(a)(iii))	**79,840**	**–**	**–**	**–**	**79,840**
Total transactions with owners	**79,840**	**–**	**–**	**–**	**79,840**
At 31 December 2023	**644,093**	**37,551**	**2,291**	**(474,104)**	**209,831**

(c) The amounts due from subsidiaries are unsecured, non-interest bearing and the settlement of which is neither planned nor likely to occur in the foreseeable future.

(d) The amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demands.