



Crypto Flow

Crypto Flow Technology Limited

(formerly known as Loto Interactive Limited)
(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8198)

www.cryptoflowhk.com



2022

ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Hongbin (*Chairman*)
Mr. Huang Yibin (*Chief Executive Officer*)
Ms. Xiong Jiayan

Independent Non-Executive Directors

Mr. Sun Yuqiang
Mr. Chu, Howard Ho Hwa
Mr. Tong, I Tony

BOARD COMMITTEES

Audit Committee

Mr. Sun Yuqiang (*Chairman*)
Mr. Chu, Howard Ho Hwa
Mr. Tong, I Tony

Remuneration Committee

Mr. Chu, Howard Ho Hwa (*Chairman*)
Mr. Sun Yuqiang
Mr. Tong, I Tony

Nomination Committee

Mr. Li Hongbin (*Chairman*)
Mr. Sun Yuqiang
Mr. Chu, Howard Ho Hwa
Mr. Tong, I Tony

COMPLIANCE OFFICER

Mr. Huang Yibin

COMPANY SECRETARY

Ms. Chow Chiu Man, Mandy

AUTHORISED REPRESENTATIVES

Mr. Huang Yibin
Ms. Chow Chiu Man, Mandy

REGISTERED OFFICE

P.O. Box 31119
Grand Pavilion, Hibiscus Way
802 West Bay Road
Grand Cayman, KY1-1205
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Grand Cayman, KY1-1100
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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AUDITOR

Moore Stephens CPA Limited
801-806 Silvercord, Tower 1
30 Canton Road, Tsimshatsui
Kowloon, Hong Kong

LEGAL ADVISOR

Stevenson, Wong & Co.
39/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

PRINCIPAL BANKER

Bank of Communications Co., Ltd., Hong Kong Branch

STOCK CODE

The Stock Exchange of Hong Kong Limited: 8198

WEBSITE

www.cryptoflowhk.com

CHAIRMAN'S STATEMENT

TO OUR SHAREHOLDERS

On behalf of the board (the "Board") of directors (the "Directors") of Crypto Flow Technology Limited (the "Company"), I hereby present the results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022 (the "Year").

During the Year, the financial market experienced unprecedented volatility due to high inflation and tightened financial and industrial policies in different regions. In the virtual asset industry, black swan events occurred frequently throughout the Year, where Luna, FTX and other incidents triggered a number of related companies to re-evaluate their risks, led to reconsolidation of industry leaders and enhanced the importance of risk management. In addition, security and compliance have become key concerns for potential players in the crypto sector, as the trend of tightening regulations on virtual assets in various countries or regions has increasingly become more clear. Nevertheless, the Financial Services and the Treasury Bureau of Hong Kong has published the "Policy Statement on Development of Virtual Assets in Hong Kong" during the Year, stating that Hong Kong will spare no effort to promote the development of cryptocurrency, Web 3.0 and related industries, making the coming year promising!

The Year was a year full of opportunities and challenges for the Group!

Manful Kingdom becoming the controlling shareholder

Leveraging on the Group's experience in blockchain-related businesses, the infrastructure of which is cryptocurrency mining, and the strong support of the Hong Kong government in the development of the crypto sector, the Group's future prospects have been favoured by the join-in of Manful Kingdom Limited ("Manful Kingdom"). The Company completed the mandatory unconditional cash offers on 9 September 2022 and Manful Kingdom became the controlling shareholder of the Company. The name of the Company was changed from "Loto Interactive Limited 樂透互娛有限公司" to "Crypto Flow Technology Limited 加冕科技有限公司", which provides a more appropriate corporate image and identity for the Company and reflects the direction of the Group's future development. In addition, the Company has appointed high profile persons such as the chairman of Hong Kong Blockchain Association and the co-founder of Asia Meta Alliance to serve as the directors of the Company, and recruited management members with extensive experience in digital infrastructure construction and operation and blockchain technology development. While continuously improving the existing business layout, the Company invested resources, recruited talents and paid close attention to the technology and the application development of Web3.0 and metaverse, and strived to build the Company into a large-scale blockchain infrastructure technology service enterprise.

Revitalizing assets

The three big data centers of the Group in Sichuan, the People's Republic of China (the "PRC") ceased operations in 2021 in order to actively comply with various national regulatory requirements. The Group also completed the disposal of relevant companies in January 2023. During the Year, the cessation of operation in mainland China had an impact on the Group's revenue in the short term. Nevertheless, the Company has formulated an overseas development strategy to build big data centers in order to seize the opportunity to meet the market demand, expand the big data center business, stabilize the Company's revenue, maintain customer relationships and gain valuable experience for further expansion into overseas markets.

CHAIRMAN'S STATEMENT

Expanding the infrastructure business

Being the infrastructure of the crypto-asset industry, cryptocurrency mining will continue to grow steadily in the coming period, as big data centers are the service providers to all kinds of cryptocurrency mining, the Company remains optimistic about this service. In view of the constraints of rental and energy prices in Hong Kong on the development of large-scale big data center business, it would be more prudent to develop business in regions such as North America where electricity prices and rentals are lower and industry policies are more stable. As such, the Company is actively exploring the acquisition and investment in building big data centers in regions such as North America so to complement the Group's overall development strategy.

Expanding the application and market of blockchain and related fields

During the Year, the Financial Services and the Treasury Bureau of Hong Kong published the "Policy Statement on Development of Virtual Assets in Hong Kong", which states that Hong Kong will "embrace the metaverse, welcome Web 3.0, accept DLT, join the crypto world, connect to NFT, and join hands with stablecoins". With the support of the Innovation, Technology and Industry Bureau of Hong Kong, the Company has recruited a number of professionals who have served in large-scale digital industry platforms such as Tencent, as well as management with extensive experience in blockchain technology product development. We will strive to develop and operate a service platform with the ability to serve large-scale customers as soon as possible to enrich the Group's business by developing blockchain-based technologies, planning Web3.0 application projects and integrating Web2.0, Web2.5 and Web3.0 applications and solutions for different periods.

With the right time, the right place and the right people, everything is ready, and 2023 will be the year of restart of the Company with a promising future!

IN APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our sincere gratitude to our shareholders, customers and business partners for their continuing support and confidence in the Company. As to my fellow Board members, management team and all staff, I wish to express my heartfelt appreciation for their hard work and valuable contributions. Looking forward, we will continue to forge ahead by constantly exploring new growth drivers with concerted efforts and strive to achieve the goal of long-term and sustainable development.

Li Hongbin
Chairman

Hong Kong, 27 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in (i) the provision of data analysis and storage services (the “Big Data Centre Services”), (ii) data processors leasing services (the “Data Processors Leasing Services”) and (iii) money lending business in Hong Kong (the “Money Lending Business”).

Big Data Centre Services

The Group operates big data centres to provide comprehensive services including premises, hardware support, power supply, ancillary supervision and management services to our clients.

Continued Operations – Hong Kong

The big data centre in Hong Kong, with a maximum processing capacity of approximately 1,400 kWh, commenced business in November 2021 (the “Continued Operations”) and generated a revenue of approximately HK\$26.6 million for the Year. The Group is looking for more customers to use up capacity.

Discontinued Operations – the PRC

As disclosed in the announcements of the Company dated 3 January 2023, 11 January 2023 and 27 February 2023 (the “Disposal”), the Group entered into an agreement to dispose Brighten Express Limited, a wholly-owned subsidiary of the Company, and its subsidiaries (the “Discontinued Operations”) with the three big data centres in Sichuan Province, the PRC, which were operated by Chengdu Keying Interactive Information Technology Limited (成都科盈互動信息科技有限公司), Ganzi Changhe Hydropower Consumption Service Co., Ltd. (甘孜州長河水電消納服務有限公司) and Sichuan Lecai Yuntian Network Technology Co., Ltd. (四川省樂彩雲天網絡科技有限公司). In order to comply with the relevant PRC laws and regulations, all the big data centres in Sichuan Province were closed before 2022. During the Year, the Big Data Centre Services of the Company in the PRC generated no revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Data Processors Leasing Services

The Group purchased 1,807 data processors in 2021 and started leasing the same to independent third parties in Kazakhstan from October 2021. Due to the political turmoil and power outages in Kazakhstan from January 2022, our customers' businesses were adversely affected. After liaising with our customers, the Group agreed to waive their rental fees for renting the Group's data processors during the power outages. As the situation showed no improvement, the Group decided to dispose all the data processors. During the Year, Data Processors Leasing Services generated no revenue.

Money Lending Business

In order to leverage our corporate expertise and resources to broaden income source, an indirect wholly-owned subsidiary of the Company, Might Winner Limited, obtained a money lender's license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) in January 2020. On 3 April 2020, a loan in the principal amount of HK\$30 million for a term of 24 months at an interest rate of 10% per annum, was granted to an independent third party. On 1 April 2022, the Group entered into a supplemental loan agreement with the Borrower and the Guarantor to extend the repayment date of the Loan by 24 months to 2 April 2024 at an interest rate of 10% per annum. During the Year, Money Lending Business contributed a revenue of approximately HK\$3 million for the Year.

As at 31 December 2022 and 31 December 2021, utilizing the third party's Expected Credit Loss ("ECL") model, no substantial changes were detected in the credit status and credentials of the Group's loan and interest receivables. Therefore, no significant impairment losses were identified for the Year in question.

Internal control procedures

The Group has implemented and adhered to a set of internal control measures governing its money lending activities, so as to ensure a holistic approach to risk management and safeguard the interests of the Company and the shareholders of the Company. In relation to credit risk assessment, credit approval, and continuous monitoring of loan recoverability and collection, the Group has established key internal control procedures.

1. Credit risk assessment

Upon receipt of a prospective client's application, the money lending control team ("TMLCT"), comprising of the chief executive officer of the Company and personnel from the accounting and company secretary departments, will conduct a credit risk assessment in accordance with relevant laws and regulations in Hong Kong. This assessment will evaluate and analyze the prospective client's credit rating, repayment capacity, financial status, and overall credit risk.

The credit risk assessment includes an evaluation of various aspects of the prospective client or guarantor (as applicable) and review of corresponding documents, including but not limited to, the following:

MANAGEMENT DISCUSSION AND ANALYSIS

- a. Know-your-client process documents received during the processes listed in items (b) to (h) below.
- b. Identity verification and authentication such as identity ID card and/or passport; for corporate entities: business registration certificate, certificate of incorporation, and constitutional documents, among others.
- c. Historical credit records and rating such as credit and/or litigation search (if any).
- d. Purpose of loan, repayment plan, and source of funds for repayment such as loan application form, bank statement, and asset/worth proof (if any).
- e. Cash flows, assets, and liabilities (whether actual or contingent). For individuals: bank statement, income proof such as salary slip or tax return/demand note, and/or asset/worth proof; for corporate entities: audited financial statements, management accounts, and sales contract(s) (where applicable).
- f. Interview in person or, on-site visit in the case of corporate clients.
- g. The overall risk level of provision of the loan risk assessment conducted by the TMLCT.
- h. Other matters as may be considered necessary by the TMLCT case by case.

Meanwhile, the company secretary department will carry out a name screening to verify any connected person relationship under the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and the management will engage independent valuer(s) to appraise the value of assets/collaterals proposed by the prospective clients or guarantor (if applicable).

2. Credit approval

The TMLCT will prepare a preliminary proposal, based on the outcomes of the aforementioned credit risk assessment, to establish the principal amount, interest rate, and tenure of the loan, on a case-by-case basis. The proposal will then be forwarded to the accounting team for additional review. The interest rate decided upon should align with the risk level associated with the transaction, subject to relevant legal restrictions and guidelines.

Upon receipt of all documents pertaining to the loan application by the TMLCT, the accounting team, which plays a pivotal role in supervising the Group's internal control procedures, will conduct an independent assessment of the complete application. Additionally, the accounting team will undertake size tests for each transaction contemplated and consider compliance requirements under the GEM Listing Rules, including but not limited to announcements, notification and approval requirements from shareholders. When necessary, the accounting team may consult with the Company's legal or financial adviser. Loan applications that have successfully undergone the above procedures will be forwarded to the Board, or the Company's shareholders (as appropriate) for approval, in compliance with the transaction size specified by the relevant percentage ratios under the GEM Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Ongoing monitoring of loan recoverability and loan collection

- a. Regarding the clients who have borrowed money, the financial department establishes a separate sub-account for each client in its loan register, which includes updated information such as the principal loan amount, repayment schedule for principal and interest, and repayment records. These records undergo review and approval by the financial controller and the chief executive officer.
- b. Upon receipt of clients' repayments, the financial department is responsible for verifying the repayment amount against the repayment schedule. If any discrepancy is identified, the TMLCT will be notified to follow up with the relevant client.
- c. To mitigate the Group's credit risk exposure, the management and the TMLCT perform quarterly reviews to monitor loan collection and recoverability, identify potential risks and issues, and develop mitigating measures.
- d. In the event of a default by a client, the financial department will issue an overdue notice to the defaulting client and report the case to the management and the TMLCT. The TMLCT will closely monitor the situation by reviewing the reasons for the default, assessing the loan's recoverability, and directing appropriate action on a case-by-case basis. If the overdue persists after the issuance of the notice, the TMLCT may instruct its legal representative to issue demand letters to the defaulting clients, including a final warning. If warranted, the TMLCT may consider initiating legal action against the defaulting client after seeking legal advice.

FINANCIAL REVIEW

During the Year, the Group is engaged in three operating segments which are (1) Big Data Centre Services; (2) Data Processors Leasing Services; and (3) Money Lending Business. During the Year, the Group recorded a total revenue of approximately HK\$29.6 million (2021: HK\$8.7 million), representing a significant increase of HK\$20.9 million as compared to the corresponding year in 2021, which comprised the following:

(1) Big Data Centre Services

Continued Operations – Big Data Centre in Hong Kong

Revenue contributed by the Big Data Centres Services in the provision of data analysis, storage services and ancillary administrative and consulting services amounted to approximately HK\$26.6 million for the Year, representing a significant increase of HK\$20.9 million as compared to the corresponding year in 2021 (2021: HK\$5.7 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Discontinued Operations – Big Data Centre in PRC

During the Year, the Discontinued Operations generated no revenue, representing a significant decrease of HK\$172.1 million as compared to the corresponding year in 2021 (2021: HK\$172.1 million), which was primarily due to the termination of operation of the three big data centres of the Company in Sichuan, the PRC.

(2) Data Processors Leasing Services

Revenue generated from Data Processors Leasing Services was nil for the Year (2021: HK\$1.2 million).

(3) Money Lending Business

Revenue generated from the Money Lending Business amounted to approximately HK\$3.0 million for the Year, representing the same as compared to the corresponding year in 2021 (2021: HK\$3 million).

Operating Results

The Group recorded a loss of approximately HK\$56.9 million for the Year, representing a decrease of HK\$235.4 million or 80.5% as compared to a loss of HK\$292.3 million for the corresponding year in 2021, which was mainly attributable to the combined effect of:

- (i) increase in gross profit of approximately HK\$7.6 million of the Big Data Centre Services – Continuing Operations which was due to the operation of Big Data Centre Service in Hong Kong starting from November 2021;
- (ii) increase in the other income and gains of approximately HK\$2.4 million which was due to the confiscation of customer deposit, office rental concession and government' employment support scheme;
- (iii) decrease in staff cost of approximately HK\$5.3 million attributable to the decreased number of employees due to the reduced size of operation;
- (iv) decrease in the impairment of right-of use assets of approximately HK\$2.8 million;
- (v) offset by the increase in impairment of property, plant and equipment approximately HK\$4.2 million;
- (vi) offset by the increase in loss on disposal of property, plant and equipment of approximately HK\$0.9 million;
- (vii) offset by the increase in write-off of trade receivables of approximately HK\$1.2 million; and
- (viii) offset by the decrease in loss from Discontinued Operations of approximately HK\$222.3 million.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITION AND DISPOSAL AND SIGNIFICANT INVESTMENTS

During the Year, the Group had no material acquisition and disposal of subsidiaries, associates and joint ventures and there was no significant investments held by the Group.

ADDITION TO PROPERTY, PLANT AND EQUIPMENT

During the Year, the Company has made no significant addition in property, plant and equipment (2021: approximately HK\$20.7 million).

LOAN RECEIVABLE

An indirect wholly-owned subsidiary of the Company, Might Winner Limited, obtained a money lender's license in Hong Kong in January 2020. On 3 April 2020, the Group entered into a loan agreement (the "Loan Agreement") with an independent third party, Bright Topper Limited (the "Borrower"), in the principal amount of HK\$30 million at an interest rate of 10% per annum for a term of 24 months (the "Loan"). The repayment of the Loan was guaranteed by a director and the sole beneficial owner (the "Guarantor") of the Borrower. Interests for the first 12 months shall be repaid in the first year and the principal amount and interests for remaining period ("Second Tranche Interest") shall have been repaid on or before 2 April 2022. The Borrower has paid the interests for the Loan for the first 12 months in the amount of HK\$3 million in accordance with the Loan Agreement and the Second Tranche Interest was due by 2 April 2022 according to the Loan Agreement. On 1 April 2022, the Group entered into a supplemental loan agreement with the Borrower and the Guarantor to extend the repayment date of the Loan by 24 months to 2 April 2024 at an interest rate of 10% per annum and to extend the payment date of the Second Tranche Interest to 4 April 2022. The Second Tranche Interest was paid by the Borrower on 4 April 2022.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group continues to manage its balance sheet carefully and maintains conservative policies in cash and financial management. As at 31 December 2022, the Group's cash and bank balances (including bank deposits with original maturity over three months) amounted to HK\$34.3 million for both Continued Operations and Discontinued Operations (2021: HK\$35.8 million for both Continued Operations and Discontinued Operations), representing a decrease of HK\$1.5 million as compared to that as at 31 December 2021. As at 31 December 2022, about 72.3% (2021: 75.9%) of the cash and cash equivalents was denominated in Renminbi which included in assets classified as held for sale, with the remaining balance in United States dollars and Hong Kong dollars. The decrease in cash and bank balances was mainly due to the ongoing expenses on the discontinued big data centres in PRC.

As at 31 December 2022, the Group's current assets exceeded its current liabilities by HK\$41.1 million (2021: HK\$88.8 million). The Group had a capital surplus of HK\$77.0 million as at 31 December 2022 (2021: HK\$137.0 million).

The Group had no bank borrowings in the Year (2021: Nil) and generally finances its operations with internal resources.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

After the completion of the mandatory unconditional cash offer on 9 September 2022, Manful Kingdom became the controlling shareholder of the Company. With a highly-skilled and strong management team from Manful Kingdom, we will continue the development of the Group's existing business.

In response to the "Policy Statement on the Development of Virtual Assets in Hong Kong" released by The Hong Kong Finance and Treasury Bureau, the Company actively considers performing research on the technology of blockchain, the technological application of web3.0 and the business models of support platforms.

The Company will continuously review on the operations and financial position of the Group for the purpose of formulating business plans and strategies for the Group's long-term business development and will explore other business opportunities for the Group. Subject to the results of the review, and should suitable investment or business opportunities arise, the Company may consider whether any assets and/or business acquisitions or disposals by the Group will be appropriate in order to enhance its growth. The Company is actively exploring the development of big data centres in line with the Group's overall development strategy, in order to seize opportunities to meet market demand and expand the big data centre business. The Company would expand the existing businesses of the Group through, among others, the development of big data centre(s) in the overseas markets including, but not limited to, the North America.

Save for the disposal of the residual obsolete assets of the big data centres, the Company has no intention to dispose the Group's fixed assets which are not in the ordinary and usual course of the business of the Group.

In the new and changing business environment, we will continue to pursue improvement, adhere to the spirit of innovation, closely monitor changes in policies and market conditions, leverage our core experience and corporate resources to seek new opportunities in pursuit of the long-term benefits for the Group and the shareholders of the Company as a whole.

CHARGES ON GROUP ASSETS

None of the Group's assets were pledged as at 31 December 2022 and 2021.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

As at 31 December 2022 and 2021, all assets and liabilities of the Group were denominated in Renminbi, Hong Kong dollars and United States dollars. Since the impact to foreign exchange exposure has been insignificant, no hedging or other alternatives have been implemented.

MANAGEMENT DISCUSSION AND ANALYSIS

STAFF AND REMUNERATION POLICY

As at 31 December 2022, the Group had a total of 10 employees (2021: 24). For the year ended 31 December 2022, total Directors' emoluments were approximately HK\$3.7 million (2021: HK\$4.30 million), including non-cash share-based payments to the Directors of approximately HK\$0.2 million in 2022 (2021: HK\$0.8 million). The Group continues to provide remuneration packages to employees that are in line with market practices and past performance. The Group also provides employee benefits such as mandatory provident fund, medical insurance, staff training programs and share option schemes.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

The Group's capital commitments at the end of the reporting period are as follows:

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--|------------------|------------------|
| Property, plant and equipment contracted, but not provided for | – | – |

UNCONDITIONAL MANDATORY CASH OFFERS

On 12 July 2022, BIT Mining Limited as the vendor (the "Vendor"), and Manful Kingdom Limited as the purchaser (the "Offeror") entered into a share sale and purchase agreement (the "Share Purchase Agreement"), pursuant to which, the Vendor conditionally agreed to sell and the Offeror conditionally agreed to purchase, in aggregate, 279,673,200 shares (the "Sale Shares"), representing approximately 51% of the entire issued share capital of the Company as at the date of the Share Purchase Agreement (as subsequently amended on 14 July 2022). The total consideration for the Sale Shares is HK\$78,308,496, equivalent to HK\$0.28 per Sale Share. The completion of the sale and purchase of the Sale Shares (the "Share Purchase Completion") took place on 25 July 2022. Upon the Share Purchase Completion, the Offeror and parties acting in concert with it became interested in a total of 294,833,200 shares in the Company, representing approximately 53.76% of all the ordinary shares of HK\$0.1 each in the total issued share capital of the Company. Pursuant to Rule 26.1 and Rule 13.5 of Hong Kong Code on Takeovers and Mergers, the Offeror is required to make a mandatory unconditional cash offer to (i) acquire all the issued shares of the Company (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it); and (ii) cancel all the outstanding share options granted by the Company pursuant to the share option schemes adopted by the Company on 18 May 2012 (the "Offers"). The composite documents in relation to the Offers were despatched on 19 August 2022. As at 4:00 p.m. on 9 September 2022, being the latest time and date for acceptance of the Offers as set out in the composite documents, the Offeror had received (i) valid acceptances in respect of a total of 142,540 offer shares under the share offer, representing approximately 0.03% of the entire issued share capital of the Company; and (ii) valid acceptances in respect of a total of 180,000 share options under the option offer.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT EVENTS SUBSEQUENT TO THE YEAR

The following significant events have been taking place subsequent to 31 December 2022:

- a) The Company entered into a sales and purchase agreement with an independent third party to dispose of Brighten Express Limited and its subsidiaries at a consideration of HK\$37,000,000 on 3 January 2023. All conditions precedent under the sales and purchase agreement had been fulfilled and the disposal took place on 11 January 2023 accordingly. Details about the disposal have been disclosed in the Company's announcements dated 3 January 2023, 11 January 2023, 27 January 2023 and 7 February 2023, and in the Company's circular dated 28 February 2023; and
- b) On 16 March 2023, the Company has entered into a sales and purchase agreement with independent third parties to purchase 55% equity interest in Your Choice Ever Best, Inc. ("Your Choice"), a company incorporated in the state of Delaware of the United States of America (the "USA") with limited liability and the loans borrowed by Your Choice due to the sellers at a consideration of US\$4,311,913 (equivalent to approximately HK\$33,848,515). The consideration shall be settled by the Company issuing and allotting 80,591,701 of the Company's shares at the issue price of HK\$0.42 to the sellers upon completion.

Your Choice is principally engaged in the operation of the Big Data Centre in the USA.

Details about the acquisition and the conditions precedent under the acquisition have been disclosed in the Company's announcement dated 16 March 2023. As at the date of this annual report, the acquisition has not yet been completed.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Ms. Li Hongbin

Chairman and Executive Director

Mr. Li, aged 55, was appointed as an Executive Director of the Company on 19 August 2022. Mr. Li was subsequently appointed as the Chairman of the Board of the Company and the Chairman of the Nomination Committee of the Company on 9 September 2022. Mr. Li was appointed as a director of Manful Kingdom Limited (“Manful Kingdom”), the controlling shareholder of the Company, on 17 February 2023. Mr. Li is currently a partner of 深圳賢林文化產業投資有限公司 (Shenzhen Xianlin Cultural Industry Investment Company Limited) which is a company principally engaged in investment activities in cultural industries. From 1998 to 2017, Mr. Li worked as a general manager in various industries including companies principally engaged in the business of building materials trading and water sports events organising and management. Mr. Li obtained a bachelor’s degree in library science from Sun Yat-Sen University (中山大學) in 1989.

Mr. Huang Yibin (Former Name: Huang Phillip Yibin)

Chief Executive Officer and Executive Director

Mr. Huang, aged 54, was appointed as an Executive Director of the Company on 19 August 2022. Mr. Huang was subsequently appointed as the Chief Executive Officer, the Compliance Officer and the Authorised Representative of the Company on 9 September 2022. He also serves as a director of certain subsidiaries of the Company. Mr. Huang is currently a general manager of P&W Limited, a company principally engaged in the provision of consultancy services on digital infrastructure business including market research, business strategy and infrastructure design, construction and operation. Mr. Huang has over 33 years of experience in digital infrastructure planning, business development and operation at both domestic and international levels. Mr. Huang obtained a bachelor’s degree in radio engineering from South China University of Technology (華南理工大學) in 1990.

Ms. Xiong Jiayan

Executive Director

Ms. Xiong, aged 38, was appointed as an Executive Director of the Company on 1 December 2022. In 2014, Ms. Xiong founded Shenzhen Mengdan Interactive Network Co., Ltd. (深圳市萌蛋互動網絡有限公司) (“Shenzhen Mengdan”), a company principally engaged in the development and operation of internet games. She currently serves as the chairman of the board of directors of Shenzhen Mengdan and responsible for its daily management and operation. From 2007 to 2010, Ms. Xiong served as a patent engineer in the legal department of Shenzhen Tencent Computer System Co., Ltd. (深圳市騰訊計算機系統有限公司) and from 2010 to 2014, she served in the product operation position of Tencent Technology (Shenzhen) Co., Ltd. (騰訊科技(深圳)有限公司). Ms. Xiong has over 15 years of experience in business development, operation and management. Ms. Xiong obtained a bachelor’s degree in information management and information systems from Central China Normal University (華中師範大學) in 2007.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Sun Yuqiang

Independent Non-executive Director

Mr. Sun, aged 55, was appointed as an Independent Non-executive Director of the Company on 9 September 2022. He is also the Chairman of the Audit Committee, a member of each of the Remuneration Committee and the Nomination Committee of the Company. Mr. Sun is currently a certified public accountant at 廣東數誠會計師事務所有限公司 (Guangdong Shucheng Certified Public Accountants Co., Ltd.). Mr. Sun worked at the commissioner's office of the National Audit Office of the People's Republic of China in Guangzhou. He has over 20 years of experience in auditing field. Mr. Sun is a Certified Public Accountant and a qualified lawyer in the People's Republic of China. Mr. Sun obtained a bachelor's degree in auditing from Sun Yat-Sen University (中山大學) in 1989.

Mr. Chu, Howard Ho Hwa

Independent Non-executive Director

Mr. Chu, aged 58, was appointed as an Independent Non-executive Director of the Company on 9 September 2022. He is also the Chairman of the Remuneration Committee, a member of each of the Audit Committee and the Nomination Committee of the Company.

Mr. Chu is currently a partner of Go Capital Limited who takes lead in the overseas investment projects of the fund and is responsible for, among others, the due-diligence and the processing of the legal documents of the projects. Mr. Chu had held various positions including but not limited to, the head of Hong Kong origination of ABN AMRO Asia Corporate Finance Ltd., the corporate finance director of HSBC Markets (Asia) Limited, the consultant of Shanghai Century Acquisition Corporation, the chief executive officer of mReferral Corporation (HK) Limited, the assistant to chairman of United Energy Group Limited (whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited, stock code: 467), the chief financial officer of China Smart Electric Group Limited and the chief financial officer of Trony Solar Holdings Company Limited (whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited, stock code: 2468; delisted). Mr. Chu has approximately 30 years of business experience and more than 10 years of experience in corporate governance. Mr. Chu obtained a bachelor's degree in electrical engineering from University of Rochester in the United States of America in 1986 and a master's degree in business administration from Columbia University in the United States of America in 1990.

Mr. Chu is currently an independent non-executive director of BOE Varitronix Limited (whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited, stock code: 710), an independent non-executive director of Guolian Securities Co., Ltd. (whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited, stock code: 1456). Mr. Chu was an independent non-executive director of each of Directel Holdings Limited (whose shares are listed on the GEM Board of The Stock Exchange of Hong Kong Limited, stock code: 8337), China Kingsone Mining Holdings Limited (whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited, stock code: 1380) and Weichai Power Co., Ltd. (whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited, stock code: 2338).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Tong, I Tony

Independent Non-executive Director

Mr. Tong, aged 54, was appointed as an Independent Non-executive Director of the Company on 9 September 2022. He is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Tong is currently the co-chairman of Hong Kong Blockchain Association. Mr. Tong has more than 20 years of experience in the information technology field and approximately 8 years in corporate governance. Mr. Tong obtained a bachelor's degree in mechanical engineering from the University of Minnesota in the United States of America in 1992.

Mr. Tong served as an adjunct professor in the Institute of Technology at the University of Minnesota in the United States of America in 1999. From December 2019 to September 2020, Mr. Tong was an independent non-executive director of Yi Hua Holdings Limited (whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited, stock code: 2213; delisted). Prior to that, Mr. Tong was an independent non-executive director of each of China Investment and Finance Group Limited (whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited, stock code: 1226) and Sinofortune Financial Holdings Limited (whose shares are listed on the GEM Board of The Stock Exchange of Hong Kong Limited, stock code: 8123).

SENIOR MANAGEMENT

Mr. Tang Yat Ming, Edward

Financial Controller

Mr. Tang, aged 58, joined the Group on 9 September 2022. Mr. Tang is the Financial Controller of the Company. Mr. Tang has over 20 years of extensive experience in financial reporting, business advisory, auditing and accounting. Mr. Tang is a member of the Hong Kong Institute of Certified Public Accountants and a chartered financial analyst of Association for Investment Management and Research. Mr. Tang holds a bachelor of commerce degree from the University of Manitoba, Canada.

Ms. Chow Chiu Man, Mandy

Company Secretary

Ms. Chow, aged 46, joined the Group in September 2004. She has been appointed as the Company Secretary and the Authorised Representative of the Company since 10 July 2017. She has over 20 years of experience in company secretarial affairs. Ms. Chow is a Chartered Secretary, a Chartered Governance Professional and an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Chow holds a bachelor of business degree from Monash University and a master's degree in corporate governance from The Hong Kong Polytechnic University.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of good corporate governance to safeguard the interest of the Company's shareholders (the "Shareholders") and achieved these by an effective board, segregation of duties with clear accountability, sound internal controls, appropriate risk assessment procedures and transparency to all the Shareholders. Throughout the year ended 31 December 2022 (the "Year"), the Company complied with all the Code Provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 15 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), save for the following:

Under the code provision D.1.2 of the CG Code, management should provide all members of the board of directors of the Company with monthly updates to enable the board of directors of the Company as a whole and each director to discharge their duties. Although the management of the Company has not provided the board (the "Board") of directors (the "Directors") of the Company with monthly updates during the Year, the Company has based on business situation, provided the Board, from time to time, with updated business information to enable the Board to form a balanced and understandable assessment of the Company's performance and to discharge their duties.

The Board will continue to review and monitor the corporate governance practices of the Company to ensure compliance with the CG Code and maintain high standard of corporate governance practices.

CORPORATE CULTURE AND STRATEGY

The Company acts as an investment holding company and the principal activities of its subsidiaries (together with the Company, "Group") include the provision of data analysis and storage services, data processors leasing services and money lending business in Hong Kong. As a group with diversified businesses, by recognising the importance of stakeholders at the Board level and throughout the Group, we strive to provide high quality and reliable services, and to create values to the stakeholders through sustainable growth and continuous development.

The Board has set out the following values to provide guidance on employees' conduct and behaviours as well as the business activities, and to ensure they are embedded throughout the Company's vision, mission, policies and business strategies:

- (a) Innovation – we challenge assumptions, seek other perspectives and pursue innovative opportunities to transform our business.
- (b) Sustainability – we prioritise health, safety and environment, operating responsibly to manage risk and opportunity.
- (c) Integrity – we behave ethically and respect each other and the customs, cultures and laws wherever we operate.

CORPORATE GOVERNANCE REPORT

- (d) Accountability – we own our decision, actions and performance, and are empowered to make choices and learn from our experiences.
- (e) Collaboration – we collaborate with colleagues and stakeholders towards a common purpose and to achieve exceptional outcomes.

The Group will continuously review and adjust, if necessary, its business strategies and keep track of the changing market conditions to ensure prompt and proactive measures will be taken to respond to the changes and meet the market needs to foster the sustainability of the Group.

BOARD OF DIRECTORS

Composition of the Board

The composition of the Board reflects the necessary balance of skills and experience desirable for the effective leadership of the Company. The Board currently comprises six members, of whom three are executive Directors and the remaining three are independent non-executive Directors.

The Board members as at the date of this annual report are as follows:

Executive Directors

Mr. Li Hongbin (*Chairman*)
Mr. Huang Yibin (*Chief Executive Officer*)
Ms. Xiong Jiayan

Independent Non-executive Directors

Mr. Sun Yuqiang
Mr. Chu, Howard Ho Hwa
Mr. Tong, I Tony

The biographical details of the current Directors are set out on pages 14 to 16 of this annual report. An updated list of the Directors and their roles and functions is available on the websites of the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

CORPORATE GOVERNANCE REPORT

The changes to the composition of the Board and Board committees during the Year and up to the date of this report were as follows:

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| 19 August 2022 | Mr. Li Hongbin was appointed as an executive Director |
| 19 August 2022 | Mr. Huang Yibin was appointed as an executive Director |
| 9 September 2022 | Ms. Zhang Jing resigned as a non-executive Director and accordingly ceased to be the chairman of the Board and a member of the Nomination Committee |
| 9 September 2022 | Mr. Yan Hao resigned as an executive Director and the chief executive officer of the Company |
| 9 September 2022 | Ms. Huang Lilan resigned as an executive Director |
| 9 September 2022 | Mr. Yang Xianfeng resigned as a non-executive Director and accordingly ceased to be a member of each of the Audit Committee and the Remuneration Committee |
| 9 September 2022 | Dr. Lu Haitian resigned as an independent non-executive Director and accordingly ceased to be a member of each of the Audit Committee and the Nomination Committee |
| 9 September 2022 | Mr. Lin Sen resigned as an independent non-executive Director and accordingly ceased to be the chairman of the Audit Committee and a member of the Remuneration Committee |
| 9 September 2022 | Mr. Huang Jian resigned as an independent non-executive Director and accordingly ceased to be the chairman of the Remuneration Committee and a member of the Nomination Committee |
| 9 September 2022 | Mr. Li Hongbin, an executive Director, was appointed as the chairman of the Board and the chairman of the Nomination Committee |
| 9 September 2022 | Mr. Huang Yibin, an executive Director, was appointed as the chief executive officer of the Company |
| 9 September 2022 | Mr. Chu, Howard Ho Hwa was appointed as an independent non-executive Director, the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee |

CORPORATE GOVERNANCE REPORT

| | |
|------------------|---|
| 9 September 2022 | Mr. Sun Yuqiang was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee |
| 9 September 2022 | Mr. Tong, I Tony was appointed as an independent non-executive Director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee |
| 1 December 2022 | Ms. Xiong Jiayan was appointed as an executive Director |

Board Independence

The Group has established mechanisms to ensure independent views and input are available to the Board and such mechanisms will be reviewed annually by the Board. During the Year, the Board has reviewed the implementation and effectiveness of the following mechanisms at the Board meeting:

- (a) three out of the six Directors are independent non-executive Directors, which exceeds the requirement of the GEM Listing Rules that at least one-third of the Board are independent non-executive directors.
- (b) the Nomination Committee assessed the independence of a candidate who is nominated to be a new independent non-executive Director before appointment.
- (c) all independent non-executive Directors submitted a written confirmation to the Company annually to confirm the independence of each of them and their immediate family members, and their compliance with the requirements as set out in the GEM Listing Rules.
- (d) all Directors are entitled to retain independent professional advisors as and when it is required.
- (e) all Directors are encouraged to express their views in an open and candid manner during the Board/Board Committees meetings.
- (f) the Chairman of the Board met with the independent non-executive Directors at least annually without the presence of the executive Directors.
- (g) a Director (including independent non-executive Director) who has material interest in any contract, transaction or arrangement shall abstain from voting and not be counted in the quorum on any Board resolution approving the same.
- (h) no equity-based remuneration with performance-related elements will be granted to the independent non-executive Directors.

CORPORATE GOVERNANCE REPORT

Independent Non-executive Directors

Composition of the independent non-executive Directors reflects the necessary balance of skills and varied business experiences of different geographical regions and independence in their decision making for effective and constructive contribution to the Board for governance of the Company. During the Year, the Board at all times had three independent non-executive Directors (representing more than one-third of the Board) with at least one of them possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to the independence guidelines set out in the GEM Listing Rules. The Nomination Committee and the Board, based on such confirmations consider that all independent non-executive Directors are independent.

Independent non-executive Directors are identified in all corporate communications containing the names of the Directors.

To the best knowledge of the Directors, there is no financial, business, family or other material/relevant relationships among the Directors. All of them are free to exercise their independent judgment. Every Director has sufficient time and attention to deal with the affairs of the Group. The Board considers the composition of executive Directors and independent non-executive Directors is rational and appropriate and provides adequate checks and balances to safeguard the interests of Shareholders and the Group.

Roles and Responsibilities of the Board

The Company is headed by the Board which is responsible for the leadership, control and promotion of success of the Group in the best interests of our Group and our Shareholders as a whole while taking into account the interests of other stakeholders by directing and supervising its affairs and by formulating strategic directions and monitoring the operational and financial performance of the Group.

The Board also review the compensation policies, succession planning, internal control system and risk management system regularly through various committees established under the Board.

The Company has developed a schedule of matters reserved to the Board for decisions. The Board will review those arrangements on a regular basis to ensure that the arrangements meet the needs of the Company.

Chairman and Chief Executive Officer

The Chairman of the Board and the Chief Executive Officer of the Company positions are currently held by Mr. Li Hongbin, an executive Director, and Mr. Huang Yibin, an executive Director, respectively.

CORPORATE GOVERNANCE REPORT

The roles of Chairman and Chief Executive Officer are separate and held by different persons to ensure their independence, accountability and responsibility. The division of the responsibilities between the Chairman and the Chief Executive Officer has been established and set out clearly in writing. The Chairman is responsible for setting the Group's strategy and business directions, overseeing the functioning of the Board and ensuring that the Board is functioning properly. The Chief Executive Officer is an executive Director, supported by management, is responsible for managing the Group's business, including implementation of major strategies, making day-to-day decisions and managing business operations.

Appointments and Re-election of Directors

Each of the Directors is engaged on a service contract (for executive Directors) or letter of appointment (for independent non-executive Directors) with the Company, which set out the key terms of their appointment. Each of the Directors was appointed for an initial term of one year from the date of appointment, which shall be automatically renewed and extended for a consecutive term of another year, unless terminated by either the Company or each of the Directors by giving not less than one month's written notice or payment by the Company in lieu of notice in accordance with the terms of the service contract or letter of appointment.

In accordance with Article 86(3) of the Company's articles of association (the "Articles"), any Directors who are appointed by the Board either to fill a casual vacancy on the Board or, as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company, and shall then be eligible for re-election at that meeting.

In accordance with Article 87(1) of the Articles, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

This Year, Mr. Li Hongbin, Mr. Huang Yibin, Ms. Xiong Jiayan, Mr. Chu, Howard Ho Hwa, Mr. Sun Yuqiang and Mr. Tong, I Tony, being the new Directors appointed by the Board, shall hold office only until the forthcoming annual general meeting of the Company (the "AGM"), and being eligible, offer themselves for re-election at the AGM. The Board and the Nomination Committee recommend their re-appointments. The biographies of the retiring Directors proposed to be re-elected at the AGM are set out in the circular sent with this annual report to provide information to Shareholders to decide on their re-elections.

CORPORATE GOVERNANCE REPORT

Board Diversity Policy

The Board has adopted its board diversity policy setting out the approach to achieve diversity on the Board. A summary of board diversity policy, together with the measurable objectives set for implementing this policy, and the progress made towards achieving those objectives are disclosed as below:

Summary of Board Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The board diversity policy aims to set out the approach to achieve diversity on the Board. In designing the Board's composition, board diversity has been considered from a number of measurable aspects, including but not limited to diversity of gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Board.

Measurable Objectives

The Nomination Committee considers that the ability to achieve the Company's corporate strategy should serve as a measurable objective for determining the desired level of board diversity. Selection of candidates will be based on a range of diversity perspectives, including but not limited to diversity of gender, age, cultural and educational background, nationality, professional experience, skills, knowledge and length of services. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Implementation and Monitoring

The Nomination Committee reviews the board's composition under diversified perspectives, and monitors the implementation of the board diversity policy annually.

Gender Diversity

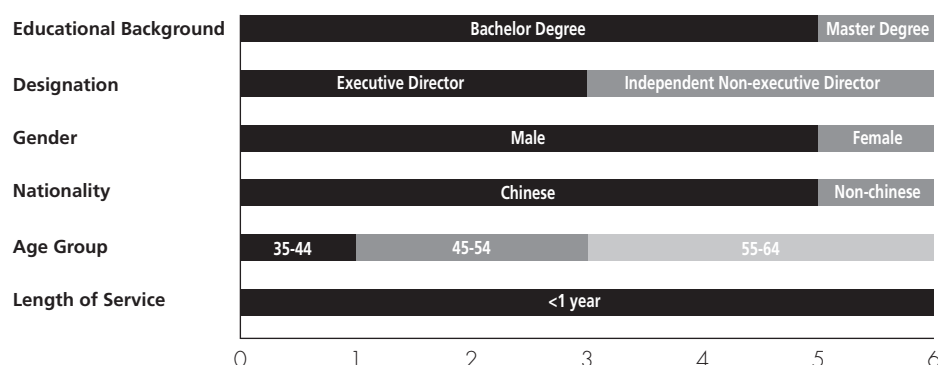
The Board recognises the importance and benefits of gender diversity at the Board level and shall continue to take initiatives to identify female candidate(s) to enhance the gender diversity among the Board members.

As at the date of this report, the Board comprised six Directors, one of which is female. The Company targets to avoid a single gender in the Board and will timely review the gender diversity of the Board in accordance with the business development of the Group. The Company believes the balance of gender in the Board would bring more inspiration to the Board and enhance the business development of the Group, thus gender diversity is the essential factor for the Company to select suitable candidate as a Director.

CORPORATE GOVERNANCE REPORT

As at the date of this report, approximately 25% of the Company’s senior workforce (including the Directors and senior management) and 50% of our total workforce were female. Same as the gender diversity of the Board, the Company targets to avoid a single gender senior workforce and will timely review the gender diversity of the senior workforce in accordance with the business development of the Group.

As at the date of this report, the Board’s composition under diversified perspectives was summarised as follows:



During the Year, all new Board appointments made during the Year were based on meritocracy and diversity of perspectives appropriate to the Company’s corporate strategy.

The Board has reviewed the implementation and effectiveness of the board diversity policy of the Company during the Year and considered it to be effective.

Nomination Policy

The Board adopted a nomination policy to identify and evaluate a candidate for nomination to the Board for appointment or to the Shareholders for election as a Director.

Selection Criteria

The Nomination Committee shall consider, among others, the following criteria in evaluating and selecting candidates for directorships:

- (a) diversity in all its aspects, including but not limited to skills, knowledge, gender, age, ethnicity, cultural and educational background, professional experience and other personal qualities of the candidate;
- (b) ability to exercise sound business judgment and possess proven achievement and experience in directorship including effective oversight of and guidance to management;
- (c) commitment of the candidate to devote sufficient time for the proper discharge of the duties of a Director. In this regard, the number and nature of offices held by the candidate in public companies or organisations, and other executive appointments or significant commitments will be considered;

CORPORATE GOVERNANCE REPORT

- (d) potential/actual conflicts of interest that may arise if the candidate is selected;
- (e) independence of the independent non-executive director candidates must satisfy the independence requirements under the GEM Listing Rules; and
- (f) in the case of a proposed re-appointment of an independent non-executive director, the number of years he/she has already served.

Nomination Process

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

- (a) by giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;
- (b) to consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from an independent agency firm and proposals from shareholders of the Company with due consideration given to the criteria;
- (c) to adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;
- (d) upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;
- (e) to make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and
- (f) the Board will have the final authority on determining the selection of nominees.

The Board will from time to time review the Nomination Policy and monitor its implementation to ensure its continued effectiveness and compliance with regulatory requirements and good corporate governance practice.

Securities Dealings by Directors and Employees

The Company has adopted its own code for dealing in the Company's securities by Directors and employees who are likely to be in possession of inside information in relation to the securities of the Company (the "Code of Securities Dealings") on terms no less exacting than the required standards set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has received confirmation from all Directors that they have complied with the required standards set out in the Code of Securities Dealings throughout the Year.

During the Year, letters were sent to the Directors before the commencement of the "black-out periods" in preparation for the annual, interim and quarterly results announcements to remind them that they should not deal in the securities of the Company during such periods.

CORPORATE GOVERNANCE REPORT

Directors' Induction and Continuing Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations, businesses, policy and procedures as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the GEM Listing Rules and other relevant regulatory requirements. The company secretary of the Company (the "Company Secretary") from time to time provides the Directors with updates on latest development and changes in the GEM Listing Rules and other relevant legal and regulatory requirements.

The Company encourages all Directors to participate in continuous professional development to develop and refresh their knowledge and skill. From time to time, Directors are provided with written training materials on the latest development of applicable laws, rules and regulations to assist them in discharging their duties. During the Year, all Directors have provided their records of training they received to the Company for record and a summary of which is set out in page 30 of this annual report.

Board Meetings

The Board met four times during the Year, and if necessary, had also transacted its business by way of written resolutions. In addition, the chairman of the Board met with the independent non-executive Directors once without the presence of the executive Directors during the Year.

The Board meets regularly over the Company's affairs and operations. At the Board meetings, the Directors considered and approved the financial results and budget, discussed the overall strategy as well as the operation and financial performance of the Group. The Directors either participated in the Board meetings in person, by phone or through other means of electronic communication in accordance with the Company's Articles. For regular Board meeting, a notice of the meeting is sent to all Directors at least 14 days before the intended date of meeting and an agenda and accompanying Board papers of the meeting are provided to all Directors at least three days in advance of every regular Board meeting. With the full support of the management of the Company, such Board papers and materials are provided in a timely manner and in a form and quality sufficient with appropriate explanation to enable the Board to prepare for the meetings, to include matters in the agenda for the meetings and keep the Directors apprised of the latest developments and financial position of the Group.

Every Director is entitled to have access to the advice and services of the Company Secretary with a view to ensure that the Board procedures, and all applicable rules and regulations are followed. Directors are also entitled to seek independent professional advice in performing their duties at the Company's expense, where necessary.

Minutes of the Board meetings and the Board committee meetings record the matters discussed and decisions resolved at the meetings. The minutes would be sent to all Directors within reasonable time after each meeting. The Company Secretary keeps full records of the meetings in accordance with applicable laws and regulations.

The Articles contain provisions requiring the Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest. According to current Board practices, any material transaction, which involves a conflict of interest for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting.

CORPORATE GOVERNANCE REPORT

The Company has arranged appropriate directors' and officers' liabilities insurance cover in respect of potential legal actions against its Directors and officers of the Company. The coverage and the amount insured are reviewed annually by the Company. During the Year, no claims under the insurance policy were made.

DELEGATION BY THE BOARD

Management Functions

The overall management and control of the Company's business are vested in its Board, which assumes responsibility for its leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs.

Management, under the leadership of the Chief Executive Officer, is responsible for the day-to-day management of the Group's long-term objectives, plans for achieving these objectives, businesses and the implementation of the strategies as well as overall policies and guidelines as determined by the Board.

Where the Board delegates aspects of its management and administrative functions to the management, it gives clear directions as to the powers of management and periodically reviews the delegations to the management to ensure that they are appropriate and continue to be beneficial to the Group as a whole.

Board Committees and Corporate Governance Functions

The Board has established three Board Committees to oversee various aspects of the Group's affairs: the Audit Committee, the Nomination Committee and the Remuneration Committee. The Board Committees are governed by their respective terms of reference which clearly defined their authorities and duties and are provided with sufficient resources to discharge their duties. The chairmen of the Board Committees report regularly to the Board their work, findings and recommendations. The terms of reference of the Audit Committee, the Nomination Committee and the Remuneration Committee are available on the websites of the Company and the Stock Exchange. Details of the chairmen and members of the committees are set out on page 2 of this annual report.

Each committee is provided with sufficient resources to perform its duties. It may seek independent professional advice at the Company's expense, where necessary.

(1) *Audit Committee*

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Sun Yuqiang, Mr. Chu, Howard Ho Hwa and Mr. Tong, I Tony and is chaired by Mr. Sun Yuqiang who has substantial accounting and related financial management expertise. The Audit Committee is responsible for (i) monitoring and reviewing the effectiveness of the Group's financial reporting system and, risk management and internal control systems; (ii) reviewing the Group's financial information; and (iii) overseeing the relationship with the auditors of the Company.

CORPORATE GOVERNANCE REPORT

During the Year, the Audit Committee held four meetings and its major tasks performed were:

- Reviewed the Group's financial results and reports on a quarterly basis;
- Reviewed the approach and methodology applied with respect to the key audit matters included in the year end auditor's report;
- Reviewed and approved the external auditors' audit services and non-audit services fees;
- Recommended to the Board on the change of the external auditor;
- Reviewed the effectiveness of the Group's internal audit functions;
- Reviewed the Group's risk register and discussed the enhancement procedures;
- Recommended to the Board on the re-appointment of the external auditor at the 2022 AGM;
- Reviewed the adequacy and effectiveness of the risk management and internal control systems;
- Reviewed the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Group's accounting, financial reporting and internal audit functions;
- Reviewed and approved the internal audit plans; and
- Reviewed the adequacy and effectiveness of the risk management and internal control systems.

None of the members of the Audit Committee is a former or existing partner of the Company's existing auditor. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors.

(2) *Remuneration Committee*

The Remuneration Committee currently comprises three independent non-executive Directors, namely Mr. Chu, Howard Ho Hwa, Mr. Sun Yuqiang and Mr. Tong, I Tony, and is chaired by Mr. Chu, Howard Ho Hwa. A majority of the members of the Remuneration Committee consists of independent non-executive Directors. The Remuneration Committee is responsible for (i) reviewing the remuneration packages of the executive Directors and senior management; (ii) making recommendations to the Board on the Directors' fee structure; (iii) reviewing and approving compensation-related issues; and (iv) reviewing and/or approving the matters relating to share option scheme under the GEM Listing Rules.

CORPORATE GOVERNANCE REPORT

During the Year, the Remuneration Committee held one meeting and its major tasks performed were:

- Approved the annual salary levels of executive Directors and senior management;
- Approved certain bonus payments;
- Reviewed and approved the remuneration of Directors; and
- Approved the remuneration package of the new appointed Director.

Details of remuneration of the Directors, chief executive are set out in note 10 to the consolidated financial statements.

(3) *Nomination Committee*

The Nomination Committee currently comprises one executive Director, namely Mr. Li Hongbin and three independent non-executive Directors, namely Mr. Chu, Howard Ho Hwa, Mr. Sun Yuqiang and Mr. Tong, I Tony, and is chaired by Mr. Li Hongbin. The Nomination Committee is responsible for (i) reviewing the structure, size and composition of the Board; (ii) assessing the suitability and qualification of any proposed director candidate; (iii) assessing the independence of the independent non-executive Directors; (iv) making recommendation to the Board on the appointment or re-appointment of Directors; and (v) monitoring and reviewing the implementation of the Board Diversity Policy.

During the Year, the Nomination Committee held one meeting and its major tasks performed were:

- Reviewed the structure, size, composition and diversity of the Board;
- Assessed and reviewed the independence of independent non-executive Directors;
- Recommended to the Board on the re-election of retiring Directors at the annual general meeting; and
- Recommended to the Board on the appointment of Directors.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties set out in the CG Code which include (i) developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices in compliance with the legal and regulatory requirements; and (iv) developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors; and (v) reviewing the Company's compliance with the code provisions in the CG Code as set out in the GEM Listing Rules and disclosure in the corporate governance report in annual report of the Company.

CORPORATE GOVERNANCE REPORT

2022 BOARD AND COMMITTEE ATTENDANCE AND TRAINING RECORDS

The attendance of the Directors at the annual general meeting, extraordinary general meeting, Board meetings, and Board Committee meetings of the Company and training records for the Year are as follows:

| Directors | Meetings attended/eligible to attend in 2022 ^(Note 14) | | | | | | Type of Training |
|--|---|-----------------|----------------------|------------------------|------------------------|-------------------------------|------------------|
| | Board | Audit Committee | Nomination Committee | Remuneration Committee | Annual General Meeting | Extraordinary General Meeting | |
| Executive Directors | | | | | | | |
| Mr. Li Hongbin <i>(Note 1)</i> | 1/1 | | | | 0/0 | 2/2 | (A) |
| Mr. Huang Yibin <i>(Note 2)</i> | 1/1 | | | | 0/0 | 2/2 | (A) |
| Ms. Xiong Jiayang <i>(Note 3)</i> | 0/0 | | | | 0/0 | 1/1 | (A) |
| Mr. Yan Hao <i>(Note 4)</i> | 3/3 | | | | 1/1 | 0/0 | (A) |
| Ms. Huang Lilan <i>(Note 5)</i> | 3/3 | | | | 1/1 | 0/0 | (A) |
| Non-executive Directors | | | | | | | |
| Ms. Zhang Jing <i>(Note 6)</i> | 3/3 | | 1/1 | | 1/1 | 0/0 | (A) |
| Mr. Yang Xianfeng <i>(Note 7)</i> | 3/3 | 3/3 | | 1/1 | 1/1 | 0/0 | (A) |
| Independent Non-executive Directors | | | | | | | |
| Mr. Chu, Howard Ho Hwa <i>(Note 8)</i> | 1/1 | 1/1 | | | 0/0 | 2/2 | (A) |
| Mr. Sun Yuqiang <i>(Note 9)</i> | 1/1 | 1/1 | | | 0/0 | 1/2 | (A) |
| Mr. Tong, I Tony <i>(Note 10)</i> | 1/1 | 1/1 | | | 0/0 | 1/2 | (A) |
| Dr. Lu Haitian <i>(Note 11)</i> | 3/3 | 3/3 | 1/1 | | 1/1 | 0/0 | (A) |
| Mr. Lin Sen <i>(Note 12)</i> | 3/3 | 3/3 | | 1/1 | 1/1 | 0/0 | (A) |
| Mr. Huang Jian <i>(Note 13)</i> | 3/3 | | 1/1 | 1/1 | 1/1 | 0/0 | (A) |
| Number of meetings held in 2022 | 4 | 4 | 1 | 1 | 1 | 2 | |

Notes:

1. Appointed as an executive Director on 19 August 2022 and appointed as the chairman of the Board and the chairman of the Nomination Committee with effect from 9 September 2022.
2. Appointed as an executive Director on 19 August 2022 and appointed as the chief executive officer of the Company with effect from 9 September 2022.
3. Appointed as an executive Director on 1 December 2022.
4. Resigned as an executive Director and the chief executive officer of the Company on 9 September 2022.

CORPORATE GOVERNANCE REPORT

5. Resigned as an executive Director on 9 September 2022.
 6. Resigned as a non-executive Director and accordingly ceased to be the chairman of the Board and the chairman of the Nomination Committee with effect from 9 September 2022.
 7. Resigned as a non-executive Director and accordingly ceased to be a member of each of the Audit Committee and the Remuneration Committee with effect from 9 September 2022.
 8. Appointed as an independent non-executive Director, the chairman of the Remuneration Committee, a member of each of the Audit Committee and the Nomination Committee with effect from 9 September 2022.
 9. Appointed as an independent non-executive Director, the chairman of the Audit Committee, a member of each of the Remuneration Committee and the nomination committee with effect from 9 September 2022.
 10. Appointed as an independent non-executive Director, a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee with effect from 9 September 2022.
 11. Resigned as an independent non-executive Director and accordingly ceased to be a member of each of the Audit Committee and the Nomination Committee with effect from 9 September 2022.
 12. Resigned as an independent non-executive Director and accordingly ceased to be the chairman of the Audit Committee and a member of the Remuneration Committee with effect from 9 September 2022.
 13. Resigned as an independent non-executive Director and accordingly ceased to be the chairman of the Remuneration committee and a member of the Nomination Committee with effect from 9 September 2022.
 14. Directors may attend meetings in person, by phone or through other means of electronic communication in according with the Company's Articles.
- (A) Attending seminar or briefings/perusal of materials in relation to business or Directors' duties.

WHISTLEBLOWING POLICY

The Board has adopted its whistleblowing policy. The purpose of the whistleblowing policy is to (i) foster a culture of compliance, ethical behaviour and good corporate governance across the Group; and (ii) promote the importance of ethical behaviour and encourages the reporting of misconduct, unlawful and unethical behavior.

The nature, status and the results of the complaints received under the whistleblowing policy are reported to the chairman of the Audit Committee. All reported matters will be investigated independently and, in the meantime, all information received from a whistleblower and its identity will be kept confidential. No incident of fraud or misconduct that have material effect on the Group's financial statements or overall operations for the Year has been discovered. The whistleblowing policy and mechanism is reviewed annually by the Audit Committee to improve its effectiveness.

CORPORATE GOVERNANCE REPORT

CODE OF CONDUCT ON ANTI-FRAUD AND ANTI-CORRUPTION POLICY

The Company has adopted its code of conduct on anti-fraud and anti-corruption policy. The Group is committed to achieving the highest standards of integrity and ethical behaviour in conducting business. The code of conduct on anti-fraud and anti-corruption policy forms an integral part of the Group's corporate governance framework. The code of conduct on anti-fraud and anti-corruption policy sets out the specific behavioural guidelines that the Group's personnel and business partners must follow to combat corruption. It demonstrates the Group's commitment to the practice of ethical business conduct and the compliance of the anti-corruption laws and regulations that apply to its local and foreign operations. In line with this commitment and to ensure transparency in the Group's practices, the code of conduct on anti-fraud and anti-corruption policy has been prepared as a guide to all Group employees and third parties dealing with the Group.

The code of conduct on anti-fraud and anti-corruption policy and mechanism is reviewed and updated periodically to ensure its effectiveness and enforce the commitment of the Group to prevent all forms of fraud and corruption.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible for presenting a balanced, clear and comprehensive, assessment of the Group's performance, position and prospects in all corporate communications. Management provides the Board with quarterly updates, with a view to giving it a balanced and understandable assessment of the Group's performance, financial position and prospects to enable the Board as a whole and each Director to discharge their duties.

The Directors acknowledge that they are responsible for overseeing the preparation of the Group's consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flows of the Group for that year. In preparing the consolidated financial statements for the Year, the Board has selected suitable accounting policies and applied them consistently; make judgements and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements on a going concern basis.

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

The statement by the independent auditor about its reporting and auditing responsibilities for the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 77 to 81 of this annual report.

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

CORPORATE GOVERNANCE REPORT

Risk Management and Internal Control

Responsibility

The Group upholds the highest standards of integrity and credibility across all levels of its organisation.

The Board acknowledges its responsibility for establishing and maintaining sound systems of internal control and risk management on an ongoing basis to safeguard the shareholders' investment and the Group's assets. The controls built into the risk management system are intended 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.

To fulfill this responsibility, the executive Directors are assigned to oversee the implementation of the Group's internal controls and risk management policy and to monitor the business and operations of business units of the Group. The Board also assigned the Audit Committee to review and supervise the financial reporting process and oversee the risk management and internal control systems of the Group.

The Board has, through the Audit Committee, conducted review of the effectiveness of the risk management and internal control systems of the Group for the Year with the assistance of an external independent consultant.

Risk Management and Internal Control

Risk management

The risk management policy provides a risk assessment framework to identify and evaluate the material business risk, operational risk, financial risk and compliance risk. The Group is committed to the identification, evaluating, and management of risks associated with its business activities through ongoing assessment of a risk register, by considering the likelihood and impact of each identified risk. For any newly identified significant risks, the Group will evaluate its financial or operational impacts to the Group and adopt mitigation measures to manage such risks. A risk assessment report has been reported to the Audit Committee and reviewed by the Board, which facilitates the Board in considering the changes in the nature and extent of significant risks, the Group's ability to respond to changes in its business and the external environment, as well as management's ongoing monitoring of risks.

CORPORATE GOVERNANCE REPORT

Internal Control

The Group's internal control system is designed to safeguard assets against misappropriation and unauthorised disposition and to manage operational risks. Review of the Group's internal controls covers major financial, operational and compliance controls. An internal control review report including the examination results of the review works covering areas such as corporate governance, finance, operations and compliance, with recommendations on the control weaknesses of the Group was duly reported to the Audit Committee and the Board for their assessment of the internal control effectiveness of the Group. For any identified control weaknesses, appropriate actions will be taken in a timely manner. All remedial actions will be regularly followed up when necessary to ensure the material control weaknesses have been duly addressed.

The Board considers that the risk management and internal control systems are effective and adequate and that the Group has complied with the code provisions relating to risk management and internal control of the CG Code.

Procedures and Internal Controls for the Handling and Dissemination of Inside Information

The Group complies with requirements of the Securities and Futures Ordinance ("SFO") and the GEM Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensuring that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts. The Company has adopted a policy for handling and dissemination of inside information.

Audit Committee Supervision

The Audit Committee holds the necessary meetings with the Company's financial controller, an external independent consultant and the independent auditor to review the financial statements and auditor's reports on financial, internal control and risk management matters. The Audit Committee reports to the Board on significant internal control and risk management matters, suspected frauds or irregularities, and alleged infringement of laws, rules and regulations, which come to their attention.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's risk management and internal control systems for the Year covering all material financial, operational and compliance controls and risk management functions, and considers that the systems are adequate and effective. The Board, through the Audit Committee, has also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and final reporting functions and considers that they are adequate.

CORPORATE GOVERNANCE REPORT

Independent Auditor's Remuneration

The Audit Committee is mandated to review and monitor the independence of the auditor to ensure objectivity and the effectiveness of the audit process of the financial statements in accordance with applicable standards. Members of the Audit Committee were of the view that the Company's independent auditor, Moore Stephens CPA Limited, is independent and has recommended the Board to re-appoint it as the Company's auditor at the 2023 AGM. The statement about its reporting responsibilities for the Company's financial statements is set out in the section headed "Independent Auditor's Report" on pages 77 to 81. The remuneration in respect of audit and non-audit services provided to the Group by the Company's auditors, Moore Stephens CPA Limited and its affiliate companies for the Year was as follows:

| Category of Services | Fees Paid/ Payable HK\$'000 |
|--------------------------------------|--|
| Audit services | 880 |
| Non-audit services ^(Note) | 230 |
| Total | 1,110 |

Note: The non-audit services mainly consist of tax advisory, environmental, social and governance report, review and other reporting services

Compliance Officer

Mr. Huang Yibin, the Chief Executive Officer and an executive Director, is the compliance officer of the Company. Please refer to his biographical details as set out in the "Biographical Details of Directors and Senior Management" in this annual report.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene an Extraordinary General Meeting

Under Article 58 of the Articles, any one or more shareholders holding not less than one-tenth of the paid up capital of the Company and carrying the right of voting at the general meeting of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition.

Such a requisition, specifying the shareholding information of the shareholder who made the requisition, must be signed by the shareholder and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong, the details of which are provided in the "Corporate Information" section of this annual report.

CORPORATE GOVERNANCE REPORT

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionist(s) may convene the extraordinary general meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Procedures for Putting Forward Proposal at General Meetings

Shareholders are welcomed to put forward proposals relating to the operations and management of the Group to be discussed at general meetings. The proposals shall be sent to the Company Secretary by a written requisition with his/her/its detailed contact information to the Company's head office and principal place of business in Hong Kong (details of which are set out in the section headed "Corporate Information" of this annual report). Shareholders who wish to put forward a proposal should convene an extraordinary general meeting by following the procedures set out in "Procedures for Shareholders to Convene an Extraordinary General Meeting" above.

Right to Put Enquiries to the Board

Shareholders may send their enquiries and concerns to the Board in writing through the Company Secretary by email to info@cryptoflowhk.com or by mail to Unit 3506, 35th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong.

Procedures for Proposing a Person for Election as a Director

Under Article 88 of the Articles, shareholders are entitled to elect a person to be a Director at a general meeting. The procedures for proposing a person for election as a Director are available on the Company's website at www.cryptoflowhk.com.

COMMUNICATION WITH SHAREHOLDERS

Dividend Policy

The Company seeks to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend policy. The Company's dividend policy aims to allow shareholders to participate in the Company's profit and for the Company to retain adequate reserves for future growth.

The Company has adopted its dividend policy. In determining the dividend amount, the Board will take into account a number of factors such as the Group's current and future operations, strategic and business plans, capital expenditure and future development requirements, retained earnings and distributable reserve, working capital requirements, liquidity position, financial results, general financial condition as well as the economic outlook. No predetermined dividend payout ratio is set in the dividend policy. The declaration of dividends shall be determined at the decision of the Board and shall be subject to any restriction under the Companies Law (Cap. 22) of the Cayman Islands and the articles of association.

CORPORATE GOVERNANCE REPORT

Annual General Meeting

The Company considers the AGM an important event, as it provides an opportunity for the Board to communicate with the shareholders. The Company supports the CG Code's principle to encourage shareholders' participation. Questioning by shareholders at the Company's AGM is encouraged and welcomed.

The Chairman of the Board, all other members of the Board including independent non-executive Directors, the chairmen of all Board committees (or their delegates) and the Company's auditors attended the 2022 AGM and were on hand to answer their enquiries.

Shareholders' Communication Policy

The Company believes that effective communication with the shareholders and stakeholders is essential for enhancing investor relations and investors' understanding of the Group's business, performance and strategies. The Company aims to, via its corporate governance structure, enable all its shareholders an equal opportunity to exercise their rights in an informed manner and allow all shareholders to engage actively with the Company. The Company has adopted the shareholder's communication policy with the objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

The Company has established a number of channels for maintaining an on-going dialogue with its shareholders as follows:

- (a) corporate communications such as annual report, interim reports, quarterly reports and circulars are issued in printed form and are available on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.cryptoflowhk.com;
- (b) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;
- (c) corporate information is made available on the Company's website;
- (d) annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management; and
- (e) the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, serves the shareholders in respect of share registration, dividend payment, change of shareholders' particulars and related matters.

Having considered the multiple channels of communication and engagement in place, the Board is satisfied that the shareholders' communication policy has been properly in place during the Year and is effective.

The Company continues to promoting investor relations and enhancing communication with the existing shareholders and potential investors. The Company welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The Company Secretary, Ms. Chow Chiu Man, Mandy, supports the Board and Board committees by ensuring good information flow within the Board and that the Board's policy and procedures and all applicable rules and regulations are followed. The Company Secretary reports to the Board and assists the Board in functioning effectively and efficiently. The Company Secretary also advises the Board on corporate governance matters and facilitating the induction and continuous professional development of Directors. During the Year, the Company Secretary undertook not less than 15 hours of relevant professional training to update her skills and knowledge. Her biography is set out on page 16 of this annual report under the section headed "Biographical Details of Directors and Senior Management".

CHANGE IN CONSTITUTIONAL DOCUMENTS

The memorandum of association and the articles of association of the Company have been amended and restated with effect from 11 May 2022. The latest version of the Company's constitutional documents are available on the websites of the Stock Exchange and the Company.

REPORT OF THE DIRECTORS

The directors (the “Directors”) of the Company present their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2022 (the “Year”).

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The activities of its principal subsidiaries, associates and joint venture are set out in notes 20, 21 and 22 respectively to the consolidated financial statements.

An analysis of the Group’s performance for the Year by operating segments is set out in note 7 to the consolidated financial statements.

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a fair review of the Group’s business, an indication of likely future development in the Group’s business as well as particulars of important events affecting the Group that have occurred since the end of the Year can be found in the “Chairman’s Statement” and the “Management Discussion and Analysis” set out on pages 3 to 4 and pages 5 to 13 respectively of this annual report. An analysis of the Group’s performance during the Year using financial key performance indicators is set out in the Group’s Five-year Financial Summary on page 168 of this annual report. A description of the principal risks and uncertainties facing the Group, discussions on the Group’s environmental policies and performance, the compliance with the relevant laws and regulations that have a significant impact on the Group and the account of the Group’s key relationships with its employees, suppliers and customers are set out in the sections headed “Key Risks and Uncertainties”, “Environmental Policies and Performance”, “Compliance with the Relevant Laws and Regulations” and “Relationships with Employees, Suppliers and Customers” on pages 39 to 42 of this annual report. The above discussions form part of the business review as contained in this report of the Directors.

KEY RISKS AND UNCERTAINTIES

Risk relating to legal and regulatory compliance

As the technology and big data industries continue to evolve, regulatory authorities in numerous jurisdictions have been attempting to keep up with these evolutions and developing more comprehensive and rigorous industry regulations. As the Group is expanding its businesses into Hong Kong and other overseas markets, it is required to comply with new applicable laws and regulations in different jurisdictions that are specifically relevant to the Group’s businesses, such as laws relating to data protection, internet information security and those that relate to environmental, social and governance matters. The Group may be involved in legal and other proceedings from time to time, and as a result may face negative impact to its reputation or expose to legal liability.

REPORT OF THE DIRECTORS

Risk relating to economic environment and pandemic

The Group's business operations may be subject to risks arising from the general and sector-specific economic and public health conditions, including as a result of any pandemics or natural disasters, in one or more of the markets in which the Group operates. Further deterioration of the macro-economic environment following the increasing recessionary risk could result in more conservatism decision making within the Group and its business partners. This risk was increased given the new wave of COVID-19 pandemic, in particular, the spreading of new COVID-19 variants after the opening of countries to cross border travel.

An outbreak of disease such as COVID-19 could potentially disrupt the Group's business operations. Such disease outbreak could lead to a decrease in the level of economic activity in affected districts or movement restriction imposed by local governments, which could adversely affect the Group's business and results of operations.

Risk relating to the supply of and price volatility in electric power

The Group consumes considerable amounts of the stability of the local electricity in operating its big data service centres. The electricity costs incurred by the Group are substantial. Electricity supply may affect the performance of big data centres.

In addition, potential electricity supply interruption at data centres may occur due to damages of electric power transmission facilities, construction defects and errors in operation. Any electricity interruption may adversely affect the Group's results of operations.

Risk relating to system continuity

As an operator of the big data centres, the Group provides the premises, hardware support, power supply and ancillary supervision and management service to customers. The Group has also developed software which enables its customers to remotely monitor their data processors and obtain real-time information such as the average computing capacity and operating time. It involves receiving, storage and processing personal information and other privacy data. Any system or network failure or computer virus attack may result in operational disruption and breach of data privacy. The Group's business and operation results would be adversely affected.

Risk relating to client portfolio

The Group is currently operating in the big data center business and money lending business in Hong Kong. The nature of big data center business is the dependency on a few clients for each data centre. This creates a client concentration risk which may adversely impact the performance of the Group's business and operation on sudden termination of services by a client. Client concentration in the money lending business also exposes the Group to risk resulting from change in client's credit situation and may adversely impact the Group's business and operation results.

Description of the key risks and uncertainties facing the Group are also set out in note 3 to the consolidated financial statements. The Company's approach on risk management is set out on page 33 of the Corporate Governance Report.

REPORT OF THE DIRECTORS

SIGNIFICANT EVENTS SUBSEQUENT TO THE YEAR

Details of the significant events of the Group subsequent to the Year are set out in the section headed “Management Discussion and Analysis” on page 13 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises the importance of environmental sustainability against modern ecological challenges. The Group strives to minimise its impact on the environment by saving electricity, petrol, diesel and water consumption, and encouraging recycling of office supplies and other materials. During the Year, the Group has not been the subject of any environmental claims, lawsuits, penalties or disciplinary actions.

More information is provided in the Environmental, Social and Governance Report on pages 54 to 76 of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group has adopted internal control measures to monitor the continuous compliance with relevant laws and regulations such as the Companies Act of the Cayman Islands, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the GEM Listing Rules and other laws and regulations implemented in relevant jurisdictions. During the Year, as far as the board of Directors (the “Board”) is concerned, the Group has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the Year.

The Group continues to commit to complying with the relevant laws and regulations.

REPORT OF THE DIRECTORS

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognises that employees, customers and suppliers are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its suppliers.

The Company provides a fair and safe workplace, promotes diversity to its staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions.

The Group also understands that it is importance to maintain good relationship with its suppliers and customers. The Group maintains close relationship with the customers to fulfil their immediate and long-term need. The Group has established long term business relationship with the suppliers to enhance the stability of the Group's businesses. During the Year, there was no material and significant dispute between the Group and its employees, customers and/or suppliers.

RESULTS AND DIVIDENDS

The results of the Group for the Year and the Group's financial position as at 31 December 2022 are set out in the consolidated financial statements on pages 82 to 84 and pages 85 to 86 of this annual report respectively.

The Directors do not recommend the payment of a final dividend for the Year (2021: Nil).

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company is scheduled to be held on Wednesday, 10 May 2023 ("AGM"). For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 5 May 2023 to Wednesday, 10 May 2023 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the above AGM, all transfer forms accompanied by relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 4 May 2023.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 168 of this annual report. This summary does not form part of the audited consolidated financial statements.

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the Year are set out in note 30 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association (the "Articles") or the laws of the Cayman Islands in relation to the offer of new shares on a pro rata basis to its existing shareholders of the Company.

RESERVES

Details of movements in reserves of the Company and the Group during the Year are set out in note 31 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company did not have any reserves available for distribution, calculated in accordance with the Companies Act (As Revised) of the Cayman Islands. The share premium account of the Company is available for distribution or payment of dividends to the shareholders of the Company subject to the provisions of the Articles and provided that immediately following the distribution or the payment of dividends, the Company is able to pay its debts immediately as they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the Group's largest customer accounted for approximately 78% (2021: 11%) of the Group's total revenue. The five largest customers of the Group in the Year accounted for approximately 100% (2021: 53%) of the Group's total revenue.

During the Year, the Group's largest supplier accounted for approximately 66% (2021: 44%) of the Group's total purchases. The five largest suppliers in the Year accounted for approximately 100% (2021: 96%) of the Group's total purchases.

Except for 500WAN HK Limited, a wholly-owned subsidiary of BIT Mining Limited, a substantial shareholder (as defined in the SFO) of the Company immediately before 25 July 2022, had indirect interests, none of a Director, a close associate of a Director or a shareholder of the Company (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any interest in the Group's five largest suppliers or five largest customers for the Year.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the Year and up to the date of this report are:

Executive Directors

| | |
|--|---|
| Mr. Li Hongbin (<i>Chairman</i>) | <i>(appointed with effect from 19 August 2022)</i> |
| Mr. Huang Yibin (<i>Chief Executive Officer</i>) | <i>(appointed with effect from 19 August 2022)</i> |
| Mr. Yan Hao | <i>(resigned with effect from 9 September 2022)</i> |
| Ms. Huang Lilan | <i>(resigned with effect from 9 September 2022)</i> |
| Ms. Xiong Jiayan | <i>(appointed with effect from 1 December 2022)</i> |

Non-executive Directors

| | |
|-------------------|---|
| Ms. Zhang Jing | <i>(resigned with effect from 9 September 2022)</i> |
| Mr. Yang Xianfeng | <i>(resigned with effect from 9 September 2022)</i> |

Independent Non-executive Directors

| | |
|------------------------|--|
| Dr. Lu Haitian | <i>(resigned with effect from 9 September 2022)</i> |
| Mr. Lin Sen | <i>(resigned with effect from 9 September 2022)</i> |
| Mr. Huang Jian | <i>(resigned with effect from 9 September 2022)</i> |
| Mr. Chu, Howard Ho Hwa | <i>(appointed with effect from 9 September 2022)</i> |
| Mr. Sun Yuqiang | <i>(appointed with effect from 9 September 2022)</i> |
| Mr. Tong, I Tony | <i>(appointed with effect from 9 September 2022)</i> |

In accordance with Article 86(3) of the Articles, the Directors shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, as an addition to the existing Board. Any Director so appointed shall hold office until the next following annual general meeting of the Company, and shall then be eligible for re-election at that meeting. Mr. Li Hongbin, Mr. Huang Yibin, Ms. Xiong Jiayan, Mr. Chu, Howard Ho Hwa, Mr. Sun Yuqiang and Mr. Tong, I Tony, being the new Directors appointed by the Board, shall retire at the forthcoming AGM and, being eligible, will offer themselves for re-election at the AGM.

The Company has received annual confirmation from each of the independent non-executive Directors concerning his independence of the Company and considers that each of the independent non-executive Directors is independent of the Company.

REPORT OF THE DIRECTORS

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Company are set out on pages 14 to 16 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, each Director shall be entitled to be indemnified out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain in or about the execution of the duties of his/her office or otherwise in relation thereto, save for matters in respect of his fraud or dishonesty. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against Directors of the Group.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed herein, there were no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the Year, nor were there any other contracts of significance in relation to the Group's business between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries, subsisted at the end of the Year or at any time during the Year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Scheme" of this report, at no time during the Year was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors or chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2022, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in the shares, underlying shares and debentures of associated corporations of the Company

| Name of Director | Name of associated corporation of the Company | Nature of interest | Number of ordinary shares held | Percentage of shareholding in the associated corporation of the Company |
|------------------|---|--|--------------------------------|---|
| | | | (Note 1) | (Note 2) |
| Mr. Li Hongbin | Manful Kingdom (Note 3) | Beneficiary of a trust (other than a discretionary interest) | 150 (L) | 25% |

Notes:

- 1 The letter "L" denotes the entity/person's long position in the shares.
- 2 The percentage of shareholding in the associated corporation of the Company was calculated based on the total number of issued shares of Manful Kingdom as at 31 December 2022, being 600 ordinary shares.
- 3 As at 31 December 2022, Manful Kingdom held approximately 51.02% direct shareholding interest in the Company and was an associated corporation of the Company within the meaning of Part XV of the SFO.

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

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

The share option scheme adopted at the annual general meeting of the Company on 18 May 2012 (the “2012 Share Option Scheme”) has expired on 18 May 2022. The share options granted thereunder prior to the expiry date will continue to be valid and exercisable in accordance with the terms of the 2012 Share Option Scheme.

At the extraordinary general meeting of the Company held on 28 December 2022, the shareholders of the Company approved the adoption of a new share option scheme (the “2022 Share Option Scheme”) under which the Directors may grant share options to eligible persons to subscribe for the Shares, subject to the terms and conditions as stipulated therein. Unless otherwise cancelled or amended, the 2022 Share Option Scheme will remain valid for a period of 10 years from the date of its adoption. No share options had been granted under the 2022 Share Option Scheme during the Year.

A summary of the principal terms of the 2012 Share Option Scheme and 2022 Share Option Scheme are set out in note 32 to the consolidated financial statements.

Movements of share options granted under the 2012 Share Option Scheme during the Year are set out below:

| Type of participants | Number of share options | | | | | | As at 31 December 2022 | Date of grant | Exercise price (HK\$) | Exercise period (Notes 1 to 3) |
|----------------------------|-------------------------|----------------------------------|---------------------------------------|------------------------------------|------------------------|---------------------------|------------------------|---------------|-----------------------|--------------------------------|
| | As at 1 January 2022 | Granted during the Year (Note 8) | Reclassified during the Year (Note 5) | Exercised during the Year (Note 6) | Lapsed during the Year | Cancelled during the Year | | | | |
| Former Directors | | | | | | | | | | |
| Ms. Zhang Jing (Note 4) | 466,800 | - | - | - | - | 466,800 | 01.04.2019 | 1.10 | Note 2 | |
| | 3,100,000 | - | - | - | - | 3,100,000 | 10.08.2020 | 0.26 | Note 3 | |
| | 3,566,800 | - | - | - | - | 3,566,800 | | | | |
| Mr. Yan Hao (Note 4) | 200,000 | - | (200,000) | - | - | - | 01.04.2019 | 1.10 | Note 2 | |
| | 3,100,000 | - | (3,100,000) | - | - | - | 10.08.2020 | 0.26 | Note 3 | |
| | 3,300,000 | - | (3,300,000) | - | - | - | | | | |
| Ms. Huang Lilan (Note 4) | 1,000,000 | - | (1,000,000) | - | - | - | 01.04.2019 | 1.10 | Note 2 | |
| | 1,000,000 | - | (1,000,000) | - | - | - | 10.08.2020 | 0.26 | Note 3 | |
| | 2,000,000 | - | (2,000,000) | - | - | - | | | | |
| Mr. Yang Xianfeng (Note 4) | 2,066,800 | - | (2,066,800) | - | - | - | 01.04.2019 | 1.10 | Note 2 | |
| | 3,100,000 | - | (3,100,000) | - | - | - | 10.08.2020 | 0.26 | Note 3 | |
| | 5,166,800 | - | (5,166,800) | - | - | - | | | | |
| Mr. Lin Sen (Note 4) | 200,000 | - | (200,000) | - | - | - | 01.04.2019 | 1.10 | Note 2 | |
| | 200,000 | - | (200,000) | - | - | - | 10.08.2020 | 0.26 | Note 3 | |
| | 400,000 | - | (400,000) | - | - | - | | | | |

REPORT OF THE DIRECTORS

| Type of participants | Number of share options | | | | | | As at 31 December 2022 | Date of grant | Exercise price (HK\$) | Exercise period (Notes 1 to 3) |
|-------------------------|-------------------------|----------------------------------|---------------------------------------|------------------------------------|------------------------|---------------------------|------------------------|---------------|-----------------------|--------------------------------|
| | As at 1 January 2022 | Granted during the Year (Note 8) | Reclassified during the Year (Note 5) | Exercised during the Year (Note 6) | Lapsed during the Year | Cancelled during the Year | | | | |
| Mr. Huang Jian (Note 4) | 200,000 | - | (200,000) | - | - | - | - | 10.08.2020 | 0.26 | Note 3 |
| | 200,000 | - | (200,000) | - | - | - | - | | | |
| Sub-total: | 14,633,600 | - | (11,066,800) | - | - | - | 3,566,800 | | | |
| Employees | 80,000 | - | (30,000) | - | - | - | 50,000 | 01.04.2019 | 1.10 | Note 2 |
| | 600,000 | - | (30,000) | (30,000) | (490,000) | - | 50,000 | 10.08.2020 | 0.26 | Note 3 |
| Sub-total: | 680,000 | - | (60,000) | (30,000) | (490,000) | - | 100,000 | | | |
| Others (Note 7) | 400,000 | - | - | - | (400,000) | - | - | 05.01.2018 | 2.00 | Note 1 |
| | 9,400,000 | - | 3,496,800 | - | (100,000) | (30,000) | 12,766,800 | 01.04.2019 | 1.10 | Note 2 |
| | 6,970,000 | - | 7,630,000 | - | (650,000) | (150,000) | 13,800,000 | 10.08.2020 | 0.26 | Note 3 |
| Sub-total: | 16,770,000 | - | 11,126,800 | - | (1,150,000) | (180,000) | 26,566,800 | | | |
| Total: | 32,083,600 | - | - | (30,000) | (1,640,000) | (180,000) | 30,233,600 | | | |

Notes:

- The share options granted on 5 January 2018 are divided into 3 tranches exercisable from 5 January 2018, 5 January 2019 and 5 January 2020 respectively to 4 January 2028.
- The share options granted on 1 April 2019 are divided into 3 tranches exercisable from 1 April 2019, 1 April 2020 and 1 April 2021 respectively to 31 March 2029.
- The share options granted on 10 August 2020 are divided into 3 tranches exercisable from 10 August 2020, 10 August 2021 and 10 August 2022 respectively to 9 August 2030.
- Resigned as a Director with effect from 9 September 2022.
- To better reflect certain grantee's position in relation to the Group, their respective types of participant have been reclassified from Directors to others or from employees to others as appropriate.
- In respect of the share options exercised during the Year, the weighted average closing prices of the Company's shares immediately before and on the date on which the share options were exercised were HK\$0.47 and HK\$0.50 respectively.
- The category "Others" represents the consultants of the Group. Consultants are individuals who rendered consultancy services in respect of the business development to the Group without receiving any compensation. The Group granted share options to them for recognising their services similar to those rendered by employees of the Group.
- During the Year, no share options were granted under the 2012 Share Option Scheme.

REPORT OF THE DIRECTORS

INTERESTS IN COMPETING BUSINESS

As disclosed by BIT Mining Limited (being the substantial shareholder (as defined in the SFO) of the Company immediately before 25 July 2022), it was engaged in, amongst other things, the provision of data centre services during the Year. As such, BIT Mining Limited had interest in a business which may be considered to potentially compete with the business in providing big data centre services of the Group. Save as disclosed above, none of the Directors, the controlling shareholder of the Company during the Year or their respective close associates (as defined in the GEM Listing Rules) had interest in any business which competes or may compete with the business of the Group and any other conflicts of interest with the Group.

CONNECTED TRANSACTIONS

During the Year, the Company has paid HK\$232,000 (2021: nil) as consultant fee to Mr. Yan Hao for provision of consultancy service in regards to the operation and management affairs of the Company. Mr. Yan Hao, being the executive Director and the chief executive officer of the Company during the Year, resigned on 9 September 2022. The above transaction constitutes a de minimis connected transaction which is exempted from independent shareholders' approval and disclosure and other requirements under Chapter 20 of the GEM Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

On 13 September 2021, the Company, for itself and also as agent of its wholly-owned subsidiaries and controlling companies, conditionally entered into the service agreement ("Service Agreement") with BIT Mining Limited, the substantial shareholder (as defined under the SFO) of the Company immediately before 25 July 2022. Pursuant to the Service Agreement, the Company, for itself and also as agent of its wholly-owned subsidiaries and company(ies) in which the Company holds interest (the "Controlling Companies"), conditionally agreed to provide big data centre services to BIT Mining Limited, for itself and also as agent of its wholly-owned subsidiaries and Controlling Companies for a period of 36 months.

Further details of the transactions were disclosed in the announcements dated 13 September 2021 and 13 October 2021 and the circular of the Company dated 22 October 2021. The Service Agreement, the transactions contemplated thereunder and the proposed annual caps had been duly passed by way of poll at the extraordinary general meeting held on 8 November 2021.

All the independent non-executive Directors have reviewed the above Continuing Connected Transactions and confirmed that they have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreements on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

REPORT OF THE DIRECTORS

The Company's auditor was engaged to report on the above Continuing Connected Transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the Continuing Connected Transactions disclosed by the Company in the annual report in accordance with Rule 20.54 of the GEM Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

RELATED PARTY TRANSACTIONS

During the Year, the Group entered into certain transactions with "related parties" as defined under the applicable accounting standards. These related party transactions are disclosed in note 34 to the consolidated financial statements. As disclosed in note 34(a) to the consolidated financial statements, the related party transactions in respect of the big data centre services income from fellow subsidiaries for the year ended 31 December 2022 constituted continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules and the Company has complied with the relevant requirements in accordance with Chapter 20 of the GEM Listing Rules in respect of such transactions. Further details are set out in the section headed "Continuing Connected Transactions" of this report.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, the interests or short positions of every persons (other than the Directors and chief executive of the Company) in the shares and underlying shares of the Company (the "Shares") as recorded in the register required to be kept by the Company under section 336 of the SFO and the amount of such interests and short positions were as follows:

| Name | Capacity/Nature | Number of | Approximate |
|----------------------------------|-------------------------------------|-------------------------------|---|
| | | Shares held/ interested in | percentage of total issued Shares |
| | | (Note 1) | (Note 2) |
| Manful Kingdom | Beneficial owner | 279,815,740 (L) | 51.02% |
| Mr. Fu Jiepin (Note 3) | Interest in controlled corporation | 279,815,740 (L) | 51.02% |
| Ms. Xia Bing (Note 4) | Interest of spouse | 279,815,740 (L) | 51.02% |
| BIT Mining Limited | Beneficial owner | 48,195,605 (L) | 8.79% |
| Mr. Law Man San Vincent (Note 5) | Interest in controlled corporations | 48,195,605 (L) | 8.79% |
| | Beneficial owner | 184,000 (L) | 0.03% |
| Ms. Yuan Ping (Note 6) | Interest of spouse | 48,379,605 (L) | 8.82% |

REPORT OF THE DIRECTORS

Notes:

1. The letter "L" denotes the entity/person's long position in the Shares.
2. The approximate percentage of total issued Shares was calculated based on the total number of issued Shares as at 31 December 2022, being 548,408,822 Shares.
3. As at 31 December 2022, Manful Kingdom held 279,815,740 Shares as beneficial owner. Mr. Fu Jiepin held 35% direct interest in Manful Kingdom. Therefore, Mr. Fu Jiepin was deemed to be interested in 279,815,740 Shares through his controlled corporation, Manful Kingdom, under the SFO.
4. Ms. Xia Bing is the spouse of Mr. Fu Jiepin. Accordingly, as at 31 December 2022, Ms. Xia Bing was deemed to be interested in the Shares in which Mr. Fu Jiepin was interested under the SFO.
5. As at 31 December 2022, Mr. Law Man San Vincent was deemed to be interested in 48,195,605 Shares held by BIT Mining Limited through his controlled corporations, Good Luck Capital Limited and Delite Limited. He was also interested in 184,000 Shares in the capacity of beneficial owner.
6. Ms. Yuan Ping is the spouse of Mr. Law Man San Vincent. Accordingly, as at 31 December 2022, Ms. Yuan Ping was deemed to be interested in all the Shares in which Mr. Law Man San Vincent was interested under the SFO.

Save as disclosed above, as at 31 December 2022, no other interests or short positions in the Shares or underlying Shares of the Company had been recorded in the register required to be kept under section 336 of the SFO.

EQUITY-LINKED AGREEMENTS

Other than the 2012 Share Option Scheme and 2022 Share Option Scheme as disclosed in the "Share Options Scheme" section of this report, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Year or subsisted at the end of the Year.

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

During the Year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MANAGEMENT CONTRACTS

Save for employment contracts, no other contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into by the Company during the Year or subsisted at the end of the Year.

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the percentage of the Shares which are in the hands of the public (as defined in the GEM Listing Rules) exceeds 25% of the Company's total number of issued Shares during the Year and up to the date of this annual report.

CORPORATE GOVERNANCE

Information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 17 to 38 of this annual report.

EMOLUMENT POLICY

The employees of the Group are selected, remunerated and promoted on the basis of their merit, qualifications and competence.

The Board has the general power of determining the Directors' remuneration, subject to the authorization of the shareholders of the Company at the annual general meeting each year. The remuneration of the Directors is subject to review by the Remuneration Committee, and their remuneration is determined with reference to the Directors' qualifications, experience, duties, responsibilities and performance and results of the Company. Particulars of the emoluments of Directors on a named basis for the Year are set out in note 10 to the consolidated financial statements.

The Company adopted the Share Option Scheme as an incentive to Directors, employees and consultants. Details of the scheme are set out in note 32 to the consolidated financial statements.

AUDIT COMMITTEE

The Company has an Audit Committee, which was established for the purposes of reviewing and providing supervision over the Group's financial reporting process and overseeing the Group's risk management and internal controls. It also reviews the effectiveness of the audit process and risk evaluation.

The Audit Committee, made up of three independent non-executive Directors, met four times during the Year. At the meetings, the Audit Committee reviewed the accounting principles and practices adopted by the Group, the quarterly, the interim and the annual reports of the Group and discussed with management the auditing, risk management, internal controls and financial reporting matters.

CHARITABLE CONTRIBUTIONS

During the Year, no charitable and other donations have been made by the Group.

REPORT OF THE DIRECTORS

AUDITORS

ZHONGHUI ANDA CPA Limited resigned as auditors of the Company with effect from 1 December 2022 and Moore Stephens CPA Limited, following the resignation of ZHONGHUI ANDA CPA Limited, was appointed with effect from 1 December 2022 as new auditors of the Company by the Directors to fill the casual vacancy. Save for the above, there has been no other change of auditors in the past three years.

The consolidated financial statements of the Group for the Year have been audited by Moore Stephens CPA Limited, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM of the Company. A resolution for the re-appointment of Moore Stephens CPA Limited as auditors of the Company is to be proposed at the forthcoming AGM of the Company.

On behalf of the Board

Huang Yibin

Chief Executive Officer and Executive Director

Hong Kong, 27 March 2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Crypto Flow Technology Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) is pleased to present the Environmental, Social and Governance report (the “ESG Report”) of the Group in accordance with guidelines of Appendix 20 to the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). This environmental, social and governance report (the “ESG Report”) covers the overall performance of the Group in ESG aspects during the period from 1 January 2022 to 31 December 2022 (the “Reporting Period” or the “Year”).

The Group highly values the importance of making appropriate disclosure of corporate information to all investors and shareholders of the Company and believes that high level of transparency is the key to building confidence with investors. Therefore, in this ESG Report, it highlighted the sustainable achievements in the following areas to give stakeholders a better understanding of what the Group has done to protect the environment and promote social harmony during the Reporting Period:

| ESG Aspects | Issues |
|---------------------------------|---|
| Environmental | <ul style="list-style-type: none">• Emissions• Use of Resources• The Environment and Natural Resources• Climate change |
| Social | |
| Employment and Labour Practices | <ul style="list-style-type: none">• Employment• Health and Safety• Development and Training• Labour Standards |
| Operating Practices | <ul style="list-style-type: none">• Supply Chain Management• Labour Standards• Product Responsibility• Anti-corruption |
| Community | <ul style="list-style-type: none">• Community Investment |

For details on corporate governance, please refer to the “Corporate Governance Report” as set out on pages 17 to 38 of the 2022 Annual Report of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG GOVERNANCE STRUCTURE

Board's oversight of ESG issues

The Board of Directors of the Company (the "Board") is committed to maintaining a sustainable development of its business as well as supporting the long-term sustainability of the environment and communities where the Group operates and continually enhances investment value to stakeholders through proper and effective internal control systems and ESG risk management measures throughout its operations. The Board considers ESG-related risks and opportunities as part of the Group's overall strategic formulation, and the significant ESG impact caused by daily operations and businesses. The Board maintains oversight of and approves the identification and assessment of ESG issues and confirms that to the best of its knowledge, this ESG Report addresses material topics related to the operations of the Group and fairly presents its ESG performance and impacts.

The Board has delegated the Group's management to supervise ESG-related issues and work of the Group. The Group's management is responsible for monitoring and reviewing the compliance with local laws and regulations with regards to ESG-related issues. The management is also responsible for establishment of sustainability strategies, policies and measures to implement sustainability initiatives, provide sustainability reporting and prepare the ESG Report.

Board's ESG management approach and strategy for evaluation, prioritization and management of material ESG-related issues

In order to better understand the opinions and expectations of different stakeholders on the ESG issues, materiality assessment is conducted annually. The Group ensures various platforms and channels of communication are used to reach, listen and respond to its key stakeholders. Through communication with the stakeholders, the Group is able to understand their expectations and concerns. The feedbacks obtained allow the Group to make more informed decisions, and to better access and manage the impacts of the business decisions.

The Group has evaluated the materiality for each of the ESG aspects through the following steps: (i) identification of ESG issues by the Group; (ii) key ESG areas prioritisation with stakeholder engagement; and (iii) validation and determining material ESG issues based on the results of communication with the stakeholders.

Taking these steps enhances the understanding of the degree of importance of the Group's stakeholders to each material ESG issue, and enables the Group to plan the sustainable development direction more comprehensively in the future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Review by the Board on progress made against ESG-related goals and targets

The progress of implementation and the performance of the ESG-related goals and targets is being closely reviewed by Board from time to time. As the Group ceased its operations in the PRC during 2021, there is a substantial change in 2022. Due to policies, data centres locations, and energy usage vary greatly between the PRC and Hong Kong, so we revised the baseline year (from 2021 to 2022) and reduction target year (from 2026 to 2027) for better comparison. In 2022, the Group has set clear reduction targets for each KPI, the Group is aiming to achieve a 5% reduction in KPIs in 2027 when compared to 2022.

Going forward, the Group will constantly monitor fluctuations in each of its KPI to ensure that progress does not fall short of expectations. For the sustainable development, effective communication about the goals and targets with key stakeholders such as employees, customers and suppliers are essential. We will modify our reduction targets promptly to fulfill our business needs and stakeholder's expectations.

REPORTING PRINCIPLES

This ESG Report is based on the following four reporting principles:

Materiality: This ESG report disclosed: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement. For detail process to identify and the criteria for the selection of material ESG factors, please refer to section "Materiality Assessment".

Quantitative: ESG data are presented numerically to enable comparability against our previous year's performance, market standards and our peers. Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed. For the methodologies, assumptions, calculation tools used and source of conversion factors used, please refer to "Environmental" section.

Balance: This report strives to achieve objective, fair and truthful disclosure and reflection of the Group's achievements and practices in the environment and social dimensions in 2022, and also the dilemmas encountered and improvement measures with a sense of responsibility.

Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison. In 2022, the ESG report only covers Hong Kong Office and Hong Kong data centre, as the PRC operation has been ceased before 2022.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING BOUNDARIES

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) the provision of data analysis and storage services (the “Big Data Centre Services”), and (ii) money lending business in Hong Kong (the “Money Lending Business”).

During the Year, the Group operates big data centre in Hong Kong that provided comprehensive services including premises, hardware support, power supply, ancillary supervision and management services to its customers. Due to the suspension from power supply for the three big data centres in Sichuan Province, the People’s Republic of China (the “PRC”) since June 2021, all three big data centres in the PRC have suspended operations. Based on the internal analysis performed, the Board of Directors had set the reporting scope covers office and big data centre in Hong Kong as the office and big data centres in the PRC has been ceased operation before 2022.

STAKEHOLDER ENGAGEMENT

The Group recognises the ESG Report as an important measure to showcase its efforts in sustainable development. In realising sustainable development, the Group is devoted to striking a balance between the interests of various stakeholders, such as government and regulatory authorities, investors and shareholders, suppliers, customers, employees, work partners as well as the community. The Company is searching for every opportunity to understand and engage its stakeholders to ensure improvement can be implemented to its products and services. The Group strongly believes its stakeholders play a crucial role in sustaining the success of its business.

The existing communication mechanism with stakeholders of the Group is set forth as below:

| Stakeholders | Probable Points of Concern | Communication and Response |
|--------------------|---|---|
| The Stock Exchange | <ul style="list-style-type: none">• Compliance with GEM Listing Rules• Timely and accurate announcements | <ul style="list-style-type: none">• Meetings, training, workshops and programs• Website updates and announcements |
| Government | <ul style="list-style-type: none">• Compliance with laws and regulations• Preventing tax evasion | <ul style="list-style-type: none">• Interaction and visits and compliance operation• Tax returns and other information |
| Suppliers | <ul style="list-style-type: none">• Payment schedule• Business ethics and credibility• Supply stability | <ul style="list-style-type: none">• Fulfilment of payment obligation• Performing contracts in accordance with the law• Site investigation |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| Stakeholders | Probable Points of Concern | Communication and Response |
|----------------------------|---|---|
| Investors and shareholders | <ul style="list-style-type: none"> • Corporate governance • Business strategies • Performance and investment returns | <ul style="list-style-type: none"> • Optimising internal control and risk management • Organising and participating in seminars, interviews and shareholders' meetings • Issuance of financial reports or operation reports for investors and analysts |
| Media and Public | <ul style="list-style-type: none"> • Corporate governance • Environmental protection • Human rights | <ul style="list-style-type: none"> • Issuance of newsletters on the Company's website • Using environmental protection and energy saving equipment • Providing equal employment opportunities |
| Customers | <ul style="list-style-type: none"> • Service quality, service delivery schedule, reasonable prices and service value • Customer information security | <ul style="list-style-type: none"> • Quality products and services • Personal data protection |
| Employees | <ul style="list-style-type: none"> • Rights and benefits of employees • Training and development • Compensation, work hours, and working environment • Occupational health and safety | <ul style="list-style-type: none"> • Conducting union activities • Training, interviews with employees and internal memos • Setting up employee suggestion boxes • Conducting regular occupational health and safety training to increase staff awareness |
| Community | <ul style="list-style-type: none"> • Community environment • Employment opportunities • Community development, and social welfare | <ul style="list-style-type: none"> • Developing community activities • Providing employment opportunities • Employee voluntary activities and community welfare subsidies and donations |

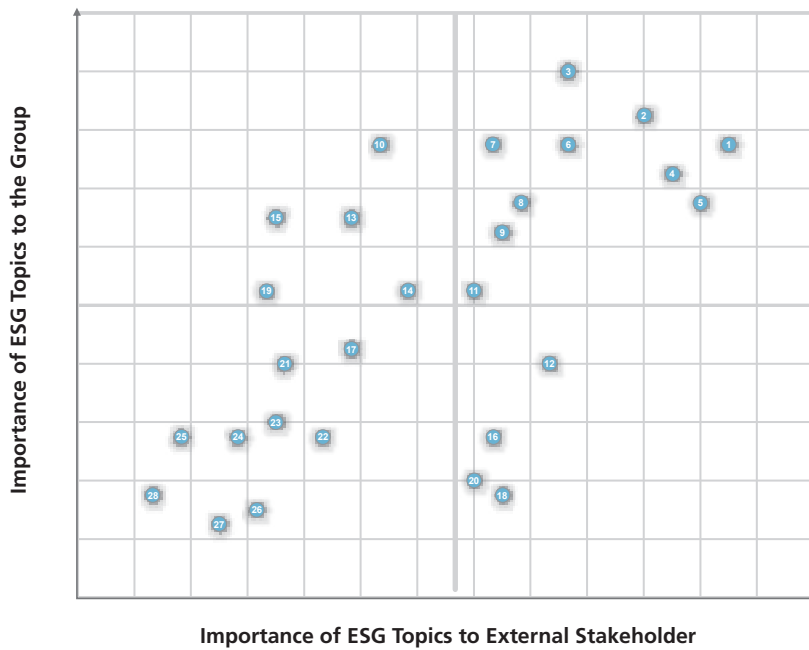
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MATERIALITY ASSESSMENT

In the Year, the Company undertook its annual materiality assessment exercise, which included conducting interviews and/or surveys with internal and external stakeholders to identify the most significant operating, environmental and social impacts towards its business.

The Group's materiality matrix of ESG issues in the Year:

Materiality Assessment Matrix



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| Item | ESG Topic | Item | ESG Topic |
|------|--|------|--|
| 1 | Customer information and privacy | 15 | Non-hazardous waste production |
| 2 | Number of concluded legal cases regarding corrupt practices, e.g. bribery, extortion, fraud and money laundering | 16 | Preventing child and forced labour |
| 3 | Energy use (e.g. electricity, gas, fuel) | 17 | Environmental risks (e.g. pollution) and social risks (e.g. monopoly) of the suppliers |
| 4 | Occupational health and safety | 18 | Anti-corruption policies and whistle-blowing procedure |
| 5 | Product health and safety | 19 | Mitigation measures to protect environment and natural resources |
| 6 | Employee development and training | 20 | Community support (e.g. donation, volunteering) |
| 7 | Observing and protecting intellectual property rights | 21 | Greenhouse gas emissions |
| 8 | Employee remuneration, benefits and rights (e.g. working hours, rest periods, working conditions) | 22 | Anti-corruption training provided to directors and staff |
| 9 | Product and service labelling | 23 | Air emissions |
| 10 | Diversity and equal opportunity of employees | 24 | Selection and monitoring of suppliers |
| 11 | Customer satisfaction | 25 | Use of materials (e.g. paper, packaging, raw materials) |
| 12 | Hazardous waste production | 26 | Marketing communications (e.g. advertisement) |
| 13 | Cultivation of local employment | 27 | Climate change |
| 14 | Environmentally preferable products and services | 28 | Water use |

The top issues that stakeholders are the most concerned are positioned in the above ESG topic table in descending order. In 2022, the key ESG areas of focus on were customer information and privacy, number of concluded legal cases regarding corrupt practices, e.g. bribery, extortion, energy use (e.g. electricity, gas, fuel), and occupational health and safety.

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ENVIRONMENTAL

The Group understands that greenhouse gases, sewage, solid wastes and other pollutants generated in its daily operation cause damage to the environment and it is the responsibility of all corporations to ensure that emission of pollutants and consumption of resources are minimised and carbon footprints are produced. For such purpose, the Group has identified the following goals to reduce consumption of resources:

Goals:

- Reducing emission of carbon dioxide
- Reducing consumption of resources
- Reducing production of waste

A1 Emissions

The big data centre and office in aggregate have a gross floor area of 1,114 square metres (2021:18,574 square metres), the significant decrease in floor area is due to the termination of the PRC business. As an operator of the big data centre, the Group provides storage places, hardware support, power supply, ancillary supervision and management services to customers.

Electricity consumed by the big data centre and office and fuels consumed by motor vehicle are the main sources of nitrogen oxides ("NOX"), sulphur oxides ("SOX") and particulate matter ("PM") and greenhouse gas ("GHG") emissions.

The Group recognises that the use of electricity contributes to the emission of air pollutants and GHG. Since the operation of big data centre requires consumption of enormous amount of energy and electricity, the Group has taken conscious efforts to select suitable operating location to ensure the sufficient power supply. In addition, energy efficient fans and wet curtain paper in the data centre as cooling facilities to maintain the centre at an ideal temperature in order to prevent the data processors and network technology equipment from overheating.

The Group owns 3 motor vehicles (2021: 7 motor vehicles) which are strictly used for transporting management team members, guests and customers and for business activities. All vehicles are running on unleaded automotive fuel, which is, in comparison to other fuels, cleaner and emits less pollutant into the air. All vehicles are under regular maintenance checks to enhance fuel consumption efficiency, ensure road safety and keep carbon dioxide emission at a minimum.

For air conditioning in office, the Group encourages its employees to set the air conditioners at the most comfortable temperature and switch them off when it is not necessary so as to reduce emission of GHGs. The Group has also put notices at eye-catching areas in the office to remind the employees about energy saving in the course of business. Air conditioners installed at the office are centrally controlled by the office building, and are automatically switched off from 8 pm until 8 am of the following day.

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The key environmental performance indicators of the Group's emissions in the Year are shown in the table below:

Air emission from use of vehicles

| Air emissions | Unit | 2022 | 2021 |
|----------------------|-------------|-------------|-------------|
| NO _x | kg | 10.23 | 11.01 |
| PM | kg | 0.75 | 0.81 |
| SO _x | kg | 0.13 | 0.2 |

Reduction target of air emissions

| Environmental indicators | Reduction Target | Baseline Year | Current status |
|---------------------------------|-------------------------|----------------------|-----------------------|
| NO _x | Reduce 5% by Year 2027 | 2022 | In progress |
| SO _x | Reduce 5% by Year 2027 | 2022 | In progress |
| PM | Reduce 5% by Year 2027 | 2022 | In progress |

As the Group ceased its operations in the PRC during 2021, there is a substantial change in 2022. Due to policies, data centres locations, and energy usage vary greatly between the PRC and Hong Kong, so we revised the baseline year (from 2021 to 2022) and reduction target year (from 2026 to 2027) for better comparison.

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GHG from operation

| GHG emissions | Unit | 2022 | 2021 |
|---|---|----------|------------|
| Direct emissions (Scope 1) ¹ | tCO ₂ _e ⁴ | 24.26 | 36.29 |
| Indirect emissions (Scope 2) ^{1 & 2} | tCO ₂ _e | 2,926.60 | 235,898.54 |
| Other indirect emissions (Scope 3) ^{1 & 2 & 5} | tCO ₂ _e | Nil | 2.82 |
| Total GHG emissions ¹ | tCO ₂ _e | 2,950.86 | 235,937.64 |
| Floor area ³ | Square meter ("M ² ") | 1,114 | 18,574.00 |
| GHG emission intensity ¹ | tCO ₂ _e /M ² | 2.65 | 12.70 |

Notes:

1. A significant reduction of 98.75% in total GHG emissions and 79.13% in GHG emissions intensity in 2022 due to the suspension of three big data centres in the PRC.
2. The emission factors used to calculate the GHG emission are sourced from: Hong Kong Electric Sustainability Report 2021.
3. The total floor area includes the floor areas of Hong Kong office and Hong Kong big data centre in 2022 whereas the 2021 floor area includes Hong Kong office, Hong Kong big data centre, Sichuan office and the 3 big data centres and staff dormitory in Sichuan, the PRC.
4. tCO₂_e represented tonnes of Carbon dioxide equivalent. We revised 2021 GHG units in line with 2022 unit.
5. Scope 3 emissions were not recorded in 2022 and we do not consider Scope 3 emissions to be significant in our operations, so we may not disclose Scope 3 data in coming ESG report.

Reduction target of GHG emissions intensity

| Environmental indicators | Reduction Target | Baseline Year | Current status |
|--------------------------|------------------------|---------------|----------------|
| GHG emission intensity | Reduce 5% by Year 2027 | 2022 | In progress |

As the Group ceased its operations in the PRC during 2021, there is a substantial change in 2022. Due to policies, data centres locations, and energy usage vary greatly between the PRC and Hong Kong, so we revised the baseline year (from 2021 to 2022) and reduction target year (from 2026 to 2027) for better comparison.

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No hazardous waste is generated in the operations of the office and big data centre. Non-hazardous waste produced from the operations of the Group is mainly comprised of general office consumables and obsolete electronic equipment and parts.

| Environmental Indicators | Unit | 2022 | 2021 |
|---|-------------------|-------------|-------------|
| Waste | | | |
| Non-hazardous wastes produced in total | Kg | 800 | 50,300 |
| Intensity of non-hazardous wastes produced per square meter of floor area | Kg/M ² | 0.72 | 2.71 |
| Hazardous wastes produced in total | Kg | N/A | N/A |
| Intensity of hazardous wastes produced per square meter of floor area | Kg/M ² | N/A | N/A |

Reduction target of intensity of hazardous and non-hazardous wastes produced

| Environmental indicators | Reduction Target | Baseline Year | Current status |
|---------------------------------|-------------------------|----------------------|-----------------------|
| Non-hazardous intensity | Reduce 5% by Year 2027 | 2022 | In progress |

The target of the Group is to maintain zero generation of hazardous waste in the next five years. As the Group ceased its operations in the PRC during 2021, there is a substantial change in 2022. Due to policies, data centres locations, and energy usage vary greatly between the PRC and Hong Kong, so we revised the baseline year (from 2021 to 2022) and reduction target year (from 2026 to 2027) for better comparison.

Solid waste of the Group is mainly produced in the daily business operation, including defective or obsolete electric cords and cables and processor unit cooling fans, daily paper consumption, office paper waste and food waste made by employees. All domestic waste is collected and disposed of by the property management office of the office buildings on a regular basis.

The Group is committed to reducing waste production. The Group encourages its employees to recycle stationery and reduce waste with an aim to prevent waste production at the initial stage. Moreover, the Group has adopted a digital operation method to centralise all documents and regularly educates its employees about environmental protection. For example, the employees are encouraged to go paperless as much as possible by limiting printouts, communicating via e-mail as opposed to fax, encouraging employees to print double-sided, reuse paper printed single-sided and set up recycling bins to minimise the disposal of wastes in order to save and reduce the use of paper and other natural resources.

The Group has established appropriate measures for the disposal of computers and related products such as printers and toner cartridges. In case it is necessary to dispose of an item, the Group encourages its employees to collect and classify the waste before disposing so as to reduce the negative impact on the environment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the Group complied with national and local laws and regulations relating to environmental protection and pollutant emissions during its course of operation, including but not limited to, Air Pollution Control Ordinance (Cap.311) and Waste Disposal Ordinance (Cap.354) in Hong Kong. The Group was not aware of any material non-compliance with the relevant laws and regulations that have a significant impact relating to air and GHG emissions, discharges into water and land, generation of hazardous and non-hazardous waste. In addition, there was no fine or non-monetary sanction for non-compliance with relevant laws and regulations had been reported in the Year.

A2 Use of Resources

The Group acknowledges that its business activities have impact on the environment. The Group strives to achieve efficient utilization of resources and attaches great importance to employees' environmental awareness, and thus has put forth a number of initiatives with the goal of "green office", educating employees about how to fully utilise resources and save energy. The Group aims at maximising the efficiency of its resources in commercial aspect while eliminating waste and contributing to the society in social aspect.

The Group also embraces its responsibility in environmental protection throughout the course of daily business operation and office administration. Apart from adhering to the principle of recycling and reducing use, the Group is committed to creating green office to minimise the impact on the environment.

The Group has introduced green office and operation practices to reduce the energy consumption and enhance the efficiency of use of resources. A summary of the practices is shown as below:

- Installing environmental protection and energy-saving equipment such as evaporative cooling pads in big data centre in order to reduce the electricity consumption;
- Adopting double-sided printing and promoting use of recycled paper;
- Widespread adoption of multi-function photocopiers (with printing, scanning and fax functions);
- Switching off unused lights and electric appliances to reduce energy consumption;
- Keeping the room temperature at a comfortable level and switching off the air conditioners when not necessary;
- Requiring employees to turn their computers and other devices to the sleep mode or switch them off when leaving the office; and
- Conducting regular maintenance for office equipment (such as air conditioners, computers, lights, refrigerators and paper shredders) to ensure normal operation.

The Group has installed energy-efficient fans and wet curtain paper in the big data centre as cooling facilities to maintain the data centre at an ideal temperature. Wet curtain paper utilises natural water aiming to achieve energy saving.

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Daily water consumption by employees in the office during business hours is very limited. The majority of our water usage comes from water supplies while we did not face any issue in sourcing water. The domestic sewage of the Group does not include hazardous wastewater and is directly discharged to the municipal sewer pipeline. As the Group operates in office premises of which both of the water supply and discharge are solely controlled by the building management of the office premises, it is considered that provision of water withdrawal and discharge data or sub-meter for individual occupant not feasible. However, in order to build the awareness on water conservation, the Group promotes water saving practices in the workplace. It encourages employees to use resources properly in order to save water resource.

The major use of resources of the Group is electricity consumption for office and big data centre. The below table shows the key environmental performance indicators regarding the Group's use of resources during the Year are shown in the table below:

| Environmental Indicators | Unit | 2022 | 2021 |
|---|---------------------------------|-------------|-------------|
| Electricity consumption ¹ | KWh | 7,909,728 | 412,331,700 |
| Diesel consumption | KWh | – | 17,061 |
| Petrol consumption | KWh | 88,443 | 116,859 |
| Energy consumption in total ^{1 & 2} | KWh | 7,998,171 | 412,465,620 |
| Energy consumption intensity ¹ | KWh/M ² | 7,180 | 22,207 |
| Water consumption in total | Cubic metre ("M ³ ") | 1,421 | 1,574 |
| Big data centres floor area | M ² | 1,003 | 18,574 |
| Water consumption intensity | M ³ /M ² | 1.42 | 0.09 |
| Packaging materials used for finished products ³ | Kg | N/A | N/A |
| Packaging materials consumption intensity | Kg/unit produced | N/A | N/A |

Notes:

1. As operations of the three big data centres in Sichuan, the PRC have been suspended since June 2021, the electricity consumption and energy consumption in total reduced by 98.08% and 98.06%, respectively, in 2022.
2. The conversion factor used to calculate the units to KWh are sourced from the Energy Statistics Manual issued by the International Energy Agency.
3. No packaging material is consumed by the Group.

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| Environmental Indicators | Reduction Target | Baseline Year | Current status |
|---------------------------------|-------------------------|----------------------|-----------------------|
| Energy consumption intensity | Reduce 5% by Year 2027 | 2022 | In progress |
| Water consumption intensity | Reduce 5% by Year 2027 | 2022 | In progress |

As the Group ceased its operations in the PRC during 2021, there is a substantial change in 2022. Due to policies, data centres locations, and energy usage vary greatly between the PRC and Hong Kong, so we revised the baseline year (from 2021 to 2022) and reduction target year (from 2026 to 2027) for better comparison.

During the Reporting Period, the Group adopted a series of initiatives for efficient energy use and energy conservation. Details of such measures and the related results achieved are listed as follows:

| Energy saving measures | Details and results achieved |
|---|---|
| Installation of evaporation cooling pad | The Group has installed wet curtain paper in the big data centre as cooling facilities to maintain the centre at an ideal temperature to reduce energy consumption. |
| Water conservation | The evaporative cooling pad installed in big data centre using same natural water which can reduce electricity consumption for processing water. |

A3 The Environment and Natural Resources

The Group aims to conserve natural resources and is concerned with the environmental impact of its activities. As an ongoing commitment to good corporate citizenship, the Group recognises the responsibility in minimizing the negative environmental impact of its business operations and its investment portfolio, in order to achieve a sustainable development for generating long-term values to its stakeholders and community as a whole.

The Group encourages all employees to participate in different kinds of recycling activities and minimize the use of natural resources. The Group regularly assesses the environmental risks of its business, review the environmental practices and adopt preventive measures as necessary to reduce the risks, and ensure the compliance with relevant laws and regulations.

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A4 Climate Change

Awareness over climate change continues to grow and is one of the most discussed topics among companies. The Group is no exception, having increasing concerns over the potential impact from climate change on the Group's business and operation. The Group regularly reviews global and local government policies, regulatory updates and market trends to identify potential climate-related risks which may have impact on the Group's business operation.

In accordance with the reporting framework developed by the Task Force on Climate-related Financial Disclosures, there are two major categories of climate-related risks, physical and transition risks. The Group will immediately develop a response plan such as changing the business strategy and modifying the development plan in order to reduce the negative impacts of such climate-related risks.

Physical risks: The Group may face the impacts brought by the increased severity of extreme weather events (e.g. hurricanes, heavy rainfall and flooding) and chronic events (e.g. sea-level rise and heatwave). This is likely to threaten the Group's operation and influence its financial performance. To be more specific, more frequent natural catastrophes cause damage to facilities, resulting in increased maintenance costs, or projects must be delayed, resulting in decreased production capacity, and so on. These factors affect the Group's stability both directly and indirectly. In this regard, we will formulate disaster measures, including providing escape drills training to employees, adopting special work arrangements when necessary and applying highly efficient equipment.

Transition risks: We understand that stricter laws and regulations on climate change will be implemented, and stakeholders will put forward increasing demands for the enterprises on climate change. Failure to adhere to laws and regulations or meet stakeholders' expectations may jeopardize our reputation, lose customers, and even lose our competitive edge. In response, we will monitor updates on environmental policies regarding climate change to avoid unnecessary increments in cost and expense due to violations of environmental policies in relation to climate change.

The Group will continuously incorporate sustainable practices in its business operations and prepare and maintain sufficient resources for managing identified climate-related risks and studying the potential remediation measures.

During the Reporting Period, there is no climate-related risk, including physical and transitional risks, which have significant impact to the Group.

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B. SOCIAL

EMPLOYMENT AND LABOUR PRACTICES

B1 Employment

Human Resources Practices

Employees are regarded as the greatest and valuable assets and core competitive advantage of the Company and also provide driving force for the continuous innovation of the Company. The Group strives to attract and retain talent. The Group has developed a written human resources policy and staff manual to govern the recruitment, promotion, discipline, working hours, leaves and other benefits of its employees, in accordance with the relevant laws and regulations.

The Group offers competitive remuneration packages to its employees, with discretionary bonuses issued based on individual performance and its business performance. A wide range of benefits including comprehensive medical and life insurance and retirement schemes are also provided to employees.

Equal Opportunity

The Company respects cultural and individual diversity. It believes that no one should be treated less favourably on his/her personal characteristics (i.e. gender, pregnancy, marital status, disability, family status, race, etc.). Opportunities for employment, training and career development are equally opened to all qualified employees.

Employee Structure

As at 31 December 2022, the Group had a total of 10 employees (As at 31 December 2021: 24 employees) and all of them are full-time employees. As the PRC business has been ceased and lead to a sharp decrease to total number of employees in 2022. The distribution of workforce classified by different categories is as follows:

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group's employee turnover rate during the Reporting Period are stated as follows:

| | 2022 | 2021 |
|---|------|------|
| Turnover rate by gender | | |
| Male | 125% | 48% |
| Female | 33% | 67% |
| Turnover rate by age | | |
| Under 30 years old | – | 100% |
| 30-50 years old | 100% | 40% |
| Over 50 years old | – | – |
| Turnover rate by geographical region | | |
| Mainland China | – | 52% |
| Hong Kong | 70% | 54% |

During the Reporting Period, the Group has strictly complied with all applicable laws and regulations of labour practices, including but not limited to the (i) Employment Ordinance (Cap.57) and (ii) Minimum Wage Ordinance (Cap.608). In addition, there was no report of heavy fines or sanctions as the result of non-compliance with relevant laws and regulations.

B2 Health and Safety

The Group is committed to providing and maintaining a safe, healthy, and hygienic workplace for all employees. To foster and maintain a good, comfortable and healthy working environment, the Group has implemented a series of policies:

- Provide tailored-made safety training to the staff in carrying out the electrical works and machines;
- Provide and ensure the use of appropriate tools and personal protective equipment such as safety helmets to enable them to perform their task safely;
- Post safety procedures/signs and operation instructions in the office and data centre site;
- Exercise adequate monitoring and effective supervision to ensure that the safety precautionary measures are strictly implemented;
- Maintain obstruction-free emergency exits in the workplace;
- Provide sufficient light at the workplace;
- Provide a workplace with moderate temperature; and
- Conduct regular safety inspection and training of fire prevention.

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In order to manage environmental and social risks of the operation at data centre sites, the Group has implemented Safety Policy & Procedures 《安全制度及流程》 and Electricity Safety Supervision Management System 《電力安監部管理制度》 covering the areas including (i) operation and working safely; (ii) safe electrical work practices; (iii) reporting incidents that have led or may lead to damage or injury; and (iv) health and safety education and training policies.

The Company installed protective screens on monitors to reduce eye damage that may be caused by computer screens. Employees also constantly reminds each other to maintain appropriate viewing distance between their eyes and computer screens, maintain good posture when working and do stretching exercises during rest breaks.

The Group has installed closed-circuit televisions (the “CCTV”) at the big data centre. All these security systems and CCTV are controlled by the security team worked at the big data centre sites.

In response to the COVID-19 pandemic, the Group has been closely monitoring and following the policies and advice from local government and strictly implementing enhanced control measures at its workplaces to safeguard the hygiene and safety of the employees, including (i) establishing a contingency working team, reporting to general manager, to coordinate and reinforce prevention measures and ensure communication of accurate and up-to-date information with all employees; (ii) implementing work-from-home or job/shift arrangement and assignment of alternate work duties; (iii) establishing mandatory body temperature screening procedures; (iv) providing disposable protective face masks and hand sanitizer for its employees; and (v) conducting regular disinfection of office.

The Group strictly regulates the operation of its business to ensure the compliance with local laws and regulations relating to health and safety during the course of operation. During the Reporting Period, no serious work injury incidents and none of work-related fatalities occurred in the Group. The Group was not aware of any material non-compliance with the relevant laws and regulations of Hong Kong including but not limited to Occupational Safety and Health Ordinance of Hong Kong (Cap.509) that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards of the Group in the Year.

No non-compliance with law that resulted in significant fines or sanctions had been reported in the Year.

There were no work-related fatalities reported for the three years ended 31 December 2020, 2021 and 2022. During the Reporting Period, no lost days due to work injury were noted.

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B3 Development and Training

The Group acknowledges the importance of training for the development of its employees as well as the Group. To help nurture professional talents and to promote overall efficiency, increase the morale and loyalty of the employees, the Group encourages and supports its employees in personal and professional training, through sponsoring training programmes, seminars, workshops and conferences, as well as reimbursement for external training courses to enhance their competencies in performing their jobs effectively and efficiently. The Group believes this is a mutually beneficial practice for achieving both personal and corporate goals as a whole.

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

| | 2022 | 2021 |
|---|-------------|-------------|
| Percentage of employees trained ¹ | 80% | 100% |
| Percentage of employees trained by gender ² | | |
| Male | 75% | 54% |
| Female | 25% | 46% |
| Percentage of employees trained by employee category ² | | |
| Senior management | 100% | 25% |
| Middle management | – | 25% |
| General staff | – | 50% |
| | 2022 | 2021 |
| Average training hours completed per employee ³ | 6 hours | 3 hours |
| Average training hours completed per employee by gender ⁴ | | |
| Male | 10 hours | 4 hours |
| Female | 4 hours | 2 hours |
| Percentage of employees trained by employee category ² | | |
| Senior management | 15 hours | 2 hours |
| Middle management | – | 2 hours |
| General staff | – | 4 hours |

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Notes:

1. Percentage of employees trained is calculated by dividing the number of employees who took part in training by the number of employees.
2. Percentage of employees trained by category is calculated based on the number of employees trained in each category during the period divided by the number of employees who took part in training.
3. Average training hours per employee is calculated by dividing the total number of training hours by the number of employees.
4. Average training hours by categories is calculated by dividing the total number of training hours for such category by the number of employees in the corresponding category.

B4 Labour Standards

The Group strictly abides by the labour laws in Hong Kong, to combat against illegal employment of child labour, underage workers and forced labour, the human resources department is responsible for recruitment requires the job applicants to provide valid identity documents prior to confirmation of employment, to ensure that all applicants are lawfully employable. The human resources department is responsible for monitoring and ensuring the compliance of the relevant laws and regulations including those that prohibit child labour and forced labour. Any labour-related issues will be handled with diligently and appropriate actions will be taken seriously, such as termination of employment contract.

During the Reporting Period, the Group was not aware of any material non-compliance with the relevant laws and regulations including but not limited to (i) Employment Ordinance (Hong Kong) and (ii) the Employment of Children Regulations (Hong Kong) that prevent employment of child or forced labour by the Group. In addition, there was no fine or non-monetary sanction for non-compliance with relevant laws and regulations had been reported in the Year.

OPERATING PRACTICES

B5 Supply Chain Management

The Group attaches importance to integrity and has the same requirements for suppliers and partners. The Group will only choose reputable suppliers and partners with good business records, satisfactory products and services quality, and will not simply consider the cost. The Group strictly monitors the procurement process to ensure that there are no interests transfer or corruption of any kind.

In addition, the Group hopes that suppliers and business partners have similar practices in respect of environmental protection, employment, operating practice and other aspects with us. If the Group identifies any violation of the relevant environmental protection, employment and other laws, it will immediately suspend the cooperation with such suppliers and business partners. The Group will also evaluate the products and services provided by the supplier, check whether the supplier has fulfilled the product liability, report the relevant information to the relevant departments and management, and replace the supplier if necessary.

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The Group has signed agreements with its electricity supplier which is in stringent compliance with contractual requirements and applicable laws and Regulations on Supply and Use of Electric Power. In order to ensure full-load operation of the big data centre, the Group maintains regular communication with utility service providers in respect of resources allocation and application for increase or decrease in utility supply.

During the Reporting Period, the Group was not aware that key supplier had any significant actual and potential negative impact on business ethics, environmental protection, human rights and labour practices, nor any of them had any non-compliance incident in respect of human rights issues.

During the Year, the number of electricity suppliers of the Group by geographical region is as follows:

| Region | 2022 | 2021 |
|----------------|------|------|
| Mainland China | – | 8 |
| Hong Kong | 1 | 1 |

In the Year, the Group corporates with one electricity supplier (2021: 9) for operations of big data centre, due to the cessation of operations in the PRC.

B6 Product Responsibility

The Group is principally engaged in the (i) provision of data analysis and storage services and (ii) money lending business in Hong Kong. The provision of data analysis and storage services covering a full range from monitoring the average utilisation rate and working status of data processors to supervising the overall safety, security and quality of both physical environment and internet connection in the big data centre. The Group adheres to the highest standards of business ethics, while policies to assure that products and services responsibility are securely in place. These ethics underpin how the Group conducts business with its customers. In the event of any unusual condition reported on the data processors, the relevant customer will receive an immediate notification. The comprehensive management software for the operation of big data centres enables its customers to remotely monitor their data processors and obtain real-time information on the average computing capacity and utilization and operating time of their data processors.

The safety and quality of the products and services are the Group's primary strategic objective. The Group consistently reassesses the relevance of, and continually refines, its standards throughout the entire services and supply chain.

The Group is committed to protecting the privacy and confidentiality of the personal data of its business partners. All confidential data related to the Group's business, financial and customer information are securely protected and only used for internal purpose or purposes consistent with those identified in the contracts. In addition, confidentiality agreements must be signed between the Group and its business partners to protect customers' data and privacy.

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The Group recognises the importance of intellectual property protection, therefore it is dedicated to protecting and enforcing the Group's own intellectual property rights as well as the intellectual property rights of third party. The Group will ensure terms in relation to intellectual property rights are included in the cooperation agreements between the Group and its business partners.

The Group strictly abides by the provisions of the law and attaches great importance to the privacy of personal data to resolutely maintain and protect personal information. Only personal information needed for the business are collected and used subject to purposes mentioned in the course of collection unless with agreement from customers. The Group will not transfer or disclose any personal data to any entities other than the members of the Group without the consent, unless otherwise required by the laws or notification is given to customers in advance.

During the Reporting Period, there were no recalls of products due to safety and health reasons and no complaints related to product and service were received.

During the Reporting Period, the Group was not aware of any material non-compliance of laws and regulations that have a significant impact relating to the quality, health and safety and privacy matters relating to products and services provided. No significant fines had been reported in the Year.

B7 Anti-corruption

The Group aims to maintain the highest standards of openness, uprightness and accountability and all its staff are expected to observe the highest standards of ethical, personal and professional conduct. The Group does not tolerate corruption, bribery, extortion, money-laundering and other fraudulent activities in connection with any of its business operations.

In addition to the code of conduct on anti-bribery and anti-corruption, the Group has implemented a whistleblowing policy for encouraging the reporting of suspected business irregularities. Ongoing review of the effectiveness of the internal control systems is conducted on a regular basis in preventing the occurrence of corruption activities.

The Group is not aware of any material non-compliance with the Prevention of Bribery Ordinance of Hong Kong and other applicable laws and regulations that has a significant impact relating to bribery, extortion, fraud and money laundering in the Year. In addition, there was no report of heavy fines or sanctions as the result of non-compliance with relevant laws and regulations.

The Group provides anti-corruption education and training (through webcast and circulation of e-training materials) to its directors and staff on a regular basis to raise their awareness towards ethical and corruption issues. In 2022, the Group organized a total of 8 hours of anti-corruption training for 6 directors and 2 employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B8 Community Investment

As a corporate citizen, the Group promotes social contributions throughout its staff to the local communities in which it operates. The Group places great emphasis on cultivating social responsibility awareness among its staff and encouraging them to better serve our community at work and during their personal time. The Group will try to maximise its social investments as possible in order to create a more favourable environment for the community and the business.

Employees are encouraged to participate in various charitable events and community service. During the Reporting Period, in view of the COVID-19 pandemic, the Group did not arrange or participate in volunteer services to protect the health and safety of employees.

INDEPENDENT AUDITOR'S REPORT



Moore Stephens CPA Limited

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TO THE SHAREHOLDERS OF CRYPTO FLOW TECHNOLOGY LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Crypto Flow Technology Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 82 to 167, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), 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.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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 Matter | How our audit addressed the Key Audit Matter |
|---|--|
| <p>Impairment assessment of loan receivable</p> <p>We identified the impairment assessment of loan receivable as a key audit matter due to the significance of the balance to the Group's consolidated financial position and the involvement of significant management judgment in evaluating the expected credit loss ("ECL") of loan receivable at the end of the reporting period.</p> <p>As detailed in Note 4 to the consolidated financial statements, in making the assessment, the loan receivable from borrower is assessed by the management of the Group based on the financial background, financial condition, collaterals and the historical settlement records, including the past due dates and default rates, of the borrower and reasonable and supportable forward-looking information that is available without undue cost or effort. The borrower is assigned a risk grading under internal credit ratings to calculate the ECL, taking into consideration of the estimates of expected cash shortfalls. At every reporting date, the financial background, financial condition, collaterals and historical settlement records are reassessed and changes in the forward-looking information are considered.</p> <p>The management further assesses the amount of expected cash shortfall at default through assessing the potential loss as a result of the risk on credit-impaired loan receivable to which the Group is exposed and recovery actions the Group has taken. In assessing the amount of expected cash shortfall, the Group takes into account the amount and timing of cash flows that are expected from foreclosure on the collaterals less the costs of selling the collaterals.</p> | <p>Our procedures in relation to management's impairment assessment of loan receivables included:</p> <ul style="list-style-type: none"> – Understanding and evaluating the Group's key controls on the related credit control and loan monitoring process and how the management estimates the credit loss allowance for loan receivable and performs loan monitoring process; – Evaluating the reasonableness and appropriateness of the management's assessment of the internal credit rating of the loan receivable by reference to past due status, past collection history, financial background and financial condition of the borrower; – Evaluating the reasonableness and appropriateness of the management's basis and judgment in determining credit loss allowance on loan receivable at 31 December 2022, including the identification of credit-impaired loan receivable, the estimated loss rate applied to the borrower, and the estimated cash flows from the realisation of collaterals pledged to the Group, with the assistance of our internal valuation specialists; and |

INDEPENDENT AUDITOR'S REPORT

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|--|---|
| Impairment assessment of loan receivable | |
| The gross carrying amount of the loan receivable is HK\$30,000,000 in aggregate and the impairment allowance on loan receivable is HK\$nil in as at 31 December 2022 as set out in Note 23 to the consolidated financial statements. | – Evaluating the disclosures regarding the impairment assessment of loan receivable in Notes 5 and 23 to the consolidated financial statements. |

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 23 March 2022.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all the information in the Company's annual report, 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 FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITY 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. We report our opinion 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 HKSA's 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 HKSA's, we exercise professional judgment 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 of the Company.
- Conclude on the appropriateness of the Company 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.

INDEPENDENT AUDITOR'S REPORT

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

Moore Stephens CPA Limited

Certified Public Accountants

Registered Public Interest Entity Auditor

Rudolf Leung Kwok Man

Practising Certificate Number: P04964

Hong Kong, 27 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

| | Notes | 2022 HK\$'000 | 2021 HK\$'000 (Re-presented) |
|---|-------|------------------|------------------------------------|
| CONTINUING OPERATIONS | | | |
| REVENUE | 6 | 29,550 | 8,655 |
| Cost of sales and services rendered | | (18,017) | (4,726) |
| Gross profit | | 11,533 | 3,929 |
| Interest income | | – | 131 |
| Other income and gains | 8 | 3,159 | 798 |
| Administrative expenses | | (21,066) | (27,797) |
| Provision for impairment loss under expected credit loss model on trade receivables | | (97) | – |
| Impairment of property, plant and equipment | | (5,256) | (1,015) |
| Impairment of right-of-use assets | | – | (2,755) |
| Loss on disposal of property, plant and equipment | | (892) | – |
| Write-off of trade receivables | | (1,243) | – |
| Other expenses | | – | (470) |
| Finance costs | 9 | (342) | (149) |
| LOSS BEFORE TAX | | (14,204) | (27,328) |
| Income tax expense | 11 | – | – |
| LOSS FOR THE YEAR FROM CONTINUING OPERATIONS | 12 | (14,204) | (27,328) |
| DISCONTINUED OPERATIONS | | | |
| Loss for the year from discontinuing operations | 13 | (42,690) | (265,008) |
| LOSS FOR THE YEAR | | (56,894) | (292,336) |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

| Notes | 2022 HK\$'000 | 2021 HK\$'000 (Re-presented) |
|--|------------------|------------------------------------|
| OTHER COMPREHENSIVE INCOME | | |
| Other comprehensive (expense) income for the year, net of tax: | | |
| Items that will not be reclassified to profit or loss: | | |
| Fair value changes of equity investments at fair value through other comprehensive income | – | 14,397 |
| | – | 14,397 |
| Items that may be reclassified to profit or loss: | | |
| Exchange differences on translation of foreign operations | (3,398) | 7,414 |
| | (3,398) | 7,414 |
| OTHER COMPREHENSIVE (EXPENSE) INCOME FOR THE YEAR, NET OF TAX | (3,398) | 21,811 |
| TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR | (60,292) | (270,525) |
| LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY: | | |
| – from continuing operations | (14,203) | (27,328) |
| – from discontinued operations | (42,690) | (259,358) |
| | (56,893) | (286,686) |
| LOSS FOR THE YEAR ATTRIBUTABLE TO NON-CONTROLLING INTERESTS: | | |
| – from continuing operations | (1) | – |
| – from discontinued operations | – | (5,650) |
| | (1) | (5,650) |
| | (56,894) | (292,336) |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

| | Notes | 2022 HK\$'000 | 2021 HK\$'000 (Re-presented) |
|---|-------|------------------|------------------------------------|
| TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR | | | |
| ATTRIBUTABLE TO: | | | |
| Owners of the Company | | (60,291) | (264,640) |
| Non-controlling interests | | (1) | (5,885) |
| | | (60,292) | (270,525) |
| TOTAL COMPREHENSIVE EXPENSE ATTRIBUTABLE TO OWNERS OF THE COMPANY: | | | |
| – from continuing operations | | (14,203) | (12,931) |
| – from discontinued operations | | (46,088) | (251,709) |
| | | (60,291) | (264,640) |
| LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (HK cent`s) | | | |
| | 15 | | |
| – Basic and diluted (from continuing and discontinued operations) | | (10.37) | (56.54) |
| – Basic and diluted (from continuing operations) | | (2.59) | (5.39) |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

| | Notes | 2022 HK\$'000 | 2021 HK\$'000 |
|--|-------|------------------|------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 16 | 3,487 | 43,069 |
| Right-of-use assets | 17 | 2,724 | 4,185 |
| Loan receivable | 23 | 30,000 | – |
| Investments in associates | 21 | – | 3,698 |
| TOTAL NON-CURRENT ASSETS | | 36,211 | 50,952 |
| CURRENT ASSETS | | | |
| Loan receivable | 23 | – | 30,000 |
| Trade receivables | 24 | 5,753 | 10,125 |
| Prepayments, deposits and other receivables | 25 | 3,649 | 38,600 |
| Cash and cash equivalents | 26 | 9,522 | 35,843 |
| | | 18,924 | 114,568 |
| Assets classified as held for sale | 13 | 54,581 | – |
| TOTAL CURRENT ASSETS | | 73,505 | 114,568 |
| CURRENT LIABILITIES | | | |
| Trade payables | 27 | 476 | 1,982 |
| Accruals and other payables | 28 | 8,027 | 14,650 |
| Lease liabilities | 29 | 3,091 | 5,851 |
| Tax payable | | 3,278 | 3,278 |
| | | 14,872 | 25,761 |
| Liabilities associated with assets classified as held for sale | 13 | 17,581 | – |
| TOTAL CURRENT LIABILITIES | | 32,453 | 25,761 |
| NET CURRENT ASSETS | | 41,052 | 88,807 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 77,263 | 139,759 |
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | 29 | 302 | 2,758 |
| | | 302 | 2,758 |
| NET ASSETS | | 76,961 | 137,001 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

| | Notes | 2022 HK\$'000 | 2021 HK\$'000 |
|---|-------|------------------|------------------|
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 30 | 54,841 | 54,838 |
| Reserves | 31 | 22,353 | 82,395 |
| | | 77,194 | 137,233 |
| Non-controlling interests | | (233) | (232) |
| TOTAL EQUITY | | 76,961 | 137,001 |

The consolidated financial statements on pages 82 to 167 were approved and authorised for issue by the board of directors on 27 March 2023 and are signed on its behalf by:

Approved by:

Li Hongbin
Director

Huang Yibin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

| | Attributable to owners of the Company | | | | | | | | | |
|---|---------------------------------------|--|--|---|---|--|---|-------------------|---------------------------------------|--------------------------|
| | Issued capital HK\$'000 | Share premium [#] HK\$'000 | Share-based payment reserve [#] HK\$'000 | Other reserve ^{**} HK\$'000 | Exchange reserve [#] HK\$'000 | Equity investment revaluation reserve [#] HK\$'000 | Accumulated losses [#] HK\$'000 | Total HK\$'000 | Non-controlling interests HK\$'000 | Total equity HK\$'000 |
| At 1 January 2021 | 37,902 | 338,906 | 9,370 | (5,255) | 19,281 | (12,653) | (68,885) | 318,666 | 91,044 | 409,710 |
| Loss for the year | - | - | - | - | - | - | (286,686) | (286,686) | (5,650) | (292,336) |
| Other comprehensive income/ (loss) for the year | - | - | - | - | 7,649 | 14,397 | - | 22,046 | (235) | 21,811 |
| Total comprehensive income/ (loss) for the year | - | - | - | - | 7,649 | 14,397 | (286,686) | (264,640) | (5,885) | (270,525) |
| Issuance of shares on subscription (Note 30 (a)) | 16,936 | 83,618 | - | - | - | - | - | 100,554 | - | 100,554 |
| Purchase of non-controlling interests (Note 33 (a)) | - | - | - | (18,966) | - | - | - | (18,966) | (85,391) | (104,357) |
| Equity-settled share-based payment expense | - | - | 1,619 | - | - | - | - | 1,619 | - | 1,619 |
| Disposal of equity investments at fair value through other comprehensive income | - | - | - | - | - | (1,744) | 1,744 | - | - | - |
| At 31 December 2021 | 54,838 | 422,524 | 10,989 | (24,221) | 26,930 | - | (353,827) | 137,233 | (232) | 137,001 |
| At 1 January 2022 | 54,838 | 422,524 | 10,989 | (24,221) | 26,930 | - | (353,827) | 137,233 | (232) | 137,001 |
| Loss for the year | - | - | - | - | - | - | (56,893) | (56,893) | (1) | (56,894) |
| Other comprehensive expense for the year | - | - | - | - | (3,398) | - | - | (3,398) | - | (3,398) |
| Total comprehensive loss for the year | - | - | - | - | (3,398) | - | (56,893) | (60,291) | (1) | (60,292) |
| Equity-settled share-based payment expense | - | - | 244 | - | - | - | - | 244 | - | 244 |
| Lapse of share options | - | - | (185) | - | - | - | 185 | - | - | - |
| Exercise of share options | 3 | 9 | (4) | - | - | - | - | 8 | - | 8 |
| At 31 December 2022 | 54,841 | 422,533 | 11,044 | (24,221) | 23,532 | - | (410,535) | 77,194 | (233) | 76,961 |

* Other reserve represents the difference between the adjustment to non-controlling interests and the consideration paid arising in equity transactions. The comparative information and amounts in the consolidated statement of changes in equity have been reclassified due to the change in the classification of recognising difference between the adjustment to non-controlling interests and the consideration paid arising in the purchase of non-controlling interests occurred during the year ended 31 December 2021 (the "Difference"). In view that it is the Group policy to include such difference into other reserve, the Difference recognised into accumulated losses during the year ended 31 December 2021 has been reclassified to be recognised into other reserve accordingly.

These reserve accounts comprise the consolidated reserves in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

| | 2022 HK\$'000 | 2021 HK\$'000 (Re-presented) |
|---|------------------|------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before tax | (56,894) | (295,107) |
| Adjustments for: | | |
| Equity-settled share-based payment expense | 244 | 1,619 |
| Depreciation | 14,626 | 32,858 |
| Amortisation of intangible assets | – | 178 |
| Depreciation of right-of-use assets | 2,182 | 5,501 |
| Share of profit of associates | (84) | (1,230) |
| Impairment of property, plant and equipment | 10,429 | 212,361 |
| Impairment of right-of-use assets | – | 3,018 |
| Impairment of goodwill | – | 11,867 |
| Impairment of intangible assets | – | 433 |
| Impairment of trade receivables | 97 | – |
| Impairment of other receivables | 18,697 | – |
| Write-off of trade receivables | 1,243 | – |
| Interest income | (150) | (291) |
| Finance costs | 342 | 584 |
| Loss (gain) on disposal of items of property, plant and equipment | 892 | (1,505) |
| Rental concession | (600) | (145) |
| Operating cash flows before working capital changes | (8,976) | (29,859) |
| Change in trade receivables | 2,793 | (1,725) |
| Change in prepayments, deposits and other receivables | 617 | 44,418 |
| Change in trade payables | (702) | (2,629) |
| Change in accruals and other payables | 10,583 | (11,084) |
| Cash generated from (used in) operating activities | 4,315 | (879) |
| Income taxes paid | – | (1,372) |
| Net cash flows from (used in) operating activities | 4,315 | (2,251) |
| INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (61) | (20,708) |
| Proceeds from disposal of property, plant and equipment | 1,001 | 3,874 |
| Purchase of intangible assets | – | (611) |
| Proceeds from disposal of equity investments at fair value through other comprehensive income | – | 19,454 |
| Interest received | 150 | 291 |
| Net cash flows from investing activities | 1,090 | 2,300 |

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

| | 2022 HK\$'000 | 2021 HK\$'000 (Re-presented) |
|---|------------------|------------------------------------|
| FINANCING ACTIVITIES | | |
| Repayment to related parties | – | (467) |
| Repayment of lease liabilities | (5,337) | (4,120) |
| Proceeds from issue of shares | – | 105,000 |
| Share issue expenses paid | – | (4,446) |
| Interest paid | (342) | (584) |
| Proceeds from exercise of share options | 8 | – |
| Purchase of non-controlling interests (note) | – | (104,357) |
| Net cash flows used in financing activities | (5,671) | (8,974) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | |
| Cash and cash equivalents at beginning of year | 35,843 | 44,252 |
| Net foreign exchange difference | (1,242) | 516 |
| Cash and cash equivalents at end of year | 34,335 | 35,843 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 9,522 | 35,843 |
| Cash and bank balances included in assets classified as held for sale | 24,813 | – |
| | 34,335 | 35,843 |

Note: The comparative information and amounts in the consolidated statement of cash flows have been reclassified due to the change in the classification of cash flows arising from purchases of non-controlling interests from investing activities to financing activities. In view that cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control should be classified as cash flows from financing activities in accordance with HKAS 7 Statement of Cash Flows, the cash used in purchase of non-controlling interests during the year ended 31 December 2021 has been reclassified from investing activities to financing activities accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

Crypto Flow Technology Limited (the “Company”) (formerly known as Loto Interactive Limited) is a limited liability company incorporated in the Cayman Islands and its shares have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 17 May 2002. The addresses of the registered office and principal place of business in Hong Kong of the Company are disclosed in the corporate information section of the annual report.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 20 to the consolidated financial statements.

As at 31 December 2021, the Company’s immediate holding company was BIT Mining Limited (formerly known as 500.com Limited), which is a company incorporated in the Cayman Islands with its shares listed on the New York Stock Exchange (Stock Code: BTCM).

On 25 July 2022, Manful Kingdom Limited, a company incorporated in Hong Kong with limited liability and beneficially owned as to 35% by Mr. Fu Jiepin, as to 55% by Ms. Mak Lam (of which, 25% is held by Ms. Mak Lam on trust as a nominee for Mr. Li Hongbin), as to 5% by Ms. Liang Yun and as to 5% by Mr. Liu Weihong, has purchased 279,673,200 shares of the Company, representing approximately 51% of the entire issued share capital of the Company from BIT Mining Limited, accordingly, Manful Kingdom Limited has become the immediate holding company.

During the current year, the functional currency of the Company was changed from Renminbi (“RMB”) to Hong Kong dollars (“HK\$”) as there is no revenue generated in the People’s Republic of China (the “PRC”) due to the suspension from power supply for the data centres in the PRC. Accordingly, the directors of the Company have determined that HK\$ better reflects the economic substance of the Company and its business activity as an investment holding company primarily holding subsidiaries with primary economic environment in Hong Kong for the year ended 31 December 2022. Accordingly, the functional currency of the Company was changed prospectively from 1 January 2022. This change in functional currency of the Company did not result in material impact on the consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. APPLICATION OF AMENDMENTS HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

| | |
|-----------------------|--|
| Amendments to HKFRS 3 | Reference to the Conceptual Framework |
| Amendment to HKFRS 16 | Covid-19-Related Rent Concessions beyond 30 June 2021 |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018-2020 |

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

| | |
|--|--|
| HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17) | Insurance Contracts ¹ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ² |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback ³ |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³ |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies ¹ |
| Amendments to HKAS 8 | Definition of Accounting Estimates ¹ |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹ |

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or 1 January 2024.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of The Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Consolidation *(continued)*

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, equity investments at fair value through other comprehensive income), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (v) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has joint control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

In relation to its interest in a joint operation, the Group recognises in its consolidated financial statements, its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly, in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a joint venture's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Joint arrangements *(continued)*

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's share of the net assets of that joint venture plus any remaining goodwill relating to that joint venture and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) Foreign currency translation

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Foreign currency translation *(continued)*

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

The change in functional currency of the Company was applied prospectively from the date of change. All items were translated into new functional currency at the exchange rate on that date. The cumulative currency translation differences which had arisen from the translation of foreign operations up to the date of the change in functional currency were not reclassified from equity to profit or loss until the disposal of the relevant operations.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property, plant and equipment (continued)

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rate are as follows:

| | |
|-----------------------------------|--------------|
| Leasehold improvement | 20% – 75% |
| Machinery and equipment | 20% – 33.33% |
| Furniture, fixtures and equipment | 20% – 50% |
| Motor vehicles | 10% – 20% |

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(g) Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as lessee

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Leases *(continued)*

The Group as lessee (continued)

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, 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.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Leases *(continued)*

Lease liabilities (continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Leases *(continued)*

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(i) Financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial assets *(continued)*

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(j) Impairment of financial assets subject to impairment assessment under HKFRS9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Impairment of financial assets subject to impairment assessment under HKFRS9 *(continued)*

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Impairment of financial assets subject to impairment assessment under HKFRS9 *(continued)*

(ii) *Definition of default*

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 60 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) *Credit-impaired financial assets*

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Impairment of financial assets subject to impairment assessment under HKFRS9 *(continued)*

(iv) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

Interest income 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 amortised cost of the financial asset.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(k) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(I) Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- 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.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group’s performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group’s performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

(o) Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Impairment of assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Impairment of assets *(continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(r) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

(s) Non-current assets held for sale

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Non-current assets held for sale *(continued)*

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for financial assets within the scope of HKFRS 9, which continue to be measured in accordance with the accounting policies as set out in respective sections.

4. KEY ESTIMATES

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) *Impairment of property, plant and equipment*

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the present value of estimated future cash flows. Where the future cash flows are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of future estimate cash flows, a material impairment loss may arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(b) Provision of ECL on loan receivable

Management regularly reviews the impairment assessment and evaluates the ECL of the loan receivable. Appropriate impairment allowance is recognised in profit or loss.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the one as at the date of initial recognition. In making this assessment, the loan receivable from borrower are assessed individually by the management of the Group, based on the financial background, financial condition and the historical settlement records, including past due dates and default rates, of the borrower and reasonable and supportable forward-looking information (such as macroeconomic factors including Gross Domestic Product ("GDP") growth and unemployment rate with adjustment on different scenarios of economic environment prospect) that is available without undue cost or effort.

Each borrower is assigned a risk grading under internal credit ratings to calculate the ECL, taking into consideration of the estimates of expected cash shortfalls which are driven by estimates of possibility of default and the amount and timing of cash flows that are expected from foreclosure on the collaterals (if any) less the costs of selling the collaterals. At every reporting date, the financial background, financial condition and the historical settlement records are reassessed and changes in the forward looking information are considered.

The management further assesses the amount of exposure of default through assessing the potential loss as a result of the risk on credit-impaired loan and interest receivables to which the Group is exposed and recovery actions the Group has taken. In assessing the amount of exposure of default, the Group takes into account the timing of expected cash flows from foreclosure on the collaterals less the costs of selling the collaterals.

(c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was HK\$Nil (2020: approximately HK\$11,703,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Credit risk

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, bank balances, amounts due other receivables and loan receivable. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with loan receivable is mitigated because they are secured over properties.

Trade receivables

The Group has concentration of credit risk as 100% (2021: 96.7%) of the Group's trade receivables are due from the Group's two customers (2021: five customers). In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

In addition, the Group performs impairment assessment under ECL model on trade receivables with significant balances and credit-impaired individually and/or collectively. Details of the quantitative disclosures are set out below in this note.

Loan receivable

The Group also has concentration of credit risk as 100% (2021: 100%) of the Group's loan receivable is a loan granted to an independent third party which is secured by a collateral of a property in PRC.

The management estimates the estimated loss rates of loan receivable based on historical credit loss experience of the debtor as well as the fair value (less cost of disposal) of the collateral pledged by the customer to the loan receivable. Based on assessment by the management, the estimated realised amount of ultimate disposal of the collaterals is higher than the related loan balances as at 31 December 2022. Details has been disclosed in Note 23.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Bank balances

Credit risk on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. There has been no history of default in relation to these banks. The Group performs impairment assessment on the bank balances under 12m ECL model. The management of the Group considers the risk of default is low based on the average loss rate by reference to credit ratings assigned by international credit-rating agencies. The Group assessed that the ECL for bank balances were insignificant.

Other receivables and deposits

The management of the Group conducts periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information. The management of the Group believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables and deposits. The Group assessed that the ECL for other receivables and deposits was insignificant.

The Group uses two categories for other receivables and deposits which reflect their credit risk and how the loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

| Category | Definition | Loss provision |
|-----------------|--|--------------------------|
| Performing | Low risk of default and strong capacity to pay | 12 month expected losses |
| Non-performing | Significant increase in credit risk | Lifetime expected losses |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting its financial obligations as and when they fall due. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the remaining contractual maturity of the Group for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

| | Weighted average interest rate % | On demand or less than 1 month HK\$'000 | Within 3 months HK\$'000 | 3 months to 1 year HK\$'000 | 1-5 years HK\$'000 | Total undiscounted cash flow HK\$'000 | Carrying amount HK\$'000 |
|--|---|--|--------------------------------|-----------------------------------|-----------------------|--|--------------------------------|
|--|---|--|--------------------------------|-----------------------------------|-----------------------|--|--------------------------------|

At 31 December 2022

| | | | | | | | |
|-------------------|------|-------|-----|-------|-----|--------|--------|
| Trade payables | Nil | 476 | - | - | - | 476 | 476 |
| Other payables | Nil | 7,120 | - | - | - | 7,120 | 7,120 |
| Lease Liabilities | 5.25 | 452 | 904 | 2,069 | 416 | 3,841 | 3,393 |
| | | 8,048 | 904 | 2,069 | 416 | 11,437 | 10,989 |

| | Weighted average interest rate % | On demand or less than 1 month HK\$'000 | Within 3 months HK\$'000 | 3 months to 1 year HK\$'000 | 1-5 years HK\$'000 | Total undiscounted cash flow HK\$'000 | Carrying amount HK\$'000 |
|--|---|--|--------------------------------|-----------------------------------|-----------------------|--|--------------------------------|
|--|---|--|--------------------------------|-----------------------------------|-----------------------|--|--------------------------------|

At 31 December 2021

| | | | | | | | |
|-------------------|------|--------|-------|-------|-------|--------|--------|
| Trade payables | Nil | 1,982 | - | - | - | 1,982 | 1,982 |
| Other payables | Nil | 14,441 | - | - | - | 14,441 | 14,441 |
| Lease Liabilities | 5.25 | 562 | 1,123 | 4,440 | 2,801 | 8,926 | 8,609 |
| | | 16,985 | 1,123 | 4,440 | 2,801 | 25,349 | 25,032 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5. FINANCIAL RISK MANAGEMENT (continued)

(c) Categories of financial instruments at 31 December 2022

| | 2022 HK\$'000 | 2021 HK\$'000 |
|---|------------------|------------------|
| <u>Financial assets at amortised cost:</u> | | |
| Loan receivables | 30,000 | 30,000 |
| Trade receivables | 5,753 | 10,125 |
| Deposits and other receivables | 3,089 | 13,106 |
| Cash and cash equivalents | 9,522 | 35,843 |
| Total | 48,364 | 89,074 |
| <i>Financial liabilities:</i> | | |
| <u>Financial liabilities at amortised cost:</u> | | |
| Trade payables | 476 | 1,982 |
| Other payables | 7,120 | 14,441 |
| Lease Liabilities | 3,393 | 8,609 |
| Total | 10,989 | 25,032 |

(d) Fair value

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. REVENUE

| | 2022 HK\$'000 | 2021 HK\$'000 (Re-presented) |
|--|------------------|------------------------------------|
| Continuing operations | | |
| Provision of big data centre services | 26,550 | 5,655 |
| Revenue from contracts with customers | 26,550 | 5,655 |
| Interest income | 3,000 | 3,000 |
| | 29,550 | 8,655 |
| Disaggregated by geographical location of customers: | | |
| Hong Kong | 29,550 | 7,374 |
| Kazakhstan | – | 1,281 |
| | 29,550 | 8,655 |
| Timing of revenue: | | |
| Over time | 29,550 | 8,655 |

Provision of big data centre services

The Group operates big data centres (the “Big Data Centres”), providing storage, electricity and related services in relation to data machines of customers placed in the data centres.

Revenue generated from the Big Data Centres consists of services fees and/or electricity supply fees charged on the users for provision of the big data centre services described above and use of storage places. Revenue relating to the Big Data Centres services is recognised over time.

After the big data centre services have been rendered, there is no unfulfilled obligation that could affect the customer’s acceptance of the service.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2022 and the expected timing of recognising revenue are as follows:

| | Provision of big data centre services | |
|--|--|------------------|
| | 2022 HK\$'000 | 2021 HK\$'000 |
| Within one year | 21,600 | 27,540 |
| More than one year but not more than two years | 18,000 | 27,540 |
| More than two years | – | 18,360 |
| | 39,600 | 73,440 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

7. OPERATING SEGMENT INFORMATION

Information reported to the board of directors of the Company, being the Chief Operating Decision Maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group’s reportable segments under HKFRS 8 Operating Segments in the continuing operations of the Group are as follows:

- Provision of Big Data Centre services (“Big Data Centre Services”)
- Money lending business (“Money Lending Business”)

No operating segments have been aggregated in arriving at the reportable segments of the Group from its continuing operations.

An operating segment of the Group regarding the provision of Big Data Centre Services in PRC was discontinued in the current year. The segment information reported on the next pages does not include any amounts for these discontinued operations, which are described in more detail in note 13.

Segment revenues and results

The following is an analysis of the Group’s revenue and results from continuing operations by reportable segments:

For the year ended 31 December 2022

Continuing operations

| | Big Data Centre Services HK\$’000 | Money Lending Business HK\$’000 | Total HK\$’000 |
|--|---|---------------------------------------|-------------------|
| Revenue from external customers | 26,550 | 3,000 | 29,550 |
| Segment (loss) profit | (8,422) | 2,613 | (5,809) |
| Unallocated other income | | | 600 |
| Unallocated corporate and other expenses | | | (8,995) |
| Group’s loss before tax from continuing operations | | | (14,204) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

7. OPERATING SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

For the year ended 31 December 2021 (re-presented)

Continuing operations

| | Big Data Centre Services HK\$'000 | Money Lending Business HK\$'000 | Total HK\$'000 |
|--|---|---------------------------------------|-------------------|
| Revenue from external customers | 5,655 | 3,000 | 8,655 |
| Segment (loss) profit | (8,750) | 2,842 | (5,908) |
| Unallocated other income | | | 558 |
| Unallocated corporate and other expenses | | | (21,978) |
| Group's loss before tax from continuing operations | | | (27,328) |

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit/(loss) represents the profit earned by/loss from each segment without allocation of central administration costs, directors' emoluments and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

The CODM makes decisions according to operating results of each segment. No analysis of segment assets and segment liabilities is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

7. OPERATING SEGMENT INFORMATION (continued)

Other segment information

For the year ended 31 December 2022

Continuing operations

| | Big Data Centre Services HK\$'000 | Money Lending Business HK\$'000 | Unallocated HK\$'000 | Consolidated HK\$'000 |
|---|--|--|-------------------------|--------------------------|
| Additions of property, plant and equipment | 61 | – | – | 61 |
| Depreciation of property, plant and equipment | (7,318) | – | (639) | (7,957) |
| Impairment of property, plant and equipment | (5,256) | – | – | (5,256) |
| Loss on disposal of property, plant and equipment | (892) | – | – | (892) |
| Additions of right-of-use assets | – | – | 721 | 721 |
| Depreciation of right-of-use assets | (2,092) | – | (90) | (2,182) |
| Gain on forfeiture of deposit from customer | 2,295 | – | – | 2,295 |
| Provision for impairment loss under expected credit loss model on trade receivables | (97) | – | – | (97) |
| Write-off of trade receivables | (1,243) | – | – | (1,243) |

For the year ended 31 December 2021 (re-presented)

Continuing operations

| | Big Data Centre Services HK\$'000 | Money Lending Business HK\$'000 | Unallocated HK\$'000 | Consolidated HK\$'000 |
|---|---|--|-------------------------|--------------------------|
| Additions of property, plant and equipment | 5,387 | – | 12,012 | 17,399 |
| Depreciation of property, plant and equipment | (2,335) | – | (273) | (2,608) |
| Impairment of property, plant and equipment | – | – | (1,015) | (1,015) |
| Depreciation of right-of-use assets | (2,093) | – | (2,742) | (4,835) |
| Additions of right-of-use assets | 6,278 | – | – | 6,278 |
| Impairment of right-of-use assets | – | – | (2,755) | (2,755) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

7. OPERATING SEGMENT INFORMATION (continued)

Geographical information

Information about the Group's revenue from continuing operations from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

| | 2022 | | 2021(re-presented) | |
|-----------|--|--------------------------------|--|--------------------------------|
| | Revenue from continuing operations HK\$'000 | Non-current assets HK\$'000 | Revenue from continuing operations HK\$'000 | Non-current assets HK\$'000 |
| Hong Kong | 29,550 | 6,211 | 7,374 | 11,234 |
| The PRC | – | – | – | 28,964 |
| Others | – | – | 1,281 | 10,754 |

Note: Non-current assets excluded financial instruments.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group for the continuing operations are as follows:

| | 2022 HK\$'000 | 2021 HK\$'000 (Re-presented) |
|-------------------------|------------------|------------------------------------|
| Customer A ¹ | 22,950 | 4,374 |
| Customer B ² | 3,000 | 3,000 |
| Customer C ¹ | – | 1,166 |
| Customer D ¹ | 3,600 | – |

^{1.} Revenue from Big Data Center Services.

^{2.} Revenue from Money Lending Business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

8. OTHER INCOME AND GAINS

| | 2022 HK\$'000 | 2021 HK\$'000 (Re-presented) |
|--|------------------|------------------------------------|
| Continuing operations | | |
| Gain on forfeiture of deposit from customer (Note) | 2,295 | – |
| Rent concession | 600 | 300 |
| Foreign exchange gains, net | – | 427 |
| Wage subsidies from employment support scheme | 264 | – |
| Others | – | 65 |
| | 3,159 | 798 |

Note: During the year ended 31 December 2022, a customer has early terminated the big data center services provided by the Group and the customer has forfeited the refund of the deposit placed with the Group accordingly.

9. FINANCE COSTS

| | 2022 HK\$'000 | 2021 HK\$'000 (Re-presented) |
|------------------------------|------------------|------------------------------------|
| Continuing operations | | |
| Lease interests | 342 | 149 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

10. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

(a) DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--|------------------|------------------|
| Fees | 2,008 | 1,750 |
| Other emoluments | | |
| Salaries, allowances and benefits in kind | 1,442 | 1,750 |
| Bonus | – | 21 |
| Pension scheme contributions | 31 | 31 |
| Equity-settled share-based payment expense | 187 | 767 |
| | 3,668 | 4,319 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

10. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS (continued)

(a) DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

The emoluments of each director and the chief executive, on a named basis, are set out below:

| | For the year ended 31 December 2022 | | | | | |
|--|-------------------------------------|--|--------------------------------|--|---|---------------------------------|
| | Fees HK\$'000 | Salaries, allowances and benefits in kind HK\$'000 | Bonus [#] HK\$'000 | Pension scheme contributions HK\$'000 | Equity- settled share based payment expense HK\$'000 | Total emoluments HK\$'000 |
| <i>Independent non-executive directors:</i> | | | | | | |
| Mr. Chu, Howard Ho Hwa ¹ | 31 | - | - | - | - | 31 |
| Mr. Tong, I Tony ¹ | 31 | - | - | - | - | 31 |
| Mr. Sun Yuqiang ¹ | 31 | - | - | - | - | 31 |
| Dr. Lu Haitian ³ | 250 | - | - | - | - | 250 |
| Mr. Lin Sen ³ | 250 | - | - | - | 4 | 254 |
| Mr. Huang Jian ³ | 250 | - | - | - | 4 | 254 |
| | 843 | - | - | - | 8 | 851 |
| <i>Executive directors:</i> | | | | | | |
| Mr. Li Hongbin ¹ | 74 | - | - | - | - | 74 |
| Ms. Xiong Jiayan ² | 17 | - | - | - | - | 17 |
| Ms. Huang Lilan ³ | 250 | 250 | - | 13 | 17 | 530 |
| | 341 | 250 | - | 13 | 17 | 621 |
| <i>Non-executive directors:</i> | | | | | | |
| Ms. Zhang Jing ³ | 250 | - | - | - | 54 | 304 |
| Mr. Yang Xianfeng ³ | 250 | - | - | - | 54 | 304 |
| | 500 | - | - | - | 108 | 608 |
| <i>Chief executive and executive director:</i> | | | | | | |
| Mr. Huang Yibin ¹ | 74 | 156 | - | 5 | - | 235 |
| Mr. Yan Hao ³ | 250 | 1,036 | - | 13 | 54 | 1,353 |
| | 324 | 1,192 | - | 18 | 54 | 1,588 |
| | 2,008 | 1,442 | - | 31 | 187 | 3,668 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

10. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS (continued)

(a) DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

| | For the year ended 31 December 2021 | | | | | |
|---|-------------------------------------|--|--------------------|--|--|---------------------------------|
| | Fees HK\$'000 | Salaries, allowances and benefits in kind HK\$'000 | Bonus# HK\$'000 | Pension scheme contributions HK\$'000 | Equity- settled share based payment expense HK\$'000 | Total emoluments HK\$'000 |
| <i>Independent non-executive directors:</i> | | | | | | |
| Dr. Lu Haitian | 250 | - | - | - | 20 | 270 |
| Mr. Lin Sen | 250 | - | - | - | 17 | 267 |
| Mr. Huang Jian | 250 | - | - | - | 12 | 262 |
| | 750 | - | - | - | 49 | 799 |
| <i>Executive directors:</i> | | | | | | |
| Ms. Huang Lilan | 250 | 250 | 21 | 13 | 82 | 616 |
| | 250 | 250 | 21 | 13 | 82 | 616 |
| <i>Non-executive directors:</i> | | | | | | |
| Mr. Yuan Qiang ⁴ | 125 | - | - | - | 127 | 252 |
| Ms. Zhang Jing | 250 | - | - | - | 202 | 452 |
| Mr. Yang Xianfeng ⁵ | 125 | - | - | - | 116 | 241 |
| | 500 | - | - | - | 445 | 945 |
| <i>Chief executive:</i> | | | | | | |
| Mr. Yan Hao | 250 | 1,500 | - | 18 | 191 | 1,959 |
| | 250 | 1,500 | - | 18 | 191 | 1,959 |
| | 1,750 | 1,750 | 21 | 31 | 767 | 4,319 |

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company. During the year, no emoluments were paid by the Group to any directors as an inducement to join, or upon joining the Group or as compensation for loss of office. No directors waived any emoluments for both years.

The bonus is approved by the Remuneration Committee, having regard to the individual's contribution to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

10. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS *(continued)*

(a) DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

Notes:

1. Appointed on 9 September 2022.
2. Appointed on 1 December 2022.
3. Resigned on 9 September 2022.
4. Resigned on 30 June 2021.
5. Appointed on 30 June 2021.

(b) FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

The five highest paid employees of the Group during the year included 1 director and 1 chief executive (2021: one director and one chief executive), details of whose remuneration are included in note 11(a) above. Details of the remuneration for the year of the remaining 3 (2021: 3) highest paid employees who are neither a director nor chief executive of the Company is as follows:

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--|------------------|------------------|
| Salaries, allowances and benefits in kind | 1,680 | 3,504 |
| Bonus | – | 292 |
| Pension scheme contributions | 54 | 54 |
| Equity-settled share-based payment expense | – | 4 |
| | 1,734 | 3,854 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

10. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS *(continued)*

(b) FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS *(continued)*

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

| | Number of employees | |
|-------------------------------|---------------------|------|
| | 2022 | 2021 |
| Nil – HK\$1,000,000 | 3 | 2 |
| HK\$1,000,001 – HK\$1,500,000 | – | – |
| HK\$1,500,000 – HK\$2,000,000 | – | – |
| HK\$2,000,001 – HK\$2,500,000 | – | – |
| HK\$2,500,000 – HK\$3,000,000 | – | 1 |

11. INCOME TAX EXPENSE

Under the two-tiered profits tax rates regime in Hong Kong, the first HK\$2 million of profits of the qualifying group entity are taxed at 8.25%, and profits above HK\$2 million are taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

No provision for Hong Kong profits tax has been made as the Hong Kong subsidiaries did not generate any assessable profits arising in Hong Kong during the year (2021: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

11. INCOME TAX EXPENSE (continued)

The tax charge for the year can be reconciled to the loss before taxation from continuing operations per the consolidated statement of profit or loss and other comprehensive income as follows:

| | 2022 HK\$'000 | 2021 HK\$'000 (Re-presented) |
|--|------------------|------------------------------------|
| Loss before tax | (14,204) | (27,328) |
| Tax at the income tax rate of 16.5% (2021: 16.5%) | (2,344) | (4,509) |
| Tax effect of income that is not taxable | (44) | – |
| Tax effect of expenses that are not deductible | 528 | 878 |
| Tax effect of tax losses not recognised | 2,133 | 3,631 |
| Tax effect of utilisation of tax loss as not previously recognised | (273) | – |
| Income tax expense | – | – |

At 31 December 2022, the Group had unused tax losses of HK\$293,132,000 (2021: HK\$281,862,000) available to offset against future taxable profits. No deferred tax asset has been recognised in respect of unused tax losses due to the unpredictability of future profit streams.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

12. LOSS FOR THE YEAR

The Group's loss for the year is arrived at after charging/(crediting):

| | 2022 HK\$'000 | 2021 HK\$'000 (Re-presented) |
|---|------------------|------------------------------------|
| Continuing operations | | |
| Auditors' remuneration | 880 | 670 |
| Cost of sales and services rendered (note i) | 18,017 | 4,726 |
| Staff costs (including directors' remuneration): | | |
| Salaries and other benefits | 7,391 | 11,380 |
| Bonus | – | 479 |
| Pension scheme contributions | 163 | 272 |
| Equity-settled share option expense | 244 | 988 |
| | 7,798 | 13,119 |
| Depreciation of property, plant and equipment | 7,957 | 2,608 |
| Depreciation charge of right-of-use assets | 2,182 | 4,835 |
| Loss on disposal of property, plant and equipment | 892 | – |
| Impairment of property, plant and equipment (note ii) | 5,256 | 1,015 |
| Impairment of right-of-use assets | – | 2,755 |
| Impairment of trade receivables | 97 | – |
| Write-off of trade receivables | 1,243 | – |

Notes: (i) Cost of sales and services rendered mainly included cost of electricity amounting to HK\$12,601,000 (2021: HK\$2,392,000).

(ii) Due to the political turmoil and power outages in Kazakhstan during the year ended 31 December 2022, the Group's data processors in Kazakhstan were unable to be used during the year. The management of the Company therefore has made full impairment on these assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

13. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE

Since the incoming directors of the Company have been appointed in 2022, the directors of the Company have been looking for disposal of the Group's Big Data Centre Services in the PRC (the "**Discontinued Operations**"). Negotiations with several interested parties have subsequently taken place. On 3 January 2023, as disclosed in the Company's announcement dated 3 January 2023, the Company has entered into a sale and purchase agreement with the purchaser to sell the assets and liabilities attributable to the business at a consideration of HK\$37,000,000 (the "Disposal"). As disclosed in the Company's announcement dated 11 January 2023, this Disposal has been completed on 11 January 2023.

As the directors of the Company were committed to the disposal plan to sell the Discontinued Operations, accordingly, the Discontinued Operations have been classified as a disposal group held for sale as at 31 December 2022, and the assets and liabilities of the Discontinued Operations are presented separately in the consolidated statement of financial position as assets and liabilities classified as held for sale in current assets and current liabilities respectively. (see below).

Further, as the Discontinued Operations represent a separate major line of business or geographical area of operations of the Group and was a reportable segment of the Group, the financial results of the Discontinued Operations have been presented as discontinued operations in the consolidated statement of profit or loss and other comprehensive income of the Group.

The loss for the year from the discontinued Big Data Centre Services in the PRC is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present this business as a discontinued operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

13. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE (continued)

| | 2022 HK\$'000 | 2021 HK\$'000 |
|---|------------------|------------------|
| REVENUE | – | 172,066 |
| Cost of sales and services rendered | (5,714) | (189,761) |
| Gross (loss) | (5,714) | (17,695) |
| Interest income | 150 | 160 |
| Other income and gains | 319 | 1,919 |
| Selling expenses | – | (28) |
| Administrative expenses | (13,385) | (28,917) |
| Impairment of property, plant and equipment | (713) | (211,346) |
| Impairment of right-of-use assets | – | (263) |
| Impairment of goodwill | – | (11,867) |
| Impairment of intangible assets | – | (433) |
| Impairment of other receivables (note 25) | (18,697) | – |
| Other expenses | (274) | (104) |
| Share of profit of associates | 84 | 1,230 |
| Finance costs | – | (435) |
| LOSS BEFORE TAX | (38,230) | (267,779) |
| Income tax credit | – | 2,771 |
| LOSS AFTER TAX | (38,230) | (265,008) |
| Loss on remeasurement of disposal group to fair value less costs to sell | (4,460) | – |
| LOSS FOR THE YEAR | (42,690) | (265,008) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

13. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE (continued)

Loss for the year from discontinued operations includes the following:

| | 2022 HK\$'000 | 2021 HK\$'000 |
|---|------------------|------------------|
| Auditors' remuneration | – | – |
| Depreciation of property, plant and equipment | 6,669 | 30,250 |
| Depreciation of right-of-use assets | – | 666 |

During the year, the discontinued Big Data Centre Services in the PRC had net outflow of approximately HK\$2.7 million (2021: contributed HK\$13.1 million) included in the Group's net operating cash flows, paid nil (2021: HK\$104.4 million) in respect of investing activities and paid approximately HK\$0.3 million (2021: HK\$0.5 million) in respect of financing activities.

The major classes of assets and liabilities of the Big Data Centre Services in PRC operation as at 31 December 2022, which have been presented separately in the consolidated statement of financial position, are as follows:

| | 2022 HK\$'000 |
|---|------------------|
| Goodwill | – |
| Intangible assets | – |
| Property, plant and equipment | 10,859 |
| Investment in associates (note 21) | 3,500 |
| Trade receivables | 239 |
| Prepayments, deposits and other receivables | 15,170 |
| Cash and cash equivalents | 24,813 |
| Assets classified as held for sale | 54,581 |
| Trade payables | 876 |
| Accruals and other payables | 16,705 |
| Liabilities associated with assets classified as held for sale | 17,581 |

Cumulative amount of exchange differences (net gains) on translation of foreign operations of HK\$15.5 million relating to the disposal group classified as held for sale has been recognised in other comprehensive income and included in equity.

14. DIVIDEND

The Directors do not recommend the payment of any dividend for each of the years ended 31 December 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

15. LOSS PER SHARE

From continuing operations

The calculation of the basic loss per share amount is based on the loss for the year attributable to owners of the Company and the weighted average number of ordinary shares of approximately 548,385,000 (2021: 507,084,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2022 and 2021 in respect of the impact of the share options outstanding as these options had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of the basic and diluted earnings per share is based on the following:

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--|------------------|------------------|
| <i>Loss</i> | | |
| Loss for the year attributable to owners of the Company | (56,893) | (286,686) |
| Less: loss for the year from discontinued operations attributable to owners of the Company | (42,690) | (259,358) |
| Loss for the purpose of calculating basic and diluted loss per share from continuing operations | (14,203) | (27,328) |
| | 2022 '000 | 2021 '000 |
| <i>Number of shares</i> | | |
| Weighted average number of ordinary shares in issue during the year for the purposes of the basic and diluted loss per share | 548,385 | 507,084 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

15. LOSS PER SHARE (continued)

From continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--|------------------|------------------|
| Loss for the year attributable to owners of the Company for the purpose of basic loss per share | (56,893) | (286,686) |

The denominators used are the same as those detailed above for basic and diluted loss per share from continuing operations.

From discontinued operations

For the year ended 31 December 2022, basic and diluted loss per share for the discontinued operation is HK\$7.78 cents per share (2021: HK\$51.15 cents per share), based on the loss for the year attributable to owners of the Company from the discontinued operations of HK\$42,690,000 (2021: HK\$259,358,000) and the denominators used are the same as those detailed above for basic and diluted loss per share from continuing operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

16. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements HK\$'000 | Machinery and equipment HK\$'000 | Furniture, fixtures and equipment HK\$'000 | Motor vehicles HK\$'000 | Total HK\$'000 |
|---|---------------------------------------|---|---|-------------------------------|-------------------|
| As at 31 December 2022 | | | | | |
| <i>COST:</i> | | | | | |
| At 1 January 2022 | 23,796 | 321,516 | 988 | 2,708 | 349,008 |
| Additions | - | 61 | - | - | 61 |
| Disposal | (472) | (29,490) | (244) | - | (30,206) |
| Reclassified as held for sale | (13,727) | (267,689) | (703) | (782) | (282,901) |
| Exchange realignment | (452) | (22,723) | (41) | (60) | (23,276) |
| At 31 December 2022 | 9,145 | 1,675 | - | 1,866 | 12,686 |
| <i>ACCUMULATED DEPRECIATION AND IMPAIRMENT:</i> | | | | | |
| At 1 January 2022 | 19,106 | 285,323 | 603 | 907 | 305,939 |
| Provided during the year | 2,432 | 11,784 | 106 | 304 | 14,626 |
| Impairment loss | - | 10,429 | - | - | 10,429 |
| Disposal | (466) | (27,635) | (212) | - | (28,313) |
| Reclassified as held for sale | (13,683) | (257,561) | (465) | (333) | (272,042) |
| Exchange realignment | (270) | (21,113) | (32) | (25) | (21,440) |
| At 31 December 2022 | 7,119 | 1,227 | - | 853 | 9,199 |
| <i>CARRYING AMOUNT:</i> | | | | | |
| At 31 December 2022 | 2,026 | 448 | - | 1,013 | 3,487 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

16. PROPERTY, PLANT AND EQUIPMENT (continued)

| | Construction in progress HK\$'000 | Leasehold improvements HK\$'000 | Machinery and equipment HK\$'000 | Furniture, fixtures and equipment HK\$'000 | Motor vehicles HK\$'000 | Total HK\$'000 |
|---|---|---------------------------------------|--|---|----------------------------|-------------------|
| As at 31 December 2021 | | | | | | |
| <i>COST:</i> | | | | | | |
| At 1 January 2021 | 299 | 17,579 | 306,699 | 694 | 2,684 | 327,955 |
| Additions | – | 11,736 | 8,793 | 179 | – | 20,708 |
| Transfer | (302) | – | 203 | 99 | – | – |
| Disposal | – | (5,850) | (2,954) | – | – | (8,804) |
| Exchange realignment | 3 | 331 | 8,775 | 16 | 24 | 9,149 |
| At 31 December 2021 | – | 23,796 | 321,516 | 988 | 2,708 | 349,008 |
| <i>ACCUMULATED DEPRECIATION AND IMPAIRMENT:</i> | | | | | | |
| At 1 January 2021 | – | 7,520 | 56,325 | 354 | 487 | 64,686 |
| Provided during the year | – | 4,726 | 27,658 | 182 | 292 | 32,858 |
| Impairment loss | – | 12,627 | 199,549 | 60 | 125 | 212,361 |
| Disposal | – | (5,850) | (585) | – | – | (6,435) |
| Exchange realignment | – | 83 | 2,376 | 7 | 3 | 2,469 |
| At 31 December 2021 | – | 19,106 | 285,323 | 603 | 907 | 305,939 |
| <i>CARRYING AMOUNT:</i> | | | | | | |
| At 31 December 2021 | – | 4,690 | 36,193 | 385 | 1,801 | 43,069 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

16. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group carried out reviews of the recoverable amount of the Group's PRC Big Data Centre Services segment, including property, plant and equipment, rights-of-use assets and intangible assets under this segment and the corporate assets allocated to this segment (represented by property, plant and equipment and rights-of-use assets) in 2021, as a result of suspension of power supply to the three big data centres operated by our subsidiaries in the PRC. As no revenue could be generated under this segment in the PRC following the suspension, fair value less cost of disposal had been used to determine the recoverable amount.

The carrying amounts under the reviews included carrying amounts of HK\$237,374,000 of property, plant and equipment, HK\$3,018,000 of rights-of-use assets and HK\$433,000 of intangible assets before any impairment loss assessed to be necessary under the above mentioned impairment assessment. The reviews led to impairment losses being recognised in the year ended 31 December 2021 in respect of (1) property, plant and equipment, rights-of-use assets and intangible assets in the PRC of HK\$211,346,000, HK\$263,000 and HK\$433,000, respectively; and (2) corporate assets allocated to this segment with HK\$1,015,000 of property, plant and equipment and, HK\$2,755,000 of rights-of-use assets.

The recoverable amount of HK\$25,013,000 as at 31 December 2021 after the recognition of the impairment losses described above, represented the recoverable amount of machinery and equipment which had been determined based on their fair value using market comparable approach (level 2 fair value measurements) by reference to the price of metal, which is the key assumption under this approach.

17. LEASES AND RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

| | 2022 HK\$'000 | 2021 HK\$'000 |
|------------------------|------------------|------------------|
| At 31 December: | | |
| Right-of-use assets | | |
| – Land and buildings | 2,724 | 4,185 |
| | 2,724 | 4,185 |

The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:

| | | |
|-------------------------|--------------|--------------|
| – Less than 1 year | 3,425 | 6,125 |
| – Between 1 and 2 years | 416 | 2,801 |
| | 3,841 | 8,926 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

17. LEASES AND RIGHT-OF-USE ASSETS (continued)

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--|------------------|------------------|
| Year ended 31 December: | | |
| Depreciation charge of right-of-use assets | | |
| – Land use rights | – | 113 |
| – Land and buildings | 2,182 | 5,388 |
| | 2,182 | 5,501 |
| Lease interests | 342 | 149 |
| Impairment of right-of-use assets | – | 3,018 |
| Total cash outflow for leases | 5,679 | 4,589 |
| Additions to right-of-use assets | 721 | 6,278 |

The Group leases various land use rights and land and buildings. Lease agreements for leases of land and buildings are typically made for fixed periods of 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

Details about due impairment of right-of-use assets during the year ended 31 December 2021 has been disclosed in Note 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

18. GOODWILL

| | HK\$'000 |
|--|----------|
| Cost | |
| At 1 January 2021 | 11,703 |
| Exchange realignment | 344 |
| At 31 December 2021 and 1 January 2022 | 12,047 |
| Reclassified as held for sale | (12,047) |
| At 31 December 2022 | – |
| Accumulated impairment losses | |
| At 1 January 2021 | – |
| Impairment loss recognised | 11,867 |
| Exchange differences | 180 |
| At 31 December 2021 | 12,047 |
| Reclassified as held for sale | (12,047) |
| At 31 December 2022 | – |
| Carrying amount | |
| At 31 December 2022 | – |
| At 31 December 2021 | – |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

18. GOODWILL (continued)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (“CGUs”) that were expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

| | 2021 HK\$'000 |
|---|------------------|
| Provision of big data service: | |
| Sichuan Lecaiyuntian Internet Technology Co., Ltd * | |
| (“Sichuan Lecaiyuntian”) | – |

* The company registered as limited liability company under PRC law and the English name is for identification only.

As disclosed in Note 16, as a result of suspension of power supply in PRC on the big data centres operated by the subsidiaries in PRC (including Sichuan Lecaiyuntian) during the year ended 31 December 2021, this CGU was no longer expected to generate any revenue, accordingly goodwill under this CGU had been fully impaired as at 31 December 2021.

The major property, plant and equipment under this CGU (which mainly represented machinery and equipment) had been impaired to its recoverable amount based on its fair value less costs of disposal. Details about the impairment of the property, plant and equipment has been disclosed in Note 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

19. INTANGIBLE ASSETS

| | Lease benefit HK\$'000 | Data analysis system (purchased) HK\$'000 | Total HK\$'000 |
|---|---------------------------|--|-------------------|
| <i>COST:</i> | | | |
| At 1 January 2021 | 4,618 | 2,222 | 6,840 |
| Additions | – | 611 | 611 |
| Exchange realignment | 142 | 74 | 216 |
| At 31 December 2021 | 4,760 | 2,907 | 7,667 |
| Reclassified as held for sale | (4,760) | (2,907) | (7,667) |
| At 31 December 2022 | – | – | – |
| <i>ACCUMULATED AMORTISATION AND IMPAIRMENT:</i> | | | |
| At 1 January 2021 | 4,618 | 2,222 | 6,840 |
| Amortisation for the year | – | 178 | 178 |
| Impairment loss | – | 433 | 433 |
| Exchange realignment | 142 | 74 | 216 |
| At 31 December 2021 | 4,760 | 2,907 | 7,667 |
| Reclassified as held for sale | (4,760) | (2,907) | (7,667) |
| At 31 December 2022 | – | – | – |
| <i>CARRYING AMOUNT:</i> | | | |
| At 31 December 2022 | – | – | – |
| At 31 December 2021 | – | – | – |

The Group's data analysis system was acquired for supporting the Big data service business.

The lease benefit was arisen from acquisition of subsidiaries.

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For the year ended 31 December 2022

20. SUBSIDIARIES

Particulars of the subsidiaries at the end of the reporting period are as follows:

| Company name | Place of incorporation/ registration | Registered /issued share capital | Percentage of equity interests attributable to the Company | | Principal activities |
|---|---|--|---|------|--|
| | | | 2022 | 2021 | |
| Directly held: | | | | | |
| Brighten Express Limited | Hong Kong | HK\$1 | 100% | 100% | Investment holding |
| Rising Move International Limited | BVI | US\$100 | 100% | 100% | Investment holding |
| Interactive Lab Limited | BVI | US\$100 | 100% | 100% | Exploring cutting-edge technologies and applications |
| Indirectly held: | | | | | |
| Precious Success Holdings Limited ("Precious Success") | BVI | US\$200 | 51% | 51% | Investment holding |
| PAL Development Limited | Hong Kong | HK\$250,000,000 | 51% | 51% | Investment holding |
| Global Score Asia Limited | BVI | US\$20,000 | 100% | 100% | Investment holding |
| Trade Express Services Inc. | BVI | US\$20,000 | 100% | 100% | Investment holding |
| Rise Accord Holdings Limited | BVI | US\$100 | 100% | 100% | Investment holding |
| China Excellent Net Technology Investment Limited | Hong Kong | HK\$3,194,581 | 95% | 95% | Inactive |
| Hong Kong Interactive Lab Limited | Hong Kong | HK\$1 | 100% | 100% | Exploring cutting-edge technologies and applications |
| Virtual Asset Ratings Limited | BVI | US\$50,000 | 100% | 100% | Exploring cutting-edge technologies and applications |

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20. SUBSIDIARIES (continued)

| Company name | Place of incorporation/ registration | Registered /issued share capital | Percentage of equity interests attributable to the Company | | Principal activities |
|--|---|--|---|------|--|
| | | | 2022 | 2021 | |
| Loto Interactive Information Technology (Shenzhen) Limited** ("Loto Shenzhen") | PRC | RMB200,000,000/ RMB147,996,271 | 100% | 100% | Investment holding |
| Shenzhen Lewanwuxian Information Technology Co., Ltd.** ("Shenzhen Lewanwuxian") | PRC | RMB10,000,000/ RMB5,100,000 | 100% | 100% | Operating online games |
| Chengdu Keying Interactive Information Technology Limited* | PRC | RMB10,000,000/ RMB Nil | 100% | 100% | Providing data analysis, storage services and ancillary administrative and consulting services |
| Chengdu Yilaike Technology Co., Ltd.* ("Chengdu Yilaike") | PRC | RMB10,000,000/ RMB50,000 | 100% | 100% | Providing data analysis, storage services and ancillary administrative and consulting services |
| Ganzi Changhe Hydropower Consumption Service Co., Ltd* ("Ganzi Changhe Hydropower") | PRC | RMB180,000,000/ RMB150,000,000 | 100% | 100% | Providing data analysis, storage services and ancillary administrative and consulting services |
| Sichuan Lecaityuntian Internet Technology Co., Ltd® ("Sichuan Lecaityuntian") | PRC | RMB60,000,000/ RMB Nil | 100% | 100% | Providing data analysis, storage services and ancillary administrative and consulting services |

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20. SUBSIDIARIES (continued)

| Company name | Place of incorporation/ registration | Registered /issued share capital | Percentage of equity interests attributable to the Company | | Principal activities |
|--|---|--|---|------|----------------------|
| | | | 2022 | 2021 | |
| Interactive Medical Lab Limited | BVI | US\$100 | 100% | 100% | Investment holding |
| Interactive Medical Lab Corporation | Delaware | US\$100 | 100% | 100% | Investment holding |
| Might Winner Limited | Hong Kong | HK\$1 | 100% | 100% | Money lending |
| H.K CB.Cute Technology Co., Limited | Hong Kong | HK\$10,000 | 100% | 100% | Investment holding |
| Shenzhen Quanjing Financial Leasing Co., Ltd * | PRC | RMB20,000,000/ RMB Nil | 100% | 100% | Investment holding |

* The companies are registered as limited liability companies under PRC law and the English names are for identification only.

^ Loto Shenzhen was established in the PRC with limited liability on 14 December 2017. The registered capital of Loto Shenzhen is RMB200,000,000 of which RMB147,996,271 has been paid by the Group as at 31 December 2021.

Shenzhen Lewanwuxian was established in the PRC with limited liability on 14 December 2017. The registered capital of Shenzhen Lewanwuxian is RMB10,000,000 of which RMB5,100,000 has been paid by the Group as at 31 December 2021.

® Sichuan Lecaiyuntian was established in the PRC with limited liability on 21 February 2019. The registered capital of Sichuan Lecaiyuntian is RMB60,000,000 of which Nil has been paid by the Group as at 31 December 2021.

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21. INVESTMENTS IN ASSOCIATES

| | 2022 HK\$'000 (Note) | 2021 HK\$'000 |
|-------------------------------|----------------------------|------------------|
| Unlisted investments | | |
| Share of net assets | 4,335 | 4,601 |
| Goodwill | 1,219 | 1,319 |
| | 5,554 | 5,920 |
| Impairment losses | (2,054) | (2,222) |
| | 3,500 | 3,698 |
| Reclassified as held for sale | (3,500) | – |
| | – | 3,698 |

Note: The investment in associates as at 31 December 2022 represented Guangzhou Sentai Information Technology Co., Ltd*. (“Guangzhou Sentai”), which has been classified under disposal group held for sale and has been disposed under the Disposal as disclosed in Note 13.

Particulars of the associates at the end of the reporting period are as follows:

| Company name | Place of incorporation/ registration | Percentage of equity interests attributable to the Company | | Principal activities |
|--|---|--|------|----------------------|
| | | 2022 | 2021 | |
| ChariLot Company Limited (“ChariLot”) | Hong Kong | 40% | 40% | Inactive |
| Guangzhou Sentai | PRC | 20% | 20% | Self-media |

* The companies registered as limited liability companies under PRC law and the English name is for identification only.

Guangzhou Sentai is a company mainly engaged in operating a self-media called 世鏈財經 (www.shilian.com) providing updated blockchain information.

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For the year ended 31 December 2022

21. INVESTMENTS IN ASSOCIATES (continued)

The following table shows information of associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associates.

| Name | Guangzhou Sentai | |
|---|------------------|------------|
| | 2022 | 2021 |
| Principal place of business/country of incorporation | PRC/PRC | PRC/PRC |
| Principal activities | Self-media | Self-media |
| % ownership interests/voting rights held by the Group | 20%/20% | 20%/20% |
| | HK\$'000 | HK\$'000 |
| At 31 December: | | |
| Non-current assets | 20,708 | 22,488 |
| Current assets | 7,892 | 7,882 |
| Current liabilities | (6,923) | (7,366) |
| Net assets | 21,677 | 23,004 |
| Group's share of net assets | 4,335 | 4,601 |
| Goodwill | 1,219 | 1,319 |
| Impairment losses | (2,054) | (2,222) |
| Group's share of carrying amount of interest | 3,500 | 3,698 |
| Year ended 31 December: | | |
| Revenue | 4,229 | 5,317 |
| Profit for the period | 421 | 836 |
| Total comprehensive income for the period | 421 | 836 |
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| Unrecognised share of losses of an associate for the year | (6) | (6) |
| Accumulated unrecognised share of losses of an associate | (302) | (296) |

The Group has discontinued the recognition of its share of losses of the associate ChariLot because of the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of the associate for the year and cumulatively, are as follows:

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22. INVESTMENT IN A JOINT VENTURE

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--|------------------|------------------|
| Cost of unlisted investment in a joint venture | 15,560 | 15,560 |
| Share of post-acquisition losses | (15,560) | (15,560) |
| | — | — |

Particulars of the Group's joint venture is as follows:

| Company name | Place of incorporation and operation | Class of shares held | Proportion of ownership interest held by the Group | | Proportion of voting rights held by the Group | | Principal activities |
|-------------------------|--|-------------------------|--|------|---|------|-------------------------|
| | | | 2022 | 2021 | 2022 | 2021 | |
| PALTECH Company Limited | Hong Kong | Ordinary | 60% | 60% | 60% | 60% | Inactive |

The following table illustrates the aggregate financial information of the Group's joint venture that is not individually material:

| | 2022 HK\$'000 | 2021 HK\$'000 |
|---|------------------|------------------|
| Cumulative unrecognised share of total comprehensive loss of joint venture | (216) | (210) |

23. LOAN RECEIVABLE

On 3 April 2020, the Company granted a loan (the "Loan A") to an independent third party, Brighten Topper Limited ("Brighten Topper"), in the principal amount of HK\$30,000,000 at the interest rate of 10% per annum for a term of two years. The Loan A was guaranteed by Ms. Li Xue ("Ms. Li"), a director and sole beneficial owner of Brighten Topper and was secured by a property in PRC held by Ms. Li and any rights and interests derived thereof. In April 2022, the Company has extended the Loan A for a term of two years, with the same terms considering Brighten Topper has paid the interests on time and property in the PRC has been secured for the Company.

In determining the fair value less cost of disposal of the collateral, the Group engaged third party qualified valuers to perform the valuation using direct comparison approach, adjusted for nature, location and conditions of the property. In estimating the fair value of the property, the highest and best use of the property is its current use. As at 31 December 2022, the fair value less cost of disposal is approximately RMB29.0 million (equivalent to HK\$32.7 million) (2021: RMB28.8 million (equivalent to HK\$35.4 million)). Accordingly, no ECL is provided considering the estimated fair value less cost of disposal of the collateral pledged is higher than outstanding loan balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

24. TRADE RECEIVABLES

| | 2022 HK\$'000 | 2021 HK\$'000 |
|---------------------------------------|------------------|------------------|
| Trade receivables | 5,850 | 10,962 |
| Less: impairment of trade receivables | (97) | (837) |
| | 5,753 | 10,125 |

An aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows

| | 2022 HK\$'000 | 2021 HK\$'000 |
|----------------------|------------------|------------------|
| Within 30 days | 5,753 | 5,190 |
| 31 days to 90 days | – | 1,706 |
| 91 days to 180 days | – | 1,520 |
| 181 days to 365 days | – | 1,709 |
| | 5,753 | 10,125 |

Reconciliation of loss allowance for trade receivables:

| | 2022 HK\$'000 | 2021 HK\$'000 |
|---|------------------|------------------|
| At 1 January | 837 | 837 |
| Reclassified as held for sale | (837) | – |
| Increase in loss allowance for the year | 97 | – |
| At 31 December | 97 | 837 |

The Group's trading terms with its customers are usually on credit, however, in some instances, payment in advance is required. The credit period is generally 30 days from invoice date (2021: 60 days invoice date). Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

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For the year ended 31 December 2022

24. TRADE RECEIVABLES (continued)

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

| | Current (not past due) HK\$'000 | Less than 1 month past due HK\$'000 | 1-3 months past due HK\$'000 | 3-6 months past due HK\$'000 | 6-12 months past due HK\$'000 | Over 1 year past due HK\$'000 | Total HK\$'000 |
|--|--|--|------------------------------------|---------------------------------------|--|--|-------------------|
| At 31 December 2022 | | | | | | | |
| Weighted average expected loss rate | 1.70% | N/A | N/A | N/A | N/A | N/A | |
| Receivable amount | 5,850 | - | - | - | - | - | 5,850 |
| Loss allowance | 97 | - | - | - | - | - | 97 |
| At 31 December 2021 | | | | | | | |
| Weighted average expected loss rate | 0.00% | 0.00% | 0.00% | 0.00% | N/A | 100.00% | |
| Receivable amount | 5,190 | 1,706 | 1,520 | 1,709 | - | 837 | 10,962 |
| Loss allowance | - | - | - | - | - | 837 | 837 |

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2022 HK\$'000 | 2021 HK\$'000 |
|---------------------------------|------------------|------------------|
| Other receivables | 73 | 1,536 |
| Other tax assets (note) | - | 19,848 |
| Utility deposits | - | 10,135 |
| Other deposits | 3,016 | 2,503 |
| Prepayments | 560 | 5,646 |
| | 3,649 | 39,668 |
| Impairment of other receivables | - | (1,068) |
| | 3,649 | 38,600 |

Note: Other tax assets as at 31 December 2021 included VAT receivables of HK\$18,697,000 which related to the Discontinued Operations. The Company was of the opinion that the Group had good grounds to claim the refund of the VAT paid and hence the VAT receivables was included in other receivables of the Group as at 31 December 2021. During the current year, the independent tax advisers of the Group advised that, taking into account the prolonged approval process of the refund of the VAT receivables from the relevant tax authority in the PRC, the recoverability of the VAT paid had become remote. Hence full impairment was recognised during the year ended 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

The movement in the impairment of other receivables are as follows:

| | 2022 HK\$'000 | 2021 HK\$'000 |
|-------------------------------|------------------|------------------|
| At 1 January | 1,068 | 1,068 |
| Reclassified to held for sale | (1,068) | – |
| At 31 December | – | 1,068 |

26. CASH AND CASH EQUIVALENTS

| | 2022 HK\$'000 | 2021 HK\$'000 |
|---|------------------|------------------|
| Cash and cash equivalents | 9,522 | 35,843 |
| Cash and cash equivalents denominated in: | | |
| HK\$ | 9,495 | 5,952 |
| RMB (Note) | – | 27,191 |
| USD | 27 | 2,700 |
| | 9,522 | 35,843 |

Note: Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

27. TRADE PAYABLES

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

| | 2022 HK\$'000 | 2021 HK\$'000 |
|----------------|------------------|------------------|
| Within 30 days | 476 | 1,114 |
| 31 to 90 days | – | – |
| 91 to 180 days | – | 868 |
| | 476 | 1,982 |

The average credit period on purchases of goods is 60 days.

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For the year ended 31 December 2022

28. ACCRUALS AND OTHER PAYABLES

| | 2022 HK\$'000 | 2021 HK\$'000 |
|---|------------------|------------------|
| Other payables | 626 | 6,712 |
| Amount due to a shareholder of a joint venture | 2,334 | 2,334 |
| Deposit received in relation to the Disposal (note) | 4,160 | – |
| Refundable deposits received from customers | – | 5,395 |
| Accruals | 907 | 209 |
| | 8,027 | 14,650 |

Note: Amount represented the deposit received from the purchaser in relation to the Disposal as disclosed in Note 13.

29. LEASE LIABILITIES

| | Lease payments | | Present value of lease payments | |
|--|------------------|------------------|---------------------------------|------------------|
| | 2022 HK\$'000 | 2021 HK\$'000 | 2022 HK\$'000 | 2021 HK\$'000 |
| Within one year | 3,425 | 6,125 | 3,091 | 5,851 |
| In the second to fifth years, inclusive | 416 | 2,801 | 302 | 2,758 |
| After five years | – | – | – | – |
| | 3,841 | 8,926 | | |
| Less: Future finance charges | (449) | (317) | | |
| Present value of lease liabilities | 3,393 | 8,609 | 3,393 | 8,609 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | | | (3,091) | (5,851) |
| Amount due for settlement after 12 months | | | 302 | 2,758 |

At 31 December 2022, the average effective incremental borrowing rate was 5.25% (2021: 5.25%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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30. SHARE CAPITAL

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--|------------------|------------------|
| Authorised 2,000,000,000 (2021: 650,000,000) ordinary shares of HK\$0.1 (2021: HK\$0.1) each | 200,000 | 65,000 |

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--|------------------|------------------|
| Issued and fully paid: 548,408,822 (2021: 548,378,822) ordinary shares of HK\$0.1 each | 54,841 | 54,838 |

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

| | Number of shares in issue | Share Capital HK\$'000 |
|---|------------------------------|---------------------------|
| At 1 January 2021 | 379,023,983 | 37,902 |
| Issuance of shares on subscription (Note a) | 169,354,839 | 16,936 |
| At 31 December 2021 and 1 January 2022 | 548,378,822 | 54,838 |
| Exercise of share options | 30,000 | 3 |
| At 31 December 2022 | 548,408,822 | 54,841 |

Note:

- (a) A subscription has taken place on 31 March 2021. A total of 169,354,839 subscription shares have been issued at the subscription price of HK\$0.62 per subscription share. The gross proceeds and net proceeds from the subscription amounted to approximately HK\$105,000,000 and HK\$100,554,000, respectively.

By an ordinary resolution passed by the shareholders of the Company on 26 March 2021, the authorised share capital of the Company was increased from HK\$55,000,000 to HK\$65,000,000 by the creation of 100,000,000 additional shares of the Company of HK\$0.1 each, such new shares rank pari passu in all respects with the existing shares of the Company.

By an ordinary resolution passed by the shareholders of the Company on 28 December 2022, the authorised share capital of the Company was increased from HK\$65,000,000 divided into 650,000,000 shares of the Company of HK\$0.1 each to HK\$200,000,000 divided into 2,000,000,000 shares by the creation of an additional 1,350,000,000 shares, such new shares rank pari passu in all respects with the existing shares of the Company.

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For the year ended 31 December 2022

31. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Company

| | Share premium HK\$'000 | Share-based payment reserve HK\$'000 | Equity investment revaluation reserve HK\$'000 | Accumulated losses HK\$'000 | Total HK\$'000 |
|--|------------------------------|---|--|-----------------------------------|-------------------|
| At 1 January 2021 | 338,906 | 9,370 | (12,653) | (41,317) | 294,306 |
| Loss for the year | – | – | – | (312,017) | (312,017) |
| Issuance of shares on subscription (Note 33 (c)) | 83,618 | – | – | – | 83,618 |
| Equity-settled share-based payment expense | – | 1,619 | – | – | 1,619 |
| Fair value changes of equity investments at fair value through other comprehensive income | – | – | 14,397 | – | 14,397 |
| Disposal of equity investment at fair value through other comprehensive income | – | – | (1,744) | 1,744 | – |
| At 31 December 2021 and 1 January 2022 | 422,524 | 10,989 | – | (351,590) | 81,923 |
| Loss for the year | – | – | – | (86,585) | (86,585) |
| Equity-settled share-based payment expense | – | 244 | – | – | 244 |
| Lapse of share options | – | (185) | – | 185 | – |
| Exercise of share options | 9 | (4) | – | – | 5 |
| At 31 December 2022 | 422,533 | 11,044 | – | (437,990) | (4,413) |

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31. RESERVES (continued)

(c) Nature and purpose of reserves

(i) Share premium account

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees and consultants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3 to the consolidated financial statements.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations for consolidation purpose. The reserve is dealt with in accordance with the accounting policies set out in note 3 to the consolidated financial statements.

32. SHARE-BASED PAYMENTS

The 2012 Share Option Scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations and to encourage the participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

The share option scheme which was adopted by the shareholders of the Company on 20 April 2002 expired on 20 April 2012 (the "Old Share Option Scheme"). Following the expiry of the Old Share Option Scheme, the shareholders of the Company adopted a new share option scheme on 18 May 2012 (the "2012 Share Option Scheme"). Under the 2012 Share Option Scheme, the directors of the Company may, at their discretion, grant to any participants share options to subscribe for the Company's shares, subject to the terms and conditions stipulated therein. Notwithstanding the expiry of the Old Share Option Scheme, the share options which had been granted during the life of the Old Share Option Scheme shall continue to be valid and exercisable in accordance with their terms of issue.

On 17 August 2017, the board of directors resolved that (i) the cancellation of an aggregate of 3,408,599 share options granted but not exercised under the Old Share Option Scheme; and (ii) the cancellation of an aggregate of 113,042,871 share options granted but not exercised under the 2012 Share Option Scheme, subject to the written consent of the option holders to cancel their respective share options ("Resolution").

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32. SHARE-BASED PAYMENTS *(continued)*

The following is a summary of the principal terms of the 2012 Share Option Scheme:

(a) Purpose of the schemes

The purpose of the 2012 Share Option Scheme is to provide incentives and rewards to eligible participants for their contribution to the Group and to attract, retain and motivate high-caliber eligible participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

(b) Participants of the schemes

The participants of the 2012 Share Option Scheme shall be (1) any full time or part time employees of the Group (including any executive or non-executive directors of the Company or any of its subsidiaries) and (2) any suppliers, consultants, agents and advisers.

(c) Total number of shares available for issue under the schemes

The total number of shares which may be issued upon exercise of all share options to be granted under the 2012 Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the shares in issue on the respective dates of approval of each of the schemes. The 10% limit may be refreshed with the approval by ordinary resolution of the Company's shareholders.

The maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the 2012 Share Option Scheme and any other schemes of the Company must not exceed 30% of the shares in issue from time to time.

(d) Maximum entitlement of each participant under the schemes

The total number of shares issued and to be issued upon exercise of the share options granted or to be granted to each participant (including exercised, cancelled and outstanding options) in any twelve-month period must not exceed 1% of the shares in issue unless the same is approved by the Company's shareholders in general meeting.

In addition, for any grant of share options to a substantial shareholder and/or an independent non-executive director of the Company or any of their respective associates, and where the total number of the shares issued and to be issued upon exercise of all options granted or to be granted to such person in any twelve-month period exceed 0.1% of the shares in issue and with an aggregate value in excess of HK\$5 million, then the proposed grant is also subject to the approval of the Company's shareholders in general meetings.

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32. SHARE-BASED PAYMENTS *(continued)*

(e) The period within which the shares must be taken up under an option

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

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

As determined by the board of directors upon the grant of an option.

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

Under the 2012 Share Option Scheme, the acceptance of an offer of the grant of the share options must be made within 28 days from the date of grant and HK\$1.00 is payable on acceptance of the grant of options.

(h) The basis of determining the exercise price

The exercise price is determined by the board of directors which shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date when an option is offered; (ii) a price being the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an option is offered; and (iii) the nominal value of the share.

(i) The remaining life of the scheme

The 2012 Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption until 17 May 2022.

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32. SHARE-BASED PAYMENTS (continued)

Movements of the share options under the 2012 Share Option Scheme during the year ended 31 December 2022 are set out below:

| Category of participants | Outstanding at 31.12.2020 & 1.1.2021 | Reclassified during the year | Lapsed during the year | Cancelled during the year | Outstanding at 31.12.2021 | Reclassified during the year | Lapsed during the year | Exercised during the year | Cancelled during the year | Outstanding at 31.12.2022 | Date of grant of share options | Exercise price of share options HK\$ |
|--|--------------------------------------|------------------------------|------------------------|---------------------------|---------------------------|------------------------------|------------------------|---------------------------|---------------------------|---------------------------|--------------------------------|--------------------------------------|
| Director ¹ | 8,266,800 | (4,133,200) | - | (200,000) | 3,933,600 | (3,466,800) | - | - | - | 466,800 | 01.04.2019 | 1.10 |
| Director ² | 14,000,000 | (3,100,000) | - | (200,000) | 10,700,000 | (7,600,000) | - | - | - | 3,100,000 | 10.08.2020 | 0.26 |
| Sub-total: | 22,266,800 | (7,233,200) | - | (400,000) | 14,633,600 | (11,066,800) | - | - | - | 3,566,800 | | |
| Employees ² | 110,000 | (30,000) | - | - | 80,000 | (30,000) | - | - | - | 50,000 | 01.04.2019 | 1.10 |
| Employees ³ | 900,000 | (250,000) | (20,000) | (30,000) | 600,000 | (30,000) | (490,000) | (30,000) | - | 50,000 | 10.08.2020 | 0.26 |
| Sub-total: | 1,010,000 | (280,000) | (20,000) | (30,000) | 680,000 | (60,000) | (490,000) | (30,000) | - | 100,000 | | |
| Others ¹ | 400,000 | - | - | - | 400,000 | - | (400,000) | - | - | - | 05.01.2018 | 2.00 |
| Others ² | 5,266,800 | 4,163,200 | - | (30,000) | 9,400,000 | 3,496,800 | (100,000) | - | (30,000) | 12,766,800 | 01.04.2019 | 1.10 |
| Others ³ | 9,960,000 | 3,350,000 | - | (6,340,000) | 6,970,000 | 7,630,000 | (650,000) | - | (150,000) | 13,800,000 | 10.08.2020 | 0.26 |
| Sub-total: | 15,626,800 | 7,513,200 | - | (6,370,000) | 16,770,000 | 11,126,800 | (1,150,000) | - | (180,000) | 26,566,800 | | |
| Total: | 38,903,600 | - | (20,000) | (6,800,000) | 32,083,600 | - | (1,640,000) | (30,000) | (180,000) | 30,233,600 | | |
| Weighted average exercise price (HK\$) | 0.57 | | 0.26 | 0.29 | 0.61 | | 0.74 | | 0.40 | 0.63 | | |
| Share options exercisable | 17,344,800 | | | | 25,965,600 | | | | | 30,233,600 | | |

The fair values of share options granted in 2018, 2019 and 2020 were calculated using the Binomial Tree model.

- The share options granted on 5 January 2018 were divided into 3 tranches exercisable from 5 January 2018, 5 January 2019 and 5 January 2020 respectively to 4 January 2028.
- The share options granted on 1 April 2019 are divided into 3 tranches exercisable from 1 April 2019, 1 April 2020 and 1 April 2021 respectively to 31 March 2029.
- The share options granted on 10 August 2020 are divided into 3 tranches exercisable from 10 August 2020, 10 August 2021 and 10 August 2022 respectively to 9 August 2030.
- The category "Others" represents consultants of the Group and resigned employees/directors of the Group. Consultants are individuals who rendered consultancy services in respect of the business development to the Group without receiving any compensation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

32. SHARE-BASED PAYMENTS *(continued)*

The New Share Option Scheme

Following the expiration of the 2012 Share Option Scheme in May 2022, the Company does not have a share option scheme in place. Accordingly, a new share option scheme (the “New Share Option Scheme”) has been approved by the shareholders of the Company through an extraordinary general meeting on 28 December 2022.

The following is a summary of the principal terms of the New Share Option Scheme:

(a) Purpose of the New Share Option Scheme

The purpose of the New Share Option Scheme is to recognise and acknowledge the contributions the eligible participants have had or may have made to our Group, and will provide the eligible participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (a) motivate the eligible participants to optimise their performance efficiency for the benefit of the Group; and (b) attract and retain or otherwise maintain on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.

(b) Eligible participants of the New Share Option Scheme

The eligible participants of the New Share Option Scheme (the “Eligible Participants”) shall be:

- (i) Directors and employees of the Group (including persons who are granted options as an inducement to enter into employment contracts with the Company or any of its subsidiaries and part-time employees of the Company) (“Employee Participants”);
- (ii) directors and employees of the holding companies, fellow subsidiaries or associated companies of the Company; and
- (iii) any consultant, independent contractor or advisor who provides advisory services, consultancy services and/or other professional services to the Company on areas relating to its provision of data analysis and storage services in Hong Kong (the “Service Providers”).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

32. SHARE-BASED PAYMENTS *(continued)*

The New Share Option Scheme *(continued)*

- (c) *Total number of Shares available for issue under the New Share Option Scheme together with the percentage of the issued Shares that it represents as at the date of this annual report*

The total number of shares in the Company (the "Shares") which may be issued upon exercise of all share options to be granted under the New Share Option Scheme and any other schemes of the Company must not in aggregate exceed 54,840,882 Shares, representing 10% of the Shares in issue as at the adoption date of the New Share Option Scheme (the "Adoption Date") and as at the date of this annual report.

The Service Provider sublimit ("Service Providers Sublimit") of the New Share Option Scheme will be 5,484,088 Shares, representing 1% of the total number of Shares in issue as at the Adoption Date and as at the date of this annual report.

- (d) *Maximum entitlement of each Eligible Participant under the New Share Option Scheme*

The maximum number of Shares in respect of which options may be granted under this Scheme (the "Options") to any Eligible Participant, shall not, when aggregated with: (a) any Shares issued upon exercise of Options or options under the other schemes which have been granted to that Eligible Participant; (b) any Shares which would be issued upon the exercise of outstanding Options or options under the other schemes granted to that Eligible Participant; and (c) any cancelled Shares which were the subject of Options or options under the other schemes which had been granted to and accepted by that Eligible Participant, in any 12-month period up to the date to which an Option is offered in writing to an Eligible Participant (the "Offer Date"), exceed 1% of the number of Shares in issue on the Offer Date.

- (e) *The period within which an Option may be exercised under the New Share Option Scheme*

The period during which an Option may be exercised is determined by the Board at its absolute discretion, save that such period shall not be longer than 10 years from the date which an Option is deemed to be granted and accepted.

- (f) *The vesting period of Options granted under the New Share Option Scheme*

The vesting period of Options shall be not less than 12 months (save where applicable under the GEM Listing Rules when the Remuneration Committee has approved the offer for the grant of an Option to a specifically identified participant who is an Employee Participant of the Company or any of its subsidiary with a shorter vesting period, and has clearly explained the reason for so doing in the grant announcement published by the Company as required under the GEM Listing Rules).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

32. SHARE-BASED PAYMENTS *(continued)*

The New Share Option Scheme *(continued)*

- (g) *The amount payable on acceptance of an Option and the period within which payments shall be made*

Under the New Share Option Scheme, the acceptance of an offer of the grant of an Option must be made within 30 days from the date of which the Option is offered and HK\$1.00 is payable on acceptance of an offer of the grant of Options.

- (h) *The basis of determining the exercise price of Options granted*

The exercise price is determined by the Board which shall not be less than the higher of: (a) the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the Offer Date; and (b) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the Offer Date.

- (i) *The remaining life of the New Share Option Scheme*

The New Share Option Scheme shall be valid and effective for a period of ten years from the Adoption Date until 28 December 2032.

No share options has been granted under the New Share Option Scheme as of 31 December 2022.

During the year, an amount of approximately HK\$244,000 (2021: HK\$1,619,000) was recognised as equity-settled share option expense.

The Group recognised equity-settled share-based payment expenses at a total of HK\$244,000 (2021: HK\$1,619,000), included in which of HK\$3,000 (2021: HK\$306,000) was recognised immediately as accelerated vesting due to the cancellation of share options for the year ended 31 December 2022 in relation to share options granted by the Company in the prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Purchase of non-controlling interests

During the year ended 31 December 2021, the Group acquired 49% interests in a 51% subsidiary, Ganzi Changhe Hydropower, from the non-controlling shareholders at a cash consideration of approximately HK\$104,357,000. The effect of the acquisition on the equity attributable to the owners of the Company is as follows:

| | HK\$'000 |
|---|----------|
| Share of net assets in the subsidiary acquired | 85,391 |
| Consideration | 104,357 |
| Loss on acquisition recognised directly in equity | 18,966 |

(b) Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

| | Lease liabilities HK\$'000 | Amount due to a related company HK\$'000 | Total liabilities from financing activities HK\$'000 |
|--|-------------------------------|---|---|
| At 1 January 2021 | 6,596 | 467 | 7,063 |
| Change in cash flows | (4,589) | (467) | (3,893) |
| Non-cash changes | | | |
| – additions | 6,278 | – | 6,278 |
| – interest charges | 469 | – | 469 |
| – rental concession | (145) | – | (145) |
| At 31 December 2021 and 1 January 2022 | 8,609 | – | 8,609 |
| Change in cash flows | (5,679) | – | (5,679) |
| Non-cash changes | | | |
| – additions | 721 | – | 721 |
| – interest charges | 342 | – | 341 |
| – rental concession | (600) | – | (600) |
| At 31 December 2022 | 3,393 | – | 3,393 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

34. RELATED PARTY TRANSACTIONS

- (a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--|------------------|------------------|
| Big data centre services income from fellow subsidiaries | 17,842 | 12,673 |

The fellow subsidiaries represent wholly-owned subsidiaries of BIT Mining Limited. The transaction amount above represents the transactions with BIT Mining Limited's subsidiaries until 24 July 2022. BIT Mining Limited was no longer the immediate holding company of the Company after that date.

Included in the transaction amounts disclosed above in respect of the year ended 31 December 2021 is an amount of HK\$8,299,000 which represented big data centre services income from fellow subsidiaries from Discontinued Operations.

- (b) **Compensation of key management personnel of the Group:**

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--|------------------|------------------|
| Fees, salaries, allowances, bonus and benefits in kind | 3,450 | 3,521 |
| Pension scheme contributions | 31 | 31 |
| Equity-settled share-based payment expense | 187 | 767 |
| | 3,668 | 4,319 |

Further details of directors' and chief executive's emoluments are included in Note 10 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | 2022 HK\$'000 | 2021 HK\$'000 |
|--|------------------|------------------|
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 3,125 | 7,874 |
| Investments in subsidiaries | 2 | 2 |
| Amount due from a subsidiary | 30,000 | – |
| Right-of-use assets | 2,093 | 4,185 |
| | 35,220 | 12,061 |
| CURRENT ASSETS | | |
| Prepayments, deposits and other receivables | 7,078 | 7,855 |
| Amounts due from subsidiaries | 39,225 | 151,401 |
| Cash and cash equivalents | 6,702 | 3,024 |
| | 53,005 | 162,280 |
| CURRENT LIABILITIES | | |
| Accruals and other payables | 5,459 | 1,572 |
| Lease liabilities | 2,758 | 5,591 |
| Amount due to subsidiaries | 29,580 | 27,659 |
| | 37,797 | 34,822 |
| NET CURRENT ASSETS | 15,208 | 127,458 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | 50,428 | 139,519 |
| NON-CURRENT LIABILITIES | | |
| Lease liabilities | – | 2,758 |
| | – | 2,758 |
| NET ASSETS | 50,428 | 136,761 |
| EQUITY | | |
| Share capital | 54,841 | 54,838 |
| (Deficit) Reserves (Note 31(b)) | (4,413) | 81,923 |
| TOTAL EQUITY | 50,428 | 136,761 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

36. EVENTS AFTER THE REPORTING PERIOD

The following events take place subsequent to 31 December 2022:

- (a) As disclosed in Note 13, the Company has entered into a sales and purchase agreement with an independent third party to dispose of Brighten Express Limited and its subsidiaries at a consideration of HK\$37,000,000 on 3 January 2023. All conditions precedent under the sales and purchase agreement have been fulfilled and the disposal has taken place on 11 January 2023 accordingly. Details about the disposal has been disclosed in the Company's announcements dated 3 January 2023 and 11 January 2023; and
- (b) The Company has entered into a sales and purchase agreement with independent third parties to purchase 55% equity interest in Your Choice Ever Best, Inc ("Your Choice"), a company incorporated in the state of Delaware of the United States of America (the "USA") with limited liability and the loans borrowed by Your Choice due to the sellers at a consideration of US\$4,312,000 (equivalent to approximately HK\$33,849,000). The consideration shall be satisfied by the Company issuing and allotting 80,591,701 of the Company's shares at the issue price of HK\$0.42 to the sellers upon completion.

Your Choice is principally engaged in the operation of the Big Data Centre in the USA.

Details about the acquisition and the conditions precedent under the acquisition have been disclosed in the Company's announcement dated 16 March 2023. As at the date of approval for issuance of the consolidated financial statements, the acquisition has not yet been completed.

37. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 27 March 2023.

FIVE-YEAR FINANCIAL SUMMARY

The following is a summary of the audited results and of the assets and liabilities of the Group for the five years ended 31 December 2022.

| | Year ended 31 December | | | | |
|---------------------------|------------------------|------------------|------------------|------------------|------------------|
| | 2022 HK\$'000 | 2021 HK\$'000 | 2020 HK\$'000 | 2019 HK\$'000 | 2018 HK\$'000 |
| RESULTS | | | | | |
| Revenue | 29,550 | 180,721 | 382,955 | 64,556 | 6,034 |
| Loss for the year | (56,894) | (292,336) | (43,255) | (34,771) | (34,781) |
| Attributable to: | | | | | |
| Owners of the Company | (56,893) | (286,686) | (46,767) | (33,618) | (34,087) |
| Non-controlling interests | (1) | (5,650) | 3,512 | (1,153) | (694) |
| | (56,894) | (292,336) | (43,255) | (34,771) | (34,781) |

| | At 31 December | | | | |
|--|------------------|------------------|------------------|------------------|------------------|
| | 2022 HK\$'000 | 2021 HK\$'000 | 2020 HK\$'000 | 2019 HK\$'000 | 2018 HK\$'000 |
| ASSETS AND LIABILITIES | | | | | |
| Total assets | 109,716 | 165,520 | 454,539 | 411,915 | 389,940 |
| Total liabilities | (32,755) | (28,519) | (44,829) | (69,168) | (18,788) |
| Non-controlling interests | 233 | 232 | (91,044) | (12,876) | (6,279) |
| Total equity attributable to owners of the Company | 77,194 | 137,233 | 318,666 | 329,871 | 364,873 |