长虹佳华
CHANGHONG IT

CHANGHONG JIAHUA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code : 3991

ANNUAL REPORT 2024

Contents

Corporate Information

Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head office and principal place of business	Unit 1412, 14/F, West Tower, Shun Tak Centre 168–200 Connaught Road Central Hong Kong
Bermuda principal share registrar and transfer office	Conyers Corporate Services (Bermuda) Limited Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Hong Kong branch share registrar and transfer office	Computershare Hong Kong Investor Services Limited 1712–1716, Hopewell Centre 183 Queen's Road East Hong Kong
Principal banker	The Hongkong and Shanghai Banking Corporation Limited China Insurance Group Building 141 Des Voeux Road Central, Sheung Wan Hong Kong
Stock exchange	Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")
Stock code	3991
Website	www.changhongit.com
E-mail address	fengyl@changhongit.com

Corporate Information

Board of Directors	
Executive Directors	Mr. ZHU Jianqiu (Chairman and President) Mr. ZHAO Qilin Ms. MAO Haiyun Mr. MA Ban Ms. SU Huiqing Mr. ZHOU Jiachao
Independent Non-executive Directors	Mr. Jonathan CHAN Ming Sun Mr. GAO Xudong Mr. MENG Qingbin
Authorised Representatives	Mr. ZHU Jianqiu Mr. CHENG Ching Kit
Company Secretary	Mr. CHENG Ching Kit
Audit Committee	Mr. Jonathan CHAN Ming Sun (Chairman) Mr. GAO Xudong Mr. MENG Qingbin
Remuneration Committee	Mr. Jonathan CHAN Ming Sun (Chairman) Mr. ZHU Jianqiu Mr. MENG Qingbin
Nomination Committee	Mr. ZHU Jianqiu (Chairman) Mr. Jonathan CHAN Ming Sun Mr. GAO Xudong
Auditor	SHINEWING (HK) CPA Limited Registered Public Interest Entity Auditors 17/F, Chubb Tower, Windsor House 311 Gloucester Road, Causeway Bay Hong Kong

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. ZHU Jianqiu, aged 62, joined Changhong Jiahua Holdings Limited (the "**Company**", and collectively with its subsidiaries, the "**Group**") as an executive Director and the president of the Company in April 2013, and was further appointed as the chairman of the Board in April 2021. Mr. Zhu is responsible for strategic development and the overall operation management of the Group. Mr. Zhu is also the chairman of each of the following subsidiaries of the Company, namely Sichuan Changhong IT Information Products Company Limited ("**Changhong IT**"), Sichuan Changhong IT Digital Technology Co., Ltd. ("**Changhong IT Digital**"), Beijing Jiacun Intelligent Cloud Technology Co., Ltd. ("**Jiacun Intelligent Cloud**", formerly known as Beijing Changhong IT Intelligence System Co., Ltd.), Changhong IT (Hong Kong) Information Products Co., Ltd. ("**Changhong IT Information**"), Sichuan Changhong IT Duolayouhuo ECommerce Co., Ltd. ("**Duolayouhuo**"), Sichuan Changhong Information Service Co., Ltd. ("**Changhong Information Service**") , Beijing Changhong IT Information Technology Co., Ltd. ("**Changhong IT Information Technology**") ,Sichuan Changhong Cloud Computing Company Limited* (四川長虹雲計算有限公司, "**OPCO**") , PT. Changhong Jiahua Information Technology Indonesia ("**Changhong Jiahua Indonesia**"), Beijing Changhong Information Technology Co., Ltd. ("**Changhong Information Technology**" (formerly known as Sichuan Changhong Cloud Service Co., Ltd.) and Changhong Jiahua Information Technology Philippines Inc. ("**Changhong Jiahua Philippines**"), the executive director of Changhong (Hong Kong) Enterprises Limited ("**Changhong (Hong Kong)**"), and the director of Sufficient Value Group Limited ("**Sufficient Value**") and Wide Miracle Limited ("**Wide Miracle**"). He obtained a Doctoral Degree in Economics from Renmin University in 2007 and a Bachelor Degree from Northeast University in the PRC in 1984 and has more than 27 years of experience in information technology ("**IT**") industry management.

Mr. ZHAO Qilin, aged 49, joined the Company as an executive director in March 2023. Mr. Zhao is responsible for the corporate governance of the Group. He is a director of Changhong Meiling Co., Ltd. ("**Changhong Meiling**") (Shenzhen Stock Exchange stock code: 000521, its controlling shareholder being Sichuan Changhong Electric Co., Ltd. ("**Sichuan Changhong**")), chairman of Sichuan Changhong Minsheng Logistics Co., Ltd. (National Equities Exchange and Quotations stock code: 836237, its controlling shareholder being Sichuan Changhong), and the board secretary, general counsel, chief compliance officer, director of the board office, the head of the integrated management department and the head of ESG management office of Sichuan Changhong (Shanghai Stock Exchange stock code: 600839, its controlling shareholder being Sichuan Changhong Electronics Holding Group Co., Ltd. ("**Sichuan Changhong Holding**") and collectively with its subsidiaries, the "**Sichuan Changhong Electronics Group**"). He is also currently holding several positions in the Group, including the executive director of Changhong (Hong Kong). and Changhong IT Information, and the director of Sufficient Value and Wide Miracle. During April 2013 to December 2020, he served as the financial controller and joint company secretary of the Company. He received his Bachelor's Degree in Economics from Southwestern University of Finance and Economics in July 1999. He has more than 25 years of experience in the field of finance and has rich experience in corporate governance.

* *The English translation is for identification purpose only.*

Biographies of Directors and Senior Management

Ms. MAO Haiyun, aged 49, joined the Company as an executive director in March 2024. Ms. Mao is responsible for the financing of the Group. She is the chief financial officer of Sichuan Changhong, and serves in various positions within the Sichuan Changhong Electronics Group such as a director of Sichuan Changhong Group Finance Co., Ltd. (its controlling shareholder being Sichuan Changhong Electronics Group). She is also currently holding several positions in the Group, including the executive director of Changhong IT, Changhong IT Digital, Jiacun Intelligent Cloud, Changhong IT Information, Duolayouhuo, Changhong Information Service and Changhong IT Information Technology. During the period from March 2018 to June 2019, she was the financial controller of OPCO, a subsidiary of the Company. She obtained a bachelor's degree in economics in July 1997, majoring in finance from Southwest University of Finance and Economics. She has over 28 years of experience in financial management and corporate finance.

Mr. MA Ban, aged 36, joined the Company as an executive director in March 2024. Mr. Ma is primarily responsible for the capital operation of the Group. He is a vice head of the capital operation department of Sichuan Changhong Holding . He is also a director of Changhong Huayi Compressor CO., LTD. ("**Changhong Huayi**") (Shenzhen Stock Exchange stock code: 000404, its controlling shareholder being Sichuan Changhong Electric Co., Ltd. ("**Sichuan Changhong**")) and serves in various positions within the Sichuan Changhong Electronics Group. He is also currently holding several positions in the Group, including the executive director of Changhong IT, Changhong IT Digital, Jiacun Intelligent Cloud, Duolayouhuo, Changhong Information Service and Changhong IT Information Technology. He obtained a master's degree in engineering majoring in software engineering in July 2014 from Huazhong University of Science and Technology. He has over 8 years of experience in finance and extensive professional experience in capital operation.

Ms. SU Huiqing, aged 55, joined the Company as a vice president of the Company in April 2013, and was further appointed as an executive director in March 2023. Ms. Su is responsible for the management of human resources, operation and administration of the Group. She is also a director of each of the following subsidiaries of the Company, namely OPCO, Changhong Jiahua Indonesia, Changhong Information Technology and Changhong Jiahua Philippines. Ms. Su is also the executive vice president of each of the following subsidiaries of the Company, namely Changhong IT, Changhong IT Digital, Jiacun Intelligent Cloud, Changhong IT Information, Duolayouhuo, Changhong Information Service and Changhong IT Information Technology. She holds a Bachelor's Degree in Automation from Shanghai Jiaotong University and has more than 32 years of experience in business development in the IT industry.

Mr. ZHOU Jiachao, aged 47, joined the Company as an executive Director in October 2021. Mr. Zhou is principally responsible for the investment and business merger of the Group. He is the board secretary of Sichuan Provincial Investment Group Co., Ltd. He is also the president of Sichuan Chuantou Wellness Industry Group Co., Ltd. (its controlling shareholder being Sichuan Energy Development). Mr. Zhou obtained a Bachelor's Degree in Law from Sichuan Normal University in July 2002 and a Master's Degree in Philosophy from Sichuan Normal University in June 2006. He has over 14 years of experience in financial and economic management and extensive experience in corporate governance.

Biographies of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jonathan CHAN Ming Sun, aged 52, joined the Company as an independent non-executive Director in February 2007. Mr. Chan was appointed as the chairman of each of the audit committee and remuneration committee of the Company, and a member of the nomination committee of the Company. He is an investment manager of Sprint Asset Management Limited. He is also acting as the independent non-executive director of each of the following listed company Limited on the Stock Exchange, namely China Dredging Environment Protection Holdings Limited (stock code: 871), Aceso Life Science Group Limited (Former known as Hao Tin Development Group Limited (stock code: 474)), Hao Tian International Construction Investment Group Limited (stock code: 1341) and KFM Kingdom Holdings Limited (stock code: 3816). He was the independent non-executive director of each of the following listed companies on the Stock Exchange, namely Shenyang Public Utility Holdings Company Limited (stock code: 747), from 13 February 2015 to 12 November 2020, and Dining Concepts Holdings Limited (currently known as Life Concepts Holdings Limited) (stock code: 8056) from 14 July 2016 to 12 December 2018, Grand Peace Group Holdings Limited (was delisted on 27 August 2021, stock code: 8108), Up Energy Development Group Limited (was delisted on 5 January 2022, stock code: 307) *(Note)*, and Fujian Nuoqi Co., Ltd. (was delisted on 8 February 2021, stock code: 1353). He obtained his Bachelor Degree of Commerce in Accounting and Information System from University of New South Wales, Australia. He is also a fellow member of the Hong Kong Institute of Directors and a member of Hong Kong Institute of Certified Public Accountants and CPA, Australia. He has over 24 years of experience in investment and corporate finance.

Mr. GAO Xudong, aged 59, joined the Company as an independent non-executive Director in May 2019. Mr. Gao was appointed as the member of each of the audit committee and nomination committee of the Company. Mr. Gao obtained a bachelor's degree in engineering from Harbin Institute of Technology in 1988, a master's degree in economics from Renmin University of China in 1991, and a doctor's degree in management from Sloan School of Management in Massachusetts Institute of Technology in 2003. Mr. Gao is a vice director of Research Center for Technological Innovation, Tsinghua University, a professor at Schwarzman Scholars, Tsinghua University and a professor at School of Economics and Management, Tsinghua University. He has been a member of the Expert Committee for Telecommunication Economy of the Ministry of Industry and Information Technology since January 2010. He is also acting as a director of Gridsum holding (Beijing) Co., Ltd, (the "**Gridsum Holding**") and an independent director of Huadian New Energy Group Company Limited. He has been an independent director of Gridsum holding Inc. (a company that is a subsidiary of Gridsum Holdings, was listed on NASDAQ and was delisted on 5 April 2021, stock code: GSUM) from 2006 to 24 March 2021. He has over 34 years of experience in economics and corporate governance research.

Note: The appointment of Mr. Chan as the independent non-executive director of Up Energy Development Group Limited (stock code: 307) ("**Up Energy**") is under dispute arising as to the validity of the special general meeting of UP Energy and the resolutions passed therein in respect of removal of original directors and appointment of new directors, including Mr. Chan as independent non-executive director. Mr. Chan confirmed that he has never been involved in the operation and decision-making process of UP Energy in relation to his role as independent non-executive director. As stated in the announcement of UP Energy dated 23 May 2017, the powers of its board of directors had ceased upon application of the provision liquidators to the Supreme Court of Bermuda. UP Energy is currently in provisional liquidation and managed by provision liquidators with full powers. For details, please refer to the relevant announcements of Up Energy.

Biographies of Directors and Senior Management

Mr. MENG Qingbin, aged 44, joined the Company as an independent non-executive Director in May 2019. Mr. Meng was appointed as the member of each of the audit committee and remuneration committee of the Company. Mr. Meng obtained a bachelor's degree in engineering and a bachelor's degree in science from Tianjin University in June 2003, a master's degree in science from Nankai University in June 2006, and a doctor's degree in finance from Nankai University in June 2009. Mr. Meng is a professor and an instructor of doctorate students at the School of Business of Renmin University of China. He serves as independent director of Beijing Yonder Environmental Energy Technology Co., Ltd. since August 2020 (a company listed on NEEQ, stock code: 833755 and Bwt Beijing Ltd since April 2023). He was the independent director of each of the following companies, namely Puhui Wealth Investment Management Co. Ltd. (a company listed on NASDAQ, stock code: PHCF) from September 2017 to June 2023, Bank of Tangshan from April 2018 to December 2023, and Bohai International Trust Co., Ltd from July 2018 to December 2023. He has over 16 years of experience in investment and financial theory study and practice.

SENIOR MANAGEMENT

Mr. ZHU Jianqiu is the president of the Company. For Mr. Zhu's biography, please refer to the section of "Executive Directors" above.

Ms. SU Huiqing, is the vice president of the Company. For Ms. Su's biography, please refer to the section of "Executive Directors" above.

Mr. He Jianhua, aged 44, was appointed as the vice president of the Company in July 2024. He is currently the executive president of Changhong IT, Changhong IT Digital, Jiacun Intelligent Cloud, Changhong IT Information, Duolayouhuo, OPCO, Changhong Jiahua Indonesia, Changhong Information Service, Changhong IT Information Technology, Changhong Information Technology and Changhong Jiahua Philippines. He is also the executive director of OPCO, Changhong Information Technology, Changhong Jiahua Indonesia and Changhong Jiahua Philippines. He obtained a bachelor's degree in management from the Capital University of Economics and Business in 2006. He has 19 years of experience in business operations and management.

Ms. YANG Na, aged 43, was appointed as the vice president of the Company in July 2024. She is currently the executive vice president of Changhong IT, Changhong IT Digital, Jiacun Intelligent Cloud, Changhong IT Information, Duolayouhuo, Changhong Information Service, Changhong IT Information Technology, and Changhong Information Technology. She is also the audit director of Changhong IT and the supervisors of Changhong Jiahua Indonesia. She was the financial controller of the Group. She obtained a bachelor's degree in management from the Qinhuangdao branch of the Northeastern University in the PR C in 2003 and a master's degree of business administration from the Graduate School of the Chinese Academy of Social Sciences in the PRC in 2012 and has 19 years of experience in accounting and financial management.

Ms. Xu Shan, aged 46, was appointed as the vice president of the Company in July 2024. She is currently the financial controller of Changhong IT, Changhong IT Digital, Jiacun Intelligent Cloud, Changhong IT Information, Duolayouhuo, OPCO, Changhong Jiahua Indonesia, Changhong Information Service, Changhong IT Information Technology, Changhong Information Technology and Changhong Jiahua Philippines. She was the audit director of Changhong IT. She obtained a bachelor's degree in engineering from Shenyang University in the PRC in 2000 and a master's degree of business administration from the Graduate School of the Chinese Academy of Social Sciences in the PRC in 2013. She has over 22 years of experience in finance and internal control auditing.

Ms. FENG Yongli, aged 54, was appointed as the board secretary of the Company in December 2020. She is currently the board secretary of Changhong IT, Changhong IT Digital, Jiacun Intelligent Cloud, Changhong IT Information, Duolayouhuo, Changhong Information Service and Changhong IT Information Technology. She obtained a Bachelor Degree of Engineering from Shanghai University in 1992 and a Master Degree of Economics from Renmin University of China in 1998.

COMPANY SECRETARY

Mr. CHENG Ching Kit, was appointed as a joint company secretary of the Company in June 2018 and became the sole company secretary of the Company on 11 December 2020. Mr. Cheng was appointed as the authorised representative for the purpose of Rule 3.05 of the Listing Rules and Part 16 of the Companies Ordinance with effect from 11 December 2020. Mr. Cheng is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited, a professional services provider specialising in corporate services and has over 12 years of experience in corporate secretarial field. He is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. In addition, he holds a Bachelor of Commerce degree in finance from the University of Queensland, Australia and a Master of Laws degree in Chinese law from the University of Hong Kong.

Save as disclosed above, as at the date of this annual report, none of the directors or senior management holds any other position within the Group.

Chairman's Statement

Dear Shareholders,

In 2024, the global economy experienced moderate recovery with inflation pressure mitigated and trading demand increased, yet the lingering issues of geopolitical tension and restructuring of supply chain remained unsolved. The Group actively coped with the adverse impacts caused by the market environment, enabling healthy and sustainable development of the overall business.

BUSINESS REVIEW

In 2024, while the global economy experienced moderate recovery and inflation pressure mitigated, the geopolitical conflicts continued to escalate and linger. Trade protectionism and anti-globalization sentiments were on the rise, causing impacts to the supply chains and multilateral economic and trade mechanisms. Amid a complicated situation of growing external pressures and increasing internal challenges, the economy of China maintained steady growth. With the continuous support of the economic policies and the effective macroeconomic control boosting social confidence, the economy had been under positive recovery. In 2024, in face of the severe challenges in this complicated operating environment, the Group steadfastly adhered to its operational strategies of "leveraging new technology, achieving high-quality growth, and being a good ecological partner" to seize new opportunities in the digital economy, actively apply advanced technologies such as artificial intelligence, enhance its core capabilities in digital intelligence, and comprehensively upgrade its smart distribution services. At the same time, it created new scenarios and models in cloud applications, the metaverse, cybersecurity, and the low-altitude economy, cultivating new drivers of growth.

In 2024, the Group recorded an income of about HK$39,986.35 million, up by 7.58% over the same period of the previous fiscal year; gross margin in 2024 was 3.46%, down by about 0.04 percentage point from the same period of the previous fiscal year, mainly due to the change in sales contribution of the product line. The profit attributable to shareholders in 2024 was approximately HK$379.27 million, up by about 5.19% over the same period of the previous fiscal year and the basic earnings per share was HK$14.75 cents, up by HK$0.72 cents from HK$14.03 cents in the same period of the previous fiscal year.

The Group continued to strengthen its fundamental management, consistently enhanced the construction of its digital intelligence system and optimized its business process transformations. Leveraging on advanced technologies such as artificial intelligence and big data, it built an intelligent business framework to improve operational quality and efficiency, empower business innovation, and efficiently and precisely meet the personalized and customized needs of ecological partners, thereby comprehensively enhancing its smart distribution service capabilities. The Group continued to reinforce risk management, adhering to strict inventory management, credit management, and accounts receivable management, while conducting rational allocation of funds and accelerating capital turnover to ensure the safety and efficiency of working capital. The Group also consistently strengthened cost control. Distribution and selling expenses increased compared with the same period last year, primarily due to a rise in labor costs; administrative expenses saw a slight increase compared with the same period last year; and finance costs rose compared with the same period last year due to an increase in financing scale.

As at 31 December 2024, the turnover and profits of the three operating segments of the Company were analyzed as follows (RMB exchange rate fluctuations may affect the number/percentage of segments):

ICT consumer product distribution business: With close cooperation with core manufacturers, this business segment actively developed new products and new opportunities, intensified its efforts to penetrate lower-tier channels, enhanced online store operations, explored integrated online-offline retail models, and enabled the PC business to secure leading market share. The segment continued to develop a comprehensive digital intelligence service platform, providing value-added services to manufacturers and channel distributors, improving operational efficiency, innovating business models, and driving business growth against market headwinds. The business's turnover increased by 6.12% to HK$17,860.89 million over the same period of last year, while its profit decreased by 6.81% to HK$288.85 million.

ICT corporate product distribution business: This business segment broadened and deepened cooperation with domestic brands while maintaining a leading position in partnerships with international brands. By integrating industry advantages and resources and focusing on specialized markets, it strengthened its technical service capabilities and built a solution consolidation platform. Across multiple business domains, including intelligent computing infrastructure, local architecture, cloud computing, artificial intelligence, data governance and cybersecurity, it provided domestic and international partners with more innovative and competitive products, application solutions, and differentiated services, continuously enhancing customer value. Building on its intelligent distribution service business, the segment continued to strategically invest and expand in key areas such as cloud, the metaverse, cybersecurity and the low-altitude economy, and deepened collaboration with ecological partners to create new scenarios and ecologies and to foster new competitive advantages. The business's turnover increased by 14.43% to HK$14,166.18 million over the same period of last year, and its profit increased by 14.91% to HK$472.97 million.

Other businesses: While the sales of smartphones had slightly increased, business turnover of this segment decreased by 0.01% compared with the same period last year to HK$7,959.28 million due to the impact of exchange rate. Business profit increased by 54.13% to HK$89.17 million as a result of the increase in the gross profit of smartphones and the reversal of credit impairment loss.

OUTLOOK

Looking forward to 2025, the geopolitical conflicts and escalating trade tensions have heightened uncertainties. The global economy still facing severe challenges and downward risks to economic and trade activities. In 2025, the Chinese government will continue to implement proactive fiscal policies and moderately loose monetary policies, prioritizing the target of "vigorously boosting consumption, enhancing investment efficiency, and comprehensively expanding domestic demand." It will leverage technological innovation to drive the development of new quality productive forces and promote high-quality economic growth. Currently, artificial intelligence is spearheading new growth in the global technology sector, leading a profound technological revolution and industrial transformation. In 2025, by adopting the operational approach of "creating ecological value and being a partner for high-quality growth", the Group will strengthen its position as a technology service enterprise, utilizing innovation as its driving force, digital intelligence technology as its means, and intelligent distribution services as its foundation. It will expand into emerging industry ecologies such as cloud applications, the metaverse, cybersecurity, and the low-altitude economy, continue to advance service innovation and value creation so as to help partners maximize ecological value, achieve win-win, high-quality growth, and deliver greater contributions to shareholders.

ZHU Jianqiu
Chairman

28 March 2025

Management Discussion and Analysis

FINANCIAL SUMMARY

- Revenue for the year ended 31 December 2024 was approximately HK$39,986.35 million (2023: HK$37,170.63 million), representing an increase of 7.58% as compared with the previous year.

- Profit for the year ended 31 December 2024 was approximately HK$379.27 million (2023: HK$360.54 million), representing an increase of 5.19% as compared with the previous year.

- Total comprehensive income for the year ended 31 December 2024 was approximately HK$295.14 million (2023: HK$311.11 million). This decrease was mainly attributable to the fluctuations in the Renminbi exchange rate.

LIQUIDITY AND FINANCIAL RESOURCES

For the year ended 31 December 2024, the Group's financial and liquidity positions remained healthy and stable. As at 31 December 2024, the aggregate outstanding bank borrowings of the Group were approximately HK$2,723.46 million (2023: HK$1,780.97 million), which were interest bearing. The increase in the Group's bank borrowings was due to the increase in demand for payment as compared with the corresponding period of last year. The Group's cash and bank balances amounted to approximately HK$6,164.24 million (2023: HK$6,129.16 million), together with trade and bills receivables amounting to approximately HK$4,634.96 million (2023: HK$4,967.33 million). For the year ended 31 December 2024, the Group's net current assets amounted to approximately HK$2,859.84 million (2023: HK$2,724.77 million) and the Group did not have any charges on its fixed assets (2023: Nil). The net gearing ratio (total net debt/total shareholders' equity) of the Group. As at 31 December 2024 was 5.07 times (2023: 5.19 times). The management of the Group is confident that with proper funding arrangements, the Group's financial resources are sufficient to finance its daily operations.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The Group's monetary assets and liabilities and transactions are principally denominated in Renminbi, Hong Kong dollars and United States dollars. As the fluctuation range of Renminbi exchange rate spread is relatively small and the exchange rate between Hong Kong dollars and United States dollars is pegged, the Group believes its exposure to exchange risk is minimal. The Group will continue to monitor the situation and assess whether any hedging arrangement is necessary.

As at 31 December 2024, the Group did not have any foreign currency investments which have been hedged by currency borrowings and other hedging instruments.

TREASURY POLICY

Cash and bank deposits of the Group are mainly denominated in Renminbi, Hong Kong dollars and United States dollars. The Group conducts its core business transaction mainly in Renminbi, Hong Kong dollars and United States dollars. The Group did not use any derivative instruments to hedge its foreign currency exposure as the Group considered its foreign currency exposure insignificant.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2024, the total number of the Group's staff was 1,423 (2023: 1,466 staff). For the year ended 31 December 2024, total staff costs (including Directors) amounted to approximately HK$464.65 million (2023: HK$424.24 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice. The remuneration of executive Directors is determined based on the Company's financial position in a fixed sum; whereas the remuneration of independent non-executive Directors is determined with reference to the prevailing market conditions and the workload. The Group provides retirement benefit for its employees in Hong Kong in the form of mandatory provident fund, and pays social pension insurance and housing provident fund for its employees in China in accordance with the local laws and regulations.

During the year ended 31 December 2024, there were no outstanding share options adopted by the Company granted or exercised.

The Group did not experience any significant labour disputes or substantial changes in the number of its employees that led to any disruption of normal business operations. The Directors consider that the Group has developed good relationships with its employees.

CAPITAL STRUCTURE

The Group manages its capital structure to ensure optimal structure and shareholder returns, and uses its capital to promote its business development, ultimately increasing revenue and margins in the Information and Communication Technology ("**ICT**") distribution and Services business. Further capital may be used to increase its business diversification.

Capital of the Group comprises all components of equity, cash and bank balances and loans from major shareholders of the Company (the "**Shareholders**") or related companies.

Loans from major Shareholders or related companies are mainly for the purpose of supporting the daily operations of the Group.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

To expand the Group's e-commerce business, on 12 April 2019, Changhong IT Digital (the "**WFOE**"), OPCO, and Sichuan Changhong Holding entered into the VIE Agreements. Through the VIE Agreements, the WFOE will have effective control over the finance and operation of the OPCO and will enjoy the entire economic interests and benefits generated by the OPCO. The Group intends for the OPCO to establish a new business-to-business e-commerce platform, which will connect third-party merchants with each other. The VIE Agreements had been approved by the shareholders at the special general meeting of the Company held on 17 May 2019. For further details, please refer to the announcements of the Company dated 12 April 2019 and 17 May 2019, and the circular of the Company dated 30 April 2019.

Save as disclosed above, the Group did not have any significant investments, acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2024.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCES OF FUNDING

The Group will continue to devote itself to the ICT distribution business and ICT comprehensive service while exploring new business opportunities that would enhance its businesses. No concrete plan for future investments is in place as at the latest practicable date prior to the printing of this report.

CONTINGENT LIABILITIES

As at 31 December 2024, the Group did not have any material contingent liabilities.

EVENTS OCCURRED AFTER THE END OF THE FINANCIAL YEAR

There were no significant events occurred that might affect the Group after 31 December 2024.

Corporate Governance Report

Unless otherwise stated, reference of the code provisions made in this corporate governance report in relation to the corporate governance code is referred to the provisions contained in the Appendix C1 to the Listing Rules in force during the year ended 31 December 2024.

It has always been the Group's mission to enhance its corporate value, maintain its sustainable long-term development and create maximum returns for the Shareholders. In order to achieve the abovementioned objectives, the Company has established good corporate governance practices based on the principles of integrity, transparency, openness and efficiency, and has implemented and improved various policies, internal controls procedures and other management framework.

High corporate governance standard is built from good corporate culture. Corporate governance principles and policies can only be applied efficiently, effectively and consistently when good corporate culture is the corner stone of the Company. The Board considers that maintaining high standard of corporate governance and business ethics will serve the long-term interest of the Company and the Shareholders. The goal of the Company is to achieve well-balanced development and focus on the relevant corporate, social and environmental responsibilities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the corporate governance code (the "**CG Code**") as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") which sets out corporate governance principles and code provisions (the "**Code Provisions**"). Throughout the year ended 31 December 2024, the Company has complied with all the Code Provisions as set out under the CG Code, except the following deviation:

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. As Mr. ZHU Jianqiu serves as both the chairman of the Board and the president with effect from 8 April 2021, such practice deviates from code provision C.2.1 of the CG Code. Although the roles of chairman of the Board and president are performed by the same individual, all material decisions have been made in consultation with members of the Board as well as senior management. The Board has three independent non-executive Directors who offer different independent perspectives. Therefore, the Board is of the view that there is adequate balance of power and safeguards in place.

COMMUNICATION WITH SHAREHOLDERS

The Company made substantial efforts to enhance communications with its Shareholders, and the Board tries to fully address any questions raised by the Shareholders.

The Company has established a Shareholders' communication policy and will review it on a regular basis to ensure its effectiveness. To promotion effective communication, the Company's website at www.changhongit.com contains up-to-date information on the Company's business development, corporate culture, financial reporting and corporate governance practices and other information which available for public access. The Company published on its own website the procedures for Shareholders to propose candidates for election as Director. Shareholders may send their enquiries requiring the Board's attention to the company secretary of the Company (the "**Company Secretary**") at the Company's head office address. Questions about the procedures for convening or putting forward proposals at an annual general meeting or special general meeting may also be put to the Company Secretary by the same means. The Board members meet and communicate with Shareholders and investors at annual general meetings and other general meetings. Corporate communications (such as interim and annual reports, notices, circulars and announcements) are sent to Shareholders in a timely manner and are available on the Company's website at www.changhongit.com and the Stock Exchange's website.

The Board has reviewed the implementation and effectiveness of the Shareholders' communication policy including the multiple channels of communication with Shareholders, steps taken at the general meetings, and considered that the Shareholders' communication policy, etc. has been properly implemented during the year ended 31 December 2024 and is effective.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Propose a Person for Election as a Director and Convene a Special General Meeting

According to bye-law 85 of the Bye-laws, a Shareholder (other than the person to be proposed) duly qualified to attend and vote at an annual general meeting of the Company may propose a person for election as a director at such meeting by lodging a notice in writing signed by such Shareholder of his/her intention to propose such person for election and a notice in writing signed by the person to be proposed of his/her willingness to be elected at the head office of the Company or the office of the Hong Kong branch share registrar of the Company provided that the minimum length of the period, during which such notices are given, shall be at least seven days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgement of such notices shall commence on the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days prior to the date of such meeting.

Other than election at annual general meetings, pursuant to bye-law 58 of the Bye-laws, Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition, including election of directors, and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionists may do so themselves in accordance with the provisions of section 74(3) of the Companies Act 1981 of Bermuda.

BOARD OF DIRECTORS AND MANAGEMENT

The key responsibilities of the Board include, among other things, formulating the Group's overall strategies, setting up performance targets, monitoring internal controls and financial reporting and supervising the management's performance, while day-to-day operations are delegated by the Board to the management of the Group. The Board operates in accordance with established practices (including those relating to reporting and supervision), and is directly responsible for formulating the Company's corporate governance guidelines. The Board also approves matters by resolutions in writing. Information of material issues, due notices of meetings and minutes of Board meetings are sent to each of the directors for their information, comment and review.

The management of the Group is responsible for the daily operations of the Group. For significant matters that are specifically delegated by the Board, the management must report back to and obtain prior approval from the Board before making decisions or entering into any agreement on behalf of the Group.

Corporate Governance Report

The Board currently comprises nine members and their positions are as follows:

Executive Directors

Mr. ZHU Jianqiu (Chairman and President)
Mr. ZHANG Xiaolong (resigned with effect from 27 March 2024)
Mr. ZHAO Qilin
Mr. SHAO Min (resigned with effect from 27 March 2024)
Ms. MAO Haiyun (appointed with effect from 27 March 2024)
Mr. MA Ban (appointed with effect from 27 March 2024)
Ms. SU Huiqing
Mr. ZHOU Jiachao

Independent Non-Executive Directors

Mr. Jonathan CHAN Ming Sun
Mr. GAO Xudong
Mr. MENG Qingbin

Ms. MAO Haiyun and Mr. MA Ban, who were appointed as executive Directors with effect from 27 March 2024, have obtained legal advice pursuant to Rule 3.09D of the Listing Rules on 26 March 2024, and confirmed that they understood their obligations as a director of the Company.

The Directors have disclosed to the Company their positions held in other public companies or organizations and other significant commitments. The information regarding their positions in other public companies or organizations and other significant commitments is set out in the biographies of Directors and senior management on pages 4 to 8 of this annual report and on the Company's website. To ensure timely disclosure of any change of personal information, the Company has established a specific communication policy to handle the changes. There is no financial, business, family or other material relationships among members of the Board and all Directors have no business relationship with the Group.

The Company has arranged appropriate insurance coverage for Directors' and officers' liabilities and the terms of such insurance will be reviewed annually.

Except for Mr. ZHAO Qilin, Ms. MAO Haiyun, Mr. MA Ban, Ms. SU Huiqing and Mr. ZHOU Jiachao, the Company and each of its Directors (including independent non-executive Directors) has entered into a fixed-term service contract which is renewable automatically per annum. Mr. ZHAO Qilin, Ms. MAO Haiyun, Mr. MA Ban, Ms. SU Huiqing and Mr. ZHOU Jiachao have entered into service contracts with the Company with no fixed term, and are terminable by either party giving not less than one month's written notice or payment in lieu. All Directors are subject to retirement by rotation and are eligible to offer for re-election at annual general meetings of the Company.

The Company has also received acknowledgements from the Directors of their responsibility for preparing the financial statements and a representation by the auditors in relation to their reporting responsibilities.

The Directors possess the relevant experience and qualifications and have exercised due care to handle the significant matters of the Group.

BOARD MEETINGS, COMMITTEES MEETINGS AND GENERAL MEETINGS

Board meetings are held at least four times during any given financial year at approximately quarterly intervals. During the year ended 31 December 2024, the Board held six meetings and the details of the attendance of the Directors at the meetings of the Board and the committees and the general meeting were as follows:

Name of Directors	General meeting	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting
Executive Directors					
Mr. ZHU Jianqiu	1/1	7/7	N/A	1/1	1/1
Mr. ZHANG Xiaolong (resigned with effect from 27 March 2024)	N/A	1/1	N/A	N/A	N/A
Mr. SHAO Min (resigned with effect from 27 March 2024)	N/A	1/1	N/A	N/A	N/A
Mr. ZHAO Qilin	1/1	7/7	N/A	N/A	N/A
Ms. MAO Haiyun (appointed with effect from 27 March 2024)	1/1	6/6	N/A	N/A	N/A
Mr. MA Ban (appointed with effect from 27 March 2024)	1/1	6/6	N/A	N/A	N/A
Ms. SU Huiqing	1/1	7/7	N/A	N/A	N/A
Mr. ZHOU Jiachao	1/1	7/7	N/A	N/A	N/A
Independent Non-Executive Directors					
Mr. Jonathan CHAN Ming Sun	1/1	7/7	3/3	1/1	1/1
Mr. GAO Xudong	1/1	7/7	3/3	1/1	N/A
Mr. MENG Qingbin	1/1	7/7	3/3	N/A	1/1

During the Board meetings, the Board discussed and formulated the overall strategies of the Group, reviewed and monitored the business performance. The half-yearly and annual results and other significant matters were also discussed and decided during such meetings.

The chairman of the Board invited the chairman of the audit committee, remuneration committee and nomination committee of the Company or their delegates to attend the annual general meeting of the Company and to respond to any enquires at the annual general meeting of the Company.

In addition to the above formal meetings, the Company also arranged informal meetings with part of the Directors in 2024 to promote Directors to in-depth communicate each other and participate in the Company's business.

TRAINING

As part of an ongoing process of Directors' training, the Directors are updated with latest developments regarding the Listing Rules and other applicable regulatory requirements from time to time to ensure compliance of the same by all Directors. All Directors are encouraged to attend external forums or training courses on relevant topics which may count towards continuous professional development training.

Pursuant to Code Provision C.1.4 of CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year of 2024, each of the Directors, namely, Mr. ZHU Jianqiu, Mr. ZHANG Xiaolong, Mr. SHAO Min, Mr. ZHAO Qilin, Mr. SU Huiqing, Mr. ZHOU Jiachao, Mr. Jonathan CHAN Ming Sun, Mr. GAO Xudong and Mr. MENG Qingbin, had participated in appropriate continuous professional development activities by attending training courses on the topics related to corporate governance and regulations which were provided by a hired law firm or by reading materials relevant to the latest information on regulatory matters, the Company's business or to their duties and responsibilities. Mr. CHENG Ching Kit, the Company Secretary, had taken no less than 15 hours of relevant professional training as required under Rule 3.29 of the Listing Rules during the year ended 31 December 2024.

As part of the continuous professional development programme, the Directors participated in various briefings as arranged and funded by the Company with appropriate emphasis on the roles, functions and duties of directors. This is in addition to Directors' attendance of meetings and review of papers and circulars sent by management. The participation of individual Directors and the Company Secretary in the training programmes held during the year of 2024 is recorded in the table below.

	Reading Regulatory updates	Training courses provided by hired law firm
Executive Directors		
Mr. ZHU Jianqiu	✓	✓
Mr. ZHANG Xiaolong (resigned with effect from 27 March 2024)	N/A	N/A
Mr. SHAO Min (resigned with effect from 27 March 2024)	N/A	N/A
Mr. ZHAO Qilin	✓	✓
Ms. MAO Haiyun (appointed with effect from 27 March 2024)	✓	✓
Mr. MA Ban (appointed with effect from 27 March 2024)	✓	✓
Ms. SU Huiqing	✓	✓
Mr. ZHOU Jiachao	✓	✓

	Reading Regulatory updates	Training courses provided by hired law firm
Independent Non-Executive Directors		
Mr. Jonathan CHAN Ming Sun	✓	✓
Mr. GAO Xudong	✓	✓
Mr. MENG Qingbin	✓	✓

	Reading Regulatory updates	Training courses provided by hired law firm/ regulatory authorities/ professional associations
Company Secretary		
Mr. CHENG Ching Kit	✓	✓

CHAIRMAN AND CHIEF EXECUTIVE

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. As Mr. ZHU Jianqiu serves as both the chairman of the Board and the president with effect from 8 April 2021, such practice deviates from code provision C.2.1 of the CG Code. Although the roles of chairman of the Board and president are performed by the same individual, all material decisions have been made in consultation with members of the Board as well as senior management. The Board has three independent non-executive Directors who offer different independent perspectives. Therefore, the Board is of the view that there is adequate balance of power and safeguards in place.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors is appointed for a twelve-month term, which is renewable automatically with a fixed amount of remuneration per annum.

All independent non-executive Directors have confirmed their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers them to be independent.

BOARD COMMITTEES

The Company has established three Board committees: audit committee (the "**Audit Committee**"), remuneration committee (the "**Remuneration Committee**") and nomination committee (the "**Nomination Committee**"). These Board committees comprise mostly independent non-executive Directors. Each committee operates under its terms of reference which is available on the Company's website or can be obtained from the Company by written request.

AUDIT COMMITTEE

Membership

The members of the Audit Committee are Mr. Jonathan CHAN Ming Sun (Chairman), Mr. GAO Xudong and Mr. MENG Qingbin. All members are independent non-executive Directors and have several years of experience and appropriate professional qualifications to fulfill their duties.

Responsibilities

The primary responsibilities of the Audit Committee include, among other things, making recommendations to the Board on the appointment, re-appointment and removal of external auditors, approving the remuneration and terms of engagement of external auditors, reviewing and monitoring external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, developing and implementing policies on the engagement of external auditors to provide non-audit services, monitoring the financial statements and the completeness of the report and financial statements and overseeing the Company's financial reporting system and internal control procedures. The Audit Committee held regularly meetings at its discretion. Directors and/or senior management may be invited to attend the meeting for discussion.

During the year ended 31 December 2024, the Audit Committee mainly performed the following duties:

— reviewed the Group's unaudited interim results for the six months ended 30 June 2024 and the audited annual results for the year ended 31 December 2023, met with the external auditors to discuss such annual results, and was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made;

— reviewed the continuing connected transactions of the Group;

— reviewed the accounting principles and practices adopted by the Group, and recommended the appointment of the external auditors; and

— assisted the Board in meeting its responsibilities for maintaining an effective system of internal control and risk management.

During the year ended 31 December 2024, the Audit Committee held three meetings and the details of attendance are set out on page 17 of this report. The annual results for the year ended 31 December 2024 had been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

Membership

The members of the Remuneration Committee are Mr. Jonathan CHAN Ming Sun (Chairman), Mr. ZHU Jianqiu and Mr. MENG Qingbin. Majority of the members are independent non-executive Directors.

Responsibilities

The primary responsibilities of the Remuneration Committee include, among other things, determining the remuneration packages of all executive Directors and senior management, making recommendations to the Board on the remuneration of non-executive Directors, reviewing and approving performance based remuneration, ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration, and making recommendations to the Board on the Company's policy and structure for remuneration of employees, including salaries, incentive schemes and other stock option plans.

During the year ended 31 December 2024, the Remuneration Committee mainly performed the following duties:

— reviewed the Group's remuneration policy and reviewed the remuneration package of the executive Directors and senior management for the year of 2024.

The Remuneration Committee has adopted the model described in Code Provision B.1.2(c) (ii) of the CG Code (i.e. make recommendation to the Board on the remuneration packages of individual executive Director and Senior Management).

During the year ended 31 December 2024, the Remuneration Committee held one meeting and the details of attendance are set out on page 17 of this report.

NOMINATION COMMITTEE

Membership

The members of Nomination Committee are Mr. ZHU Jianqiu (Chairman), Mr. Jonathan CHAN Ming Sun and Mr. GAO Xudong. Majority of the members are independent non-executive Directors.

Nomination Procedure and Selection Criteria

The Nomination Committee's nomination of director candidates has adopted the provisions of bye-laws 83, 84 and 85 of the Bye-laws.

Selection of board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

The Board has also adopted a board diversity policy. The purpose of the board diversity policy is to set out the basic principles to be followed to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance.

The Board will design measurable goals based on the recommendations made by the Nomination Committee for purposes of implementing the board diversity policy, and will review the goals from time to time so as to ensure its appropriateness and its progress for achieving such goals. The Nomination Committee will review the board diversity policy at least annually to ensure its continued effectiveness.

During the year ended 31 December 2024, the Company maintained an effective Board comprising members with diverse educational backgrounds, industry experience and professional experience. The Company's board diversity policy has been fully implemented. As at the date of this annual report, the Board consists of one female director and eight male directors. Taking into consideration the industry characteristics and management needs of the Company, the Board believes that gender diversity of the Board is appropriate.

Based on the annual business plan, the Group formulates the corresponding human resource planning plan. Depending on business progress and employment needs, it recruits talents through various internal and external channels to form diversified businesses team with different genders, ages, education backgrounds, knowledge and skills, and work experience. As at 31 December 2024, the male to female ratio of the Group's employees (including senior management) was approximately 3.3:2, which is in line with the distribution of personnel in the ICT industry. The Board believes that the Group has achieved gender diversity among employees.

The Company recognizes that Board independence is pivotal in good corporate governance and board effectiveness. The Board has mechanisms in place to ensure independent views and input from any director of the Company are conveyed to the Board for enhancing an objective and effective decision making. The Company provides sufficient resources for the Nomination Committee to perform its duties. The Nomination Committee may seek assistance from the Company Secretary of the Company or independent professional advice when necessary, at the Company's expense. The Company encourages all Directors to express their independent views and opinions freely at meetings of the Board/Board committees. The Chairman of the Board meets with the independent non-executive directors annually in the absence of the executive directors. The Nomination Committee will review the mechanism at least annually to ensure its effectiveness.

Responsibilities

The primary responsibilities of the Nomination Committee include, among other things, reviewing on a regular basis the structure, size and composition of the Board, identifying the suitability of individuals and assessing the independence of the independent non-executive Directors.

During the year ended 31 December 2024, the Nomination Committee mainly performed the following duties:

— assessed the suitabilities of any candidate as a Director, reviewed and recommended the appointment of any candidate;

— reviewed the annual confirmation of independence submitted by the independent non-executive Directors and assessed their independence; and

— reviewed the structure, size and composition of the Board during the year of 2024.

The Board has the authority to determine the appointment while the Nomination Committee acted as advisor. During the year ended 31 December 2024, the Nomination Committee held 1 meeting and the details of attendance are set out on page 17 of this report.

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in Code Provision A.2.1 of the CG Code. During the year ended 31 December 2024, the Board regularly reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and the senior management of the Group, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the "**Model Code**"), and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

REMUNERATION, APPOINTMENT AND ROTATION OF DIRECTORS

The remuneration of senior management consists of performance-linked monthly salary and performance-linked annual bonus. The performance-linked annual bonus is tied to the attainment of key performance indicators or targets. The remuneration of executive Directors is based on the Company's financial position in a fixed sum. The remuneration of independent non-executive Directors is determined by the Board according to the prevailing market conditions and the workload.

Currently, executive Directors are mainly recommended by the substantial Shareholders who have considerable years of experience and expertise in the consumer electronics industry, ICT and services industry, and Enterprise management field whereas for the independent non-executive Directors, independence is most important as well as his/her experience and expertise in finance, law and management. The Nomination Committee, taking into consideration the Listing Rules and structure and composition of the Board, identifies and reviews the suitability of individuals with due care. The Nomination Committee makes prudent recommendations to the Board for its consideration.

All newly-appointed Directors receive a comprehensive induction of fiduciary duties of director to ensure that they have a good understanding of the responsibilities; are fully aware of the Listing Rules, applicable laws and regulations, operation and governance policies of the Company. All newly-appointed Directors are subject to re-election at the next annual general meeting of the Company after their appointment. Every Director is subject to retirement by rotation and be eligible to offer for re-election at annual general meetings of the Company.

COMPANY SECRETARY

The company secretary of the Company is Mr. CHENG Ching Kit ("**Mr. Cheng**").

Mr. Cheng is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited, a professional services provider specialising in corporate services, and assists Ms. Feng Yongli ("**Ms. Feng**"), who is the board secretary of the Company, in company secretarial affairs. The primary corporate contact person of Mr. Cheng at the Company is Ms. Feng.

MANAGEMENT AND EMPLOYEES

The duty of the management of the Group is to implement the strategy and direction as determined by the Board and to take care of the day-to-day operations of the Company. Management is adhered to certain commercial principles and ethics while performing their duties. The Company strives to continue to improve the operating system and business processes and monitor its implementation.

Pursuant to Code Provision E.1.5, the remuneration of the members of the senior management by remuneration band for the year ended 31 December 2024 is set out below:

Remuneration band	Number of individuals
HK$500 thousand to HK$3,000 thousand	3
Above HK$3,000 thousand	3

Further particulars of Directors' emoluments and the five highest paid individuals discloseable pursuant to Appendix D2 of the Listing Rules are set out in Note 11 to the consolidated financial statements as set out on pages 93 to 95 of this annual report.

DIVIDEND POLICY

The Company's dividend declaration and approval are implemented in accordance with bye-laws 133 to 142 of the Bye-laws and the Listing Rules.

In recommending or declaring dividends, the Company shall maintain adequate cash reserves to meet its working capital requirements and future growth as well as its shareholder value.

The Company does not have any pre-determined dividend distribution ratio.

EXTERNAL AUDITOR

During the year ended 31 December 2024, the services provided by SHINEWING (HK) CPA Limited ("**SHINEWING**") included the audit of consolidated financial statements of the Group. The remuneration of the audit service rendered by SHINEWING was mutually agreed in view of the scope of services and amounted to RMB1,537,000 and the sum for other non-audit and tax services provided by SHINEWING and its affiliate amounted to RMB223,000 for the year ended 31 December 2024.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board conducts regular reviews on the effectiveness of the risk management and internal control systems on at least an annual basis to ensure that the operation of the Company is legal, the assets of the Company are safeguarded and the financial information that the Company relies on for the operation of its business or for the release to the public are accurate and reliable. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The management of the Group is responsible for establishing and maintaining the risk management and internal control systems for financial reporting. The Company has established a stringent internal control system for financial reporting to eliminate the risks of misstatement, omission and fraud in financial reporting. Meanwhile, with reference to external regulatory requirements, the Company’s business development and the internal management procedures, the Company has reviewed the effectiveness of the internal control system for business strategy, finance, operations, marketing, legal compliance and other areas. The Company has established a comprehensive risk management system which integrates internal control and risk management system for the control of business operations with high risks.

The Company has set up internal audit function. The Company’s internal audit department reviews the compliance of internal policies and procedures from time to time, and reviews the operating effectiveness of the risk management and internal control systems. The Audit Committee regular reviews the internal audit plan to ensure that the work of the internal and external auditors is coordinated. The Audit Committee regular reviews the internal monitoring function, to ensure that there are sufficient resources to operate the audit function within the Group, and reviews and monitors its effectiveness. The Audit Committee regular reviews the reports of the internal audit department, and makes reports and suggestions to the Board.

The Company also conducted an assessment on the effectiveness of its internal control and risk management systems for the year ended 31 December 2024. The management of the Group believes that the internal control, risk management and financial reporting systems were effective and adequate and provided reliable financial data in the preparation of financial statements in accordance with generally accepted accounting principles.

All material information related to the Company is disclosed through the leadership of the Board together with the performance of the relevant duties by the management. The Company has performed an annual review of the effectiveness of the disclosure procedures. The Company’s disclosure procedures were effective at a reasonable assurance level.

To ensure inside information of the Group is to be disclosed to the public in a timely manner in accordance with the Listing Rules, applicable laws and regulatory requirement, a policy has been established to set out the procedures and internal controls for the handling and dissemination of inside information. The Board is responsible for approving the Company's authorization of its directors to publish announcements and/or circulars in relation to inside information. The Company regularly reminds its directors and employees to comply with all requirements relating to inside information to ensure that they are in compliance with regulatory requirements.

CONSTITUTIONAL DOCUMENTS

The Company has adopted the second amended and restated bye-laws of the Company by way of a special resolution passed at the 2024 annual general meeting held on 24 May 2024 and effective on the same date, in order to, among other things, (i) updating and bringing the existing amended and restated bye-laws of the Company in line with the latest regulatory requirements in relation to the expanded paperless listing regime and the electronic dissemination of corporate communications by listed issuers as set out in the Listing Rules which took effect from 31 December 2023; and (ii) better aligning the existing amended and restated bye-laws of the Company with the provisions of the Listing Rules and the applicable laws of Bermuda. For details of the second amended and restated bye-laws of the Company, please refer to the announcements of the Company dated 19 April 2024 and 24 May 2024, and the circular of the Company dated 19 April 2024, respectively. Save as disclosed above, there has been no change in the bye-laws of the Company during the year ended 31 December 2024.

The second amended and restated bye-laws of the Company are available on the websites of the Company and of the Stock Exchange.

CONTINUOUS EVOLVEMENT OF CORPORATE GOVERNANCE

The Company will look into the development of corporate governance practices with reference to the world's leading institutions, relevant regulations by the regulatory bodies and the expectation of the investors. The Company will also review and enhance the corporate governance procedures and practices from time to time so as to ensure the long-term sustainable development of the Company.

CORPORATE SOCIAL RESPONSIBILITY

The Group positions itself as a remarkable digitalization and intelligentization comprehensive service provider in the new era, with the corporate business philosophy of "be a good partner to help with growth and support success", leveraging core digital and intelligent capabilities to empower oneself and partners for value enhancement, It is committed to providing partners with pan-ICT product lines, online and offline new circulation ecological services, ICT infrastructure construction products and services, enterprise cloudification and cloud data intelligence solutions and services to help partners grow and succeed in a long and sustainable manner.

The Group focuses on the sustainable development of coordination among the business, the society and the environment. In pursuit of economic efficiency and business development, the Group consciously incorporates social responsibility into our business strategy for an honest and compliant operation, and actively fulfills our social responsibilities and obligations, to achieve the healthy and harmonious developments between the Company and our staff, the Company and the society and the Company and the environment, and continue to create value for the Shareholders.

Corporate Governance Report

CORPORATE MISSION

The Group is committed to its partners' digital and intelligent upgrading, aspires to become a listed company with good profitability and a remarkable digitalization and intelligentization comprehensive service provider in China, hence maintaining its sustainable long-term development and creating maximum returns for the Shareholders.

CORPORATE VISION

— To become a remarkable digitalization and intelligentization comprehensive service provider in China

— To become a remarkable listed company bringing satisfactory returns to the Shareholders

— To become a paradise for the career development of professional managers

CORPORATE CULTURE

— Targets and results oriented: with clearly defined strategic targets, use the targets to be achieved to plan, figure out the timelines, strategies, measures and road maps in accomplishing them and then move forward step by step. Achieve targets through scientific and systemic ways of thinking and focus on results accountability. Fully mobilize the core strength to target, precise alignment, and continuously enhance the effectiveness of the work.

— Simple and direct communication: efficiency is the principle to follow and achieve targets through focused and efficient communications. Be straight to the point, have clear subjects during communication, important first and then secondary, be targets and results oriented and focus on facts but not individuals.

— Seek for truth, seek for diversity, explore other kinds of possibility: apply rules that are discovered during exploration process, seek for and apply differences in rules. Advocate "engineer culture", activate the creation gene, establish the innovative thinking mode of Chinese digitalization and intelligentization comprehensive service enterprises, revitalize the vitality of creation and endeavor to achieve corporate improvement and industry perfection.

DEVELOPMENT STRATEGY

On the basis of maintaining the steady development of the traditional ICT distribution business, to actively grasp the rapid development and digital transformation trend of the Internet of Things and cloud applications, increase technical investment, enhance independent innovation, develop and enhance digital and intelligent core capabilities, and realize the strategic transformation to a remarkable digitalization and intelligentization comprehensive service provider and value partner in the new era.

CORPORATE GOVERNANCE

In order to achieve its corporate mission, the Company has established good corporate governance practices based on the principles of integrity, transparency, openness and efficiency, and has implemented and improved various policies, internal controls procedures and other management framework. The Company will continue to learn and understand the development of corporate governance practices with reference to the world's leading institutions, relevant regulations by the regulatory bodies and the expectation of the investors. The Company will also review and enhance the corporate governance procedures and practices from time to time so as to ensure the long-term sustainable development of the Company.

Report of the Directors

The Directors present their report together with the audited financial statements of the Company and the Group for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries of the Company are set out in Note 37 to the consolidated financial statements.

RESULTS OF OPERATIONS

The results of the Group for the year ended 31 December 2024 are set out in the consolidated statement of profit or loss and other comprehensive income on page 58 of this annual report.

FINANCIAL SUMMARY

The financial summary of the Group between 2020 and 2024 is set out on pages 137 to 138 under the section of "Five-year Summary of Financial Information" of this annual report.

BUSINESS REVIEW

A review of the business of the Group during the year ended 31 December 2024 and a discussion of the Group's future business development and a description of principal risks and uncertainties facing the Company are set out in the Chairman's Statement on pages 9 to 10 of this annual report. An analysis of the Group's performance during the year ended 31 December 2024 using financial key performance indicators is set out in the Group's Five-year Financial Summary on pages 137 to 138 of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES FACED BY THE GROUP

The Group's financial conditions, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties which are not known to the Group or which may not be material now but could turn out to be material in the future.

Business Risk

The business of the Group is highly dependent on the overall economic condition of the PRC and is affected by seasonality factors. Any market downturn in the PRC generally may adversely affect the Group's business, results of operations and financial position. The Group continues to closely follow the macroeconomic situation and actively cope with the market changes, and try to avoid the operating risks caused by the changes in the macroeconomic situation.

Also, the Group's business relies heavily on a small number of key suppliers and products. Any failure to maintain a good relationship with the suppliers may adversely affect the Group's revenue and profitability as a whole. The Group is committed to helping brand owners explore the market with excellent marketing services, and strives to maintain long-term and close business relations with brand owners. At the same time, the Group will adopt several means, such as introducing new brand owners and new product lines, in a timely manner to expand the scope of business, so as to reduce the degree of dependence on a small number of major suppliers.

Further, in the course of its business, the Group also faces inventory risks if stock levels are not properly monitored and managed, or in the event of any failure to predict sales accurately. The Group continues to strengthen its tracking of market demand information, monitor daily inventory of distributors, and reasonably arrange the incoming purchase from suppliers upstream, with an aim to maintain appropriate inventory level.

Foreign Currency Risk

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles substantially all of its transactions is Renminbi. Any depreciation of Renminbi would adversely affect the value of any dividends the Group pay to the Shareholders outside of the PRC. The Group will continue to monitor foreign exchange rate changes to best preserve the Group's cash value.

ENVIRONMENTAL PROTECTION AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group focuses on the coordinated and sustainable development among the business, the society and the environment. In pursuit of economic efficiency and business development, the Group consciously incorporates social responsibility into our business strategy for an honest and compliant operation, and actively fulfills our social responsibilities and obligations, to achieve the healthy and harmonious development between the Company and our staff, the Company and the society and the Company and the environment, and continue to create value for the shareholders. The Company strictly abides by local and national laws and rules related to environment, actively implements the concept of environmental protection and conservation, and formulates policies and measures for the management of environmental protection. The Group: (1) endeavors to adopt low-carbon methods such as trucks, railways and shipping for transportation of products; (2) installs air purifiers in the main office area to regularly inspect and improve the air quality in the office; (3) adopts professional drinking water cleaning and treatment proposals to guarantee the quality of drinking water; regularly replace green plants to build a healthy and clean office environment. The Group also enhances the awareness of energy saving and consumption conservation of its staff through posters and promotional videos, promotes paperless office software and secondary use of printing papers, produces portable notebooks, sends holiday e-cards and prints by swiping cards to reduce paper consumption; (4) increases the use of the renewable energy, solar hot water, while reducing the quantity of official cars and mileage, tries to use the online video conference system or teleconference to reduce business trips, energy consumption and emission of carbon dioxide in active response to the call of the State for environmental protection; (5) installs more energy-saving lighting equipment and intelligent electricity-saving system for air conditioners in offices, which can automatically adjust the turning on and off time and the temperature settings of air-conditioners according to weather conditions; and (6) strictly implements the garbage classification policy, and ensures scrapped electronic products are recycled by the organisations qualified for environment-friendly recycling to prevent the environmental pollution.

i Use of electricity — The Group leased offices in 24 cities including Mainland China and Hong Kong. In 2024, the electricity consumption is 1,269 million watt-hour, involved 681 tons (2023: 789 tons) of carbon emissions. In 2024, the Group's per capita electricity consumption involved 0.48 tons (2023: 0.54 tons) of carbon emissions, down by 11.1%. (The source of carbon emission conversion factors involved in electricity use is the "Notice on the release of 2022 electricity carbon dioxide emission factors" promulgated by the Ministry of Ecology and Environment of the People's Republic of China in December 2024.

ii Use of fuel — The Group owns a few vehicles for travel and reception of the executives. In 2024, the fuel usage involved carbon emissions of 7.9 tons (2023: 9.3 tons). In 2024, the Group's the per capita fuel consumption involved 0.0055 tons of carbon emissions, slightly higher than 0.0057 tons in 2024. (The source of carbon emission conversion factors involved in fuel use is the "2006 IPCC (Intergovernmental Panel on Climate Change) National Greenhouse Gas List Guidelines Catalogue", Vehicle Emission Capabilities: 2.2631 Kg/L)

iii Use of paper — The use of paper by the Group mainly originates from office consumption. The Group's paper usage was 0.54 million sheets (2023: 079 million sheets) in 2024, representing a decrease of 31.6% compared with that of last year, which was mainly due to the Group continues to implement e-contracting to reduce paper usage.

iv Use of packaging materials — Issues relevant to the use of packaging materials are not applicable to the Group due to the Group's business nature since 2020.

During the year ended 31 December 2024, the Group was subject to various laws and regulations set by the PRC national, provincial and municipal governments relevant to the Group's business operation, including The Company Law of the PRC (《中華人民共和國公司法》), Civil Code of the People's Republic of China (《中華人民共和國民法典》) and Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》). Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations. During the year ended 31 December 2024, the Group has complied with relevant laws and regulations that have significant impact on the operations of the Group. Further, any changes in applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, EMPLOYEES AND OTHER STAKEHOLDERS

The Group believes that maintaining a good relationship with its business partners, customers, suppliers, employees and other stakeholders is important to the Group's business performance and development. Accordingly, the management of the Group has kept good communication, exchanged ideas and shared business updates with the stakeholders when appropriate. The Group also creates a framework for motivating staff and maintaining close relationship with staff. During the year ended 31 December 2024, there were no material and significant disputes between the Group and its customers, suppliers, employees and/or other stakeholders.

RESULTS AND DIVIDEND

The Group's profit for the year ended 31 December 2024 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 58 to 136 of this annual report.

Report of the Directors

The Board recommended the payment of final dividend of HK$0.05 per share of the Company (the "**Share(s)**") in respect of the year ended 31 December 2024 (2023: HK$0.05 per Share), amounting to HK$128,526,000 (calculated based on 1,454,652,000 ordinary shares in issue and 1,115,868,000 preference shares in issue on 28 March 2025), and there is no arrangement that a Shareholder has waived or agreed to waive any dividend. The final dividend is expected to be paid on Friday, 20 June 2025 to all Shareholders whose names appear on the register of members of the Company at the close of business on Friday, 6 June 2025 and is subject to approval by the Shareholders at the forthcoming annual general meeting of the Company (the "**AGM**").

The declared final dividend for the year ended 31 December 2023 of HK$128,526,000 in total (HK$0.05 per Share) was paid on 21 June 2024.

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The AGM is scheduled to be held on Friday, 23 May 2025. The Company's register of members will be closed from Tuesday, 20 May 2025 to Friday, 23 May 2025, both days inclusive, for the purpose of determining the entitlements of the Shareholders to attend and vote at the AGM. During this period, no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 19 May 2025.

CLOSURE OF REGISTER OF MEMBERS FOR PROPOSED FINAL DIVIDEND

The Company's register of members will be closed from Wednesday, 4 June 2025 to Friday, 6 June 2025, both days inclusive, for the purpose of determining the entitlements of the Shareholders to the proposed final dividend of HK$0.05 per Share for the year ended 31 December 2024, if approved at the AGM. During this period, no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 3 June 2025.

PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons thereof, are set out in Note 27 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws or the laws of Bermuda which would oblige the Company to offer new Shares on a pro rata basis to its existing Shareholders.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTING SECURITIES

During the year ended 31 December 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge of the Directors, throughout the year ended 31 December 2024 and as at the latest practicable date prior to the issue of this report, the Company maintained a sufficient public float of at least 25% in the number of issued shares of the Company pursuant to the Listing Rules.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2024 are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company had several reserve accounts available for distribution, in the amount of approximately HK$176 million.

MAJOR CUSTOMERS AND SUPPLIERS

In the year ended 31 December 2024, sales to the Group's five largest customers accounted for approximately 13.06% of the total sales for the year and sales to the largest customer included therein amounted to approximately 4.26%. Purchases from the Group's five largest suppliers accounted for approximately 45.13% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 19.83%.

Save as aforesaid, none of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of consolidated financial statements of the Group for the year ended 31 December 2024.

DIRECTORS

The Directors during the year and up to the date of this annual report were:

Executive Directors

Mr. ZHU Jianqiu (Chairman and President)
Mr. ZHANG Xiaolong (resigned with effect from 27 March 2024) (Note 1)
Mr. SHAO Min (resigned with effect from 27 March 2024) (Note 1)
Mr. ZHAO Qilin
Ms. MAO Haiyun (appointed with effect from 27 March 2024)
Mr. MA Ban (appointed with effect from 27 March 2024)
Ms. SU Huiqing
Mr. ZHOU Jiachao

Independent Non-Executive Directors
Mr. Jonathan CHAN Ming Sun
Mr. GAO Xudong
Mr. MENG Qingbin

Notes:

(1) Mr. ZHANG Xiaolong and Mr. SHAO Min resigned as executive Directors due to their other business commitments.

(2) In accordance with bye-laws 83 and 84 of the Bye-laws, Mr. ZHAO Qilin, Mr. ZHOU Jiachao, and Mr. MENG Qingbin, will retire at the AGM, and, being eligible, will offer themselves for re-election.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical Details of the Directors and the senior management of the Group are set out on pages 4 to 8 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Except for Mr. ZHAO Qilin, Ms. MAO Haiyun, Mr. MA Ban, Ms. SU Huiqing and Mr. Zhou Jiachao, the Company and each of its Directors (including independent non-executive Directors) has entered into a fixed-term service contract which is renewable automatically per annum. Mr. ZHAO Qilin, Ms. MAO Haiyun, Mr. MA Ban, Ms. SU Huiqing and Mr. ZHOU Jiachao have entered into service contracts with the Company with no fixed term, and are terminable by either party giving not less than one month's written notice or payment in lieu.

Save as aforesaid, none of the Directors proposed for re-election at the AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within the term without payment of compensation, other than statutory compensation.

DONATION

No charitable and other donations were made by the Group during the year ended 31 December 2024 (2023: nil).

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group or existed during the year ended 31 December 2024.

PERMITTED INDEMNITY AND INSURANCE PROVISIONS

The Bye-laws provide that every Director shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty. Such provisions were in force during the financial year ended 31 December 2024 and remained in force as of the date of this report. The Company has also arranged appropriate directors' and officers' liability insurance in respect of legal action against Directors.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2024.

DIRECTORS' INTERESTS TRANSACTIONS, ARRANGEMENTS AND IN CONTRACTS OF SIGNIFICANCE

No Director had a material interest, either directly or indirectly, in any transaction, arrangement and contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party during the year ended 31 December 2024.

SHARE SCHEMES

The Company currently does not have any share option scheme or share award scheme.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES

As at 31 December 2024, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix C3 to the Listing Rules were as follows:

Name of Director	Capacity	Number of ordinary shares interested (Note a)	Approximate percentage of interest
Mr. Zhu Jianqiu	Beneficial owner	115,165,762 (L)	7.92%
Mr. Zhao Qilin	Beneficial owner	750,000 (L)	0.05%
Ms. Su Huiqing	Beneficial owner	34,589,636 (L)	2.38%

Note:

(a) (L) represents long position.

Save as disclosed above, as at 31 December 2024, none of the Directors or chief executives of the Company had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix C3 to the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2024 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate. As at the date of this report, the Company has not granted any share options to the Directors.

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS IN THE COMPANY

So far as the Directors were aware, as at 31 December 2024, the persons or companies (not being a Director or chief executive of the Company) whose interests or short positions in the Shares or underlying Shares or debentures of the Company which would fall to be disclosed or were notified to the Company and the Stock Exchange pursuant to the provisions under Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Long positions in Shares

Name of substantial shareholders	Capacity	Class of Shares	Number of Shares interested (Note a)	Approximate percentage of interest in relevant class of shares (Note b)
Sichuan Changhong Electric Co., Limited ("**Sichuan Changhong**")	Interest of controlled corporation	Ordinary share	874,650,000 (L) (Note c)	60.13%
		Preference share	1,115,868,000 (L) (Note d)	100.00%
Changhong (Hong Kong) Trading Limited ("**Changhong Hong Kong**")	Interest of controlled corporation and beneficial owner	Ordinary share	874,650,000 (L) (Note e)	60.13%
		Preference share	1,115,868,000 (L) (Note d)	100.00%
Fit Generation Holding Limited ("**Fit Generation**")	Beneficial owner	Ordinary share	858,650,000 (L)	59.03%
		Preference share	1,115,868,000 (L)	100.00%

Name of substantial shareholders	Capacity	Class of Shares	Number of Shares interested (Note a)	Approximate percentage of interest in relevant class of shares (Note b)
Sichuan Chuantou Assets Management Co., Ltd. ("**Chuantou Assets Management**") (Note f)	Beneficial owner	Ordinary share	83,009,340 (L)	5.70%
Sichuan Provincial Investment Group Company Limited ("**Sichuan Provincial Investment Group**") (Note f)	Interest of controlled corporation	Ordinary share	83,009,340 (L)	5.70%

Notes:

(a) (L) represents long position.

(b) The percentages are calculated based on the total number of Shares and preference shares of the Company in issue as at 31 December 2024, which were 1,454,652,000 and 1,115,868,000, respectively.

(c) Among the 874,650,000 Shares interest held by Sichuan Changhong, 16,000,000 Shares were held through its wholly-owned subsidiary, Changhong Hong Kong and 858,650,000 Shares were held through Fit Generation, which is wholly-owned by Changhong Hong Kong. Sichuan Changhong is therefore deemed to be interested in the Shares held by Changhong Hong Kong and Fit Generation for the purpose of the SFO. Sichuan Changhong Holding is the single largest shareholder of Sichuan Changhong, which held approximately 23.22% of the entire issued share capital of Sichuan Changhong and has de facto control over the composition of the majority of the board of Sichuan Changhong.

(d) 1,115,868,000 preference shares of the Company were held by Fit Generation, which is wholly-owned by Changhong Hong Kong, which is a wholly-owned subsidiary of Sichuan Changhong. Each of Sichuan Changhong and Changhong Hong Kong is therefore deemed to be interested in the preference shares of the Company held by Fit Generation for the purpose of the SFO.

(e) Among the 874,650,000 Shares interest held by Changhong Hong Kong, 16,000,000 Shares were held directly and 858,650,000 Shares were held through Fit Generation. As Fit Generation is wholly-owned by Changhong Hong Kong, Changhong Hong Kong is deemed to be interested in the Shares held by Fit Generation for the purpose of the SFO.

(f) Chuantou Assets Management is wholly-owned by Sichuan Provincial Investment Group, which is deemed to be interested in the Shares held by Chuantou Assets Management for the purpose of the SFO.

Save as disclosed above, As at 31 December 2024, the Directors were not aware of any other person who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN A COMPETING BUSINESS

Sichuan Changhong is a controlling shareholder of the Company established in the PRC of which shares are listed on the Shanghai Stock Exchange. Sichuan Changhong is principally engaged in the wholesale business of consumer home electronics items under the name of "Changhong".

Save as disclosed above, none of the Directors or the controlling shareholders of the Company or any of their respective close associates (as defined in the Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group and any other conflicts of interest which any person has or may have with the Group during the period under review.

COMPLIANCE OF THE DEED OF NON-COMPETITION

As disclosed in the circular of the Company dated 12 December 2012 (the "**Circular**"), the Company entered into a deed of non-competition (the "**Deed of Non-Competition**") with Sichuan Changhong, Sichuan Changhong Holding and Fit Generation (collectively, the "**Covenantors**"), on 7 December 2012, containing certain non-competition undertakings given in favour of the Group, details of which are disclosed in the paragraphs headed "Non-compete Undertakings" in the Circular.

The Company has received confirmations from the Covenantors confirming their compliance with the Deed of Non-Competition and agreed to make a declaration on compliance with the Deed of Non-Competition in this Annual Report. The independent non-executive Directors have also reviewed the compliance and enforcement of the Deed of Non-Competition, and are of the view that the Covenantors have abided by the undertakings contained in the Deed of Non-Competition for the year ended 31 December 2024.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Saved as the related party transactions disclosed in Note 36 to the consolidated financial statements, no controlling Shareholder had a material interest, either directly or indirectly, in any contract of significance (whether for the provision of services to the Company or not) to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2024.

STANDARD OF DEALINGS AND CODE OF CONDUCT FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors' dealings in securities of the Company (the "**Code of Conduct**"). Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standards as set out in the Code of Conduct throughout the year ended 31 December 2024.

CONNECTED TRANSACTIONS

During the year 2024, the following connected transaction was carried out by the Group.

House Leases Agreements

The Group entered into the following leases (collectively the "**Leases**"): (1) on 25 May 2023, (ii) Changhong IT entered into a lease agreement with Beijing Changhong Technology Company Limited* (北京長虹科技有限責任公司) ("**Beijing Changhong**") in relation to the leasing of certain premises in Beijing, which be used by Changhong IT as its office (the"**2023 Changhong IT Lease (Beijing)**") and (ii) Changhong IT entered into a lease agreement with Chengdu Changhong Electronic Technology Company Limited* (成都長虹電子科技有限責任公司) ("**Chengdu Changhong**") in relation to the leasing of certain premises in Chengdu, which be used by Changhong IT as its office (the "**2023 Changhong IT Lease (Chengdu)**"); (2) on 24 May 2024, Changhong IT entered into a lease agreement with Beijing Changhong, to renew the leasing of premises under the 2023 Changhong IT Lease (Beijing) (the "**2024 Changhong IT Lease (Beijing)**"). The 2023 Changhong IT Lease (Chengdu) and 2024 Changhong IT Lease (Beijing) will be both valid and performed.

Beijing Changhong and Chengdu Changhong are owned as to 48.98% and 99.95%, respectively, by Sichuan Changhong, a controlling shareholder of the Company. Hence, Beijing Changhong and Chengdu Changhong are associates of Sichuan Changhong and connected persons of the Company. Accordingly, the entering into of the Leases constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the estimated values of the right-of-use asset to be recognised by the Group under the Leases will be aggregated for the purpose of calculating the percentage ratios. As one or more of the applicable percentage ratios in respect of the estimated value of the right-of-use asset to be recognised by the Group under the Leases in aggregate are more than 0.1% and less than 5%, the entering into of the Lease is therefore exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, but is subject to the reporting and announcement requirements. For details of the aforementioned Leases, please refer to the announcement of the Company dated 25 May 2023 and 24 May 2024.

The Directors are of the view that it is in the interest of the Company to enter into the Leases in order to provide the Group with stable and necessary office premises for its business operation.

The Directors are of the view that the Leases and the transactions contemplated thereunder were entered into on normal commercial terms in the ordinary and usual course of business of the Company after arm's length negotiations, and the terms of the Leases and the transactions contemplated thereunder are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

CONTINUING CONNECTED TRANSACTIONS

During the year 2024, the following continuing connected transactions were carried out by the Group.

(a) Master Supply Agreement

On 14 November 2023, the Company entered into a framework agreement (the "**2024 Master Supply Agreement**") with Sichuan Changhong Holding in relation to the supply of ICT products and technical services, including mainly (i) storage products such as storage devices, (ii) servers, (iii) networking products such as switches and routers, (iv) personal computers, and (v) installation and maintenance services for the abovementioned categories of the ICT products to be provided by the Group to the Sichuan Changhong Electric Group (the "**ICT Products and Services**") to Sichuan Changhong Electric Group for a fixed term commencing from 1 January 2024 to 31 December 2026 (both days inclusive).

In accordance with the 2024 Master Supply Agreement, the Group and the Sichuan Changhong Electric Group entered into individual orders setting out specific terms of each individual purchase of the ICT Products and Services during the year ended 31 December 2024. Pursuant to the 2024 Master Supply Agreement, (i) the price and terms of the individual orders in respect of the supply of the ICT Products and Services by the Group to the Sichuan Changhong Electric Group shall be on normal commercial terms, negotiated on an arm's length basis, on similar basis as the Group transacts business with other independent third party customers and shall be on terms which are no less favourable to the Group than those provided to independent third party customers; and (ii) payment shall be made by the Sichuan Changhong Electric Group, for project business, in accordance with the payment terms under individual order with reference to the timing of the project business; and for any other trading business, within normal credit period upon the date of invoice. For the year ended 31 December 2024, the transaction amount under the 2024 Master Supply Agreement is subject to a cap of RMB100 million (2023: RMB242 million).

The Directors were of the view that the entering into of the 2024 Master Supply Agreement and the 2024 Master Supply Agreement by the Company would continue to capitalize on the stable and well-established strategic business relationship with the Sichuan Changhong Electric Group and in turn ensure a stable income source with a committed source of purchase orders from the Sichuan Changhong Electric Group, which in turn would benefit the Group's revenue growth and future development. For details of the 2024 Master Supply Agreement, please refer to the announcements of the Company dated 14 November 2023, 5 December 2023 and 29 December 2023, and the circular of the Company dated 11 December 2023, respectively.

As Sichuan Changhong Holding owns approximately 23.22% equity interest in Sichuan Changhong, a controlling Shareholder, and has control over Sichuan Changhong, both Sichuan Changhong and Sichuan Changhong Holding are controlling Shareholders and hence Sichuan Changhong Holding is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2024 Master Supply Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one of the applicable percentage ratios (excluding the profits ratio) under the Listing Rules in respect of the highest annual cap for the transactions contemplated under the 2024 Master Supply Agreement exceeds 5%, the transactions contemplated under the 2024 Master Supply Agreement are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The transactions have been approved by the independent Shareholders at the Special General Meetings of the Company held on 29 December 2023.

For the year ended 31 December 2024, the sales made under the 2024 Master Supply Agreement amounted to approximately RMB93.42 million (2023: approximately RMB14.68 million) in total.

(b) Master Purchase Agreement

On 14 November 2023, the Company entered into a framework agreement (the "**2024 Master Purchase Agreement**") with Sichuan Changhong Holding, in relation to the purchase of products including TV, intelligent devices, software and services (the "**Purchase Products**") from the Sichuan Changhong Electric Group for a fixed term commencing from 1 January 2024 to 31 December 2026 (both days inclusive).

In accordance with the 2024 Master Purchase Agreement, the Group and the Sichuan Changhong Electric Group entered into individual orders setting out specific terms of each individual purchase of the Purchase Products during the year ended 31 December 2024. Pursuant to the 2024 Master Purchase Agreement, (i) the price and terms of the individual order in respect of the purchase of the Purchase Products shall be on normal commercial terms, negotiated on an arm's length basis, on similar basis as the Group transacts business with other independent third party suppliers and shall be on terms which are no less favourable to the Group than those provided by independent third party suppliers; and (ii) payment shall be made by the Company, for project business, in accordance with the payment terms under individual order with reference to the timing of the project business; and for any other trading business, within normal credit period upon the date of invoice. For the year ended 31 December 2024, the transaction amount under the 2024 Master Purchase Agreement was subject to a cap of RMB47.9 million (2023: RMB47.9 million).

The Directors were of the view that the entering into of the 2024 Master Purchase Agreement by the Company would enhance the diversification of products to be supplied to the Group. Taking into consideration that the Group has a stable and well-established strategic business relationship with the Sichuan Changhong Electric Group, Sichuan Changhong Electric Group has a deep understanding as to the specifications of the products required by the Group, the entering of the 2024 Master Purchase Agreement would support the stable growth and expansion of the business of the Group, which in turn would benefit the Group's revenue growth and future development. For details of the 2024 Master Purchase Agreement, please refer to the announcements of the Company dated 14 November 2023, and the circular of the Company dated 11 December 2023, respectively.

As disclosed above, Sichuan Changhong Holding is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2024 Master Purchase Agreement and 2024 Master Purchase Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As all applicable percentage ratios (excluding the profits ratio) under the Listing Rules in respect of the highest annual cap for the 2024 Master Purchase Agreement exceed 0.1% but all of them are less than 5%, the transactions contemplated under the 2024 Master Purchase Agreement are subject to the reporting, announcement and annual review requirements but exempt from the circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios under the Listing Rules in respect of the highest annual cap for the transactions contemplated under each of the 2024 Master Supply Agreement and the 2024 Master Purchase Agreement exceeds 5%, the transactions contemplated under each of the 2024 Master Supply Agreement and the 2024 Master Purchase Agreement are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The transaction has been approved by the independent Shareholders at the Special General Meetings of the Company held on 29 December 2023.

For the year ended 31 December 2024, the purchase made under the 2024 Master Purchase Agreement amounted to approximately RMB4.44 million (2023: approximately RMB2.13 million) in total.

(c) Financial Services Agreement

On 14 November 2023, Changhong IT entered into a financial services agreement (the "**2024 Financial Services Agreement**") with Sichuan Changhong Group Finance Company, Limited (四川長虹集團財務有限公司) ("**Changhong Finance**"), pursuant to which Changhong Finance agreed to provide financial services including (1) deposit services; (2) loan services; and (3) settlement services (collectively, the "**Financial Services**") to Changhong IT.

The 2024 Financial Services Agreement has a fixed term from 1 January 2024 and ending on 31 December 2026 (both dates inclusive). Pursuant to the 2024 Financial Services Agreement, (i) in relation to the deposit services, the interest rate applicable to any deposits made available to Changhong Finance will be determined in the ordinary course of business and shall not be less than (a) the minimum interest rate prescribed by the People's Bank of China ("**PBOC**") at such relevant time, and (b) the interest rate available to Changhong IT from other major commercial banks in the PRC independent to Changhong IT in respect of the same type of deposits; (ii) in relation to the loan services, the interest rate of the loans to be granted by Changhong Finance to Changhong IT will be determined in the ordinary course of business and shall not be higher than (a) the maximum interest rate prescribed by PBOC at such relevant time; and (b) the interest rate charged against Changhong IT by other major commercial banks in the PRC independent to Changhong IT in respect of the same type of loans; and (iii) in relation to the settlement services to Changhong IT, the settlement service fees to be charged by Changhong Finance will be determined in the ordinary course of business and shall not exceed the fees charged by other settlement services providers independent to Changhong IT in respect of the same type of settlement services.

As the deposit interest rates and the lending rates offered by Changhong Finance to Changhong IT would be equal to or more favorable to Changhong IT than those offered by independent commercial banks in the PRC to Changhong IT for comparable deposits or, as the case may be, loans, the 2024 Financial Services Agreement is therefore expected not only to provide Changhong IT with new means of financing but also to improve the efficiency of the use of its funds through higher interest income and lower costs of financing. Changhong IT is also expected to be in a better position to manage the security of its funds since it is not considered to be exposed to any significant capital risk. For details of the 2024 Financial Services Agreement, please refer to the announcement of the Company dated 14 November 2023, 5 December 2023 and 29 December 2023 and the circular of the Company dated 11 December 2023.

As at the date of the 2024 Financial Services Agreement, Changhong Finance is owned as to approximately 35.04% by each of Sichuan Changhong and Sichuan Changhong Holding respectively, and approximately 14.96% by each of Changhong Huayi Compressor Co., Ltd. (長虹華意壓縮機股份有限公司, a company established under the laws of the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000404) and is owned as to approximately 30.6% by Sichuan Changhong) and Changhong Meiling Co., Ltd. (長虹美菱股份有限公司, a company established under the laws of the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000521) and is owned as to approximately 23.79% by Sichuan Changhong) respectively. Changhong Finance is an associate of a connected person of the Company, and thus a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2024 Financial Services Agreement also constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios under the Listing Rules in respect of the maximum daily outstanding balance of the deposit services under the 2024 Financial Services Agreement exceed 5%, the deposit services under the 2024 Financial Services Agreement are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, the deposits made in Changhong Finance are provision of financial assistance by the Company under Rule 14.04(1)(e) of the Listing Rules. As certain percentage ratios in respect of the placing of deposits in Changhong Finance exceed 25%, such placing of deposits also constitute a major transaction of the Company which is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The loan services under the 2024 Financial Services Agreement constitute financial assistance provided by a connected person. As such loan services would be provided on normal commercial terms or on terms which shall be more favorable to Changhong IT and would not be secured by the assets of the Group, the loan services under the 2024 Financial Services Agreement are fully exempt from the announcement, reporting, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (excluding the profits ratio) under the Listing Rules in respect of the highest annual cap for the settlement services under the 2024 Financial Services Agreement are less than 5% and the highest annual cap is less than HK$3,000,000, such settlement services are fully exempt from the reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The 2024 Financial Services Agreement and the transactions contemplated thereunder, together with the annual caps (being the maximum daily outstanding balance of deposits to be placed by Changhong IT and its subsidiaries with Changhong Finance, the maximum daily outstanding balance of loans to be granted by Changhong Finance and the maximum service fees for the settlement services to be provided by Changhong Finance under the 2024 Financial Services Agreement), for the three years ending 31 December 2024, 2025 and 2026 were approved by the independent Shareholders at the special general meeting of the Company held on 29 December 2023.

For the year ended 31 December 2024, the annual cap and the actual transaction amounts for the deposit services were as follows:

	Deposit services — Maximum daily outstanding balance of deposits to be deposited by Changhong IT with Changhong Finance (RMB'000 per day)
Annual cap for the year ended 31 December 2024	1,500,000
Actual transaction amount for the year ended 31 December 2024	1,001,597

(d) The VIE Agreements

On 12 April 2019, the WFOE, the OPCO and Sichuan Changhong Holding (the "**PRC Equity Owner**") entered into the VIE Agreements to establish a variable interest entity (VIE) structure (the "**VIE Structure**"). Through the VIE Agreements, the WFOE will have effective control over the finance and operation of the OPCO and will enjoy the entire economic interests and benefits generated by the OPCO. The financial results of the OPCO will be consolidated into the consolidated financial statements of the Group as if the OPCO is a wholly-owned subsidiary of the Company.

A brief description of each of the specific agreements that comprise the VIE Agreements entered into between the WFOE and the PRC Equity Owner and OPCO is set out as follows:

(1) The Exclusive Purchase Right Agreement

The PRC Equity Owner irrevocably grants the WFOE an exclusive right, t be exercised according to the WFOE's discretion, at any time in one instance or across multiple instances, to purchase all or part of the PRC Equity Owner's equity interests in the OPCO at the lowest price permissible under applicable PRC laws and regulations at the time. The WFOE may elect to satisfy the purchase price by setting off outstanding amounts under the Loan Agreement (described below).

(2) The Loan Agreement

The WFOE shall provide a non-interest bearing loan in an aggregate amount of RMB60 million to the PRC Equity Owner, of which (i) RMB2 million will go towards the PRC Equity Owner's initial contribution to the paid-up capital to the OPCO, to be drawn down within 5 business days from the day that the Loan Agreement becomes effective, and (ii) the remaining RMB58 million will be used for the PRC Equity Owner's future contribution to the OPCO's paid-up capital, to be drawn down within three (3) years from the day that the Loan Agreement becomes effective.

(3) The Equity Pledge Agreement

The PRC Equity Owner agrees to pledge all of its shares in the OPCO to the WFOE to secure the Contractual Obligations and the Guaranteed Liabilities. The equity pledge will be effective from registration of the pledged equity with the corresponding industrial and commercial administration until all of the PRC Equity Owner and the OPCO's obligations under the VIE Agreements (as the case may be) (the "**Contractual Obligations**") are performed in full and all losses suffered by the WFOE in relation to breaches of the VIE Agreement by the PRC Equity Owner or the OPCO (the "**Guaranteed Liabilities**") have been paid in full.

(4) The Exclusive Consultancy and Services Agreement

The WFOE shall provide the OPCO with exclusive consultancy and services, including but not limited to:

(i) Consultancy as to the corporate management and business strategy of the OPCO; (ii) Consultancy as to setting good business standards and practices; (iii) Consultancy as to research and marketing strategies; (iv) Technical consultancy as to server maintenance and network platform operation; (v) Research, development, maintenance and update services in relation to key business software; (vi) Leasing computers, other office materials, and relevant operational equipment to the OPCO; (vii) Providing brand promotion and marketing services; (viii) Providing technical training and support to employees of the OPCO; (ix) Granting the OPCO the right to use the intellectual property of the WFOE; (x) Providing personnel support upon the OPCO's request; and (xi) Other services as agreed between the WFOE and the OPCO. The OPCO shall pay to the WFOE on a quarterly basis, a service fee that is equal to 100% of the total before-income-tax consolidated profits of the OPCO after deducting the previous year's losses (if any), necessary operational costs, expenses and taxes.

(5) The Business Cooperation Agreement

The PRC Equity Owner undertakes to the WFOE that it shall, and shall procure the OPCO to: (i) Prudently and effectively operate the OPCO's value-added telecommunications business in accordance with good financial and business standards and usual practices; (ii) Follow the WFOE's instructions when formulating the OPCO's development plan and annual work plan; (iii) Develop value-added telecommunications business and other relevant business under the assistance of the WFOE; (iv) Follow the suggestions, opinions, rules and other guidance in carrying out the daily operation and financial management; (v) Follow the WFOE's instructions and suggestions in appointing directors and supervisors of the OPCO; (vi) Follow the WFOE's instructions and suggestions in relation to the recruitment and dismissal of the senior management and employees of the OPCO;
(vii) Accept suggestions, guidance and proposals raised by the WFOE in relation to business development; (viii) Carry out the value-added telecommunications business and update and maintain the necessary qualification certificates, including but not limited to the ICP License; and (ix) Perform the obligations under the VIE Agreements.

(6) Power of Attorney

The PRC Equity Owner irrevocably authorizes the WFOE (and its successors (including a liquidator replacing the WFOE, if any) to exercise the following shareholder rights: (i) Convening, attending and participating in shareholders' meetings of the OPCO, receiving relevant notices or documents relating to the shareholders' meetings; (ii) Representing the PRC Equity Owner to exercise voting rights in all matters requiring shareholder's discussion and resolution, including but not limited to nominating and appointing directors, supervisors, the general manager and other senior management positions that shall be decided by shareholders; (iii) Signing and delivering any written resolutions and minutes of shareholders' meetings of the OPCO and any other documents required to be signed by the shareholders of the OPCO, and submitting documents to relevant industrial and commerce administration for filing purposes; (iv) other shareholders' voting rights under the articles of association of the OPCO (including any shareholders' voting rights adopted after amendments to the articles of association of the OPCO) under the laws of the PRC; (v) Selling, transferring, pledging or disposing of the shares in the OPCO; (vi) Approving the register of new shareholders or the exit of the existing shareholder of the OPCO; (vii) Directing directors and the legal representative of the OPCO to perform their duties as requested; (viii) Supervising the economic performance of the OPCO; (ix) Exercising full usage rights of the OPCO's financial information; (x) Instituting any legal proceedings or taking any legal action against the OPCO's directors or shareholders who act against the interest of the OPCO and its shareholders; (xi) Approving the annual budget; (xii) Managing or disposing of the assets of the OPCO; (xiii) Exercising full rights to control and manage the finance, accounting and daily operation of the OPCO; (xiv) Approving any documents that have to be submitted to the relevant government departments or supervising authorities for filing purpose; and (xv) Exercising all other shareholders' rights under laws and regulations and the OPCO's articles of association.

(7) The Intellectual Property Rights Authorisation Agreement

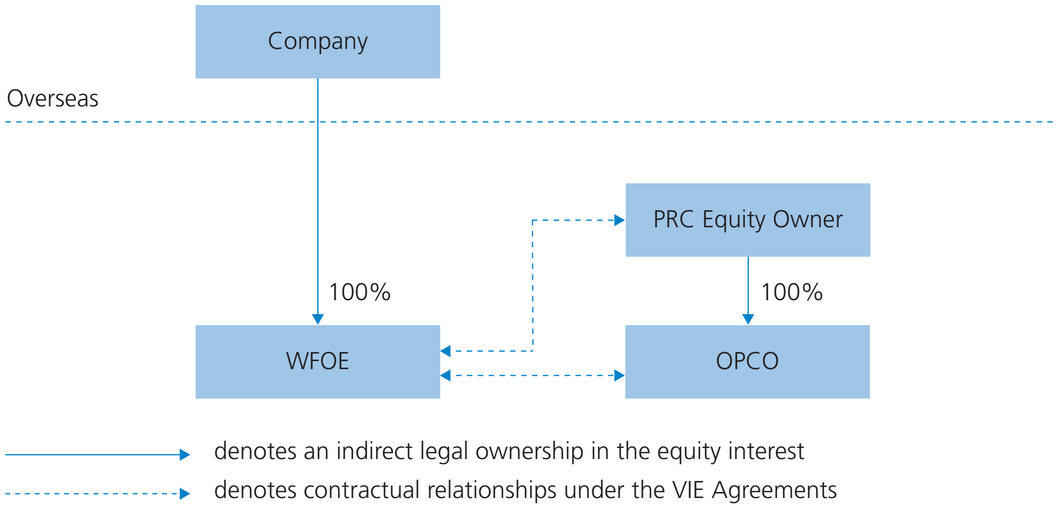
The WFOE agrees to grant to the OPCO the non-exclusive, non-sublicensable, non-transferrable right to use certain intellectual property rights in the PRC in relation to the Platform. The OPCO may only use such intellectual property rights in operating a value added telecommunications business.

(8) The Commitment Letter

The PRC Equity Owner irrevocably undertakes and confirms to the WFOE that:

(i) pursuant to the Exclusive Purchase Right Agreement, the WFOE has an exclusive right to purchase all of the PRC Equity Owner's interests in the OPCO at the agreed price; (ii) pursuant to the Equity Pledge Agreement, if there is any dividend or bonus generated by the pledged equity during the term of the Equity Pledge Agreement and while the VIE Agreements continue to be effective, such dividend or bonus generated shall be returned to the WFOE; (iii) pursuant to the Exclusive Consultancy and Services Agreement, the OPCO shall pay to the WFOE a service fee that is equal to 100% of the total before-income-tax consolidated profits of the OPCO, after deducting the previous year's losses (if any), necessary operational costs, expenses and taxes; (iv) pursuant to the Exclusive Consultancy and Services Agreement, the WFOE may adjust the scope and amount of the service fee according to PRC tax law and tax practices and the PRC Equity Owner shall induce the OPCO to accepting such adjustments. The WFOE has the right to calculate the service fee on a quarterly basis and issue a corresponding invoice to the OPCO. The WFOE may adjust the payment time and payment method, and the OPCO will unconditionally accept such adjustments; (v) the PRC Equity Owner will not directly or indirectly through any person or entity, participate in, carry out, acquire or hold any interest in any business which is or may be in competition with the OPCO, WFOE and WFOE's affiliates, and shall not do anything which gives rise to any conflict of interest in relation to the operation of the OPCO between the PRC Equity Owner and the WFOE. In the event of any conflict of interests as mentioned above between the PRC Equity Owner and the WFOE, the PRC Equity Owner will take any actions as instructed by the WFOE to eliminate such conflict provided that such action is compliant with the applicable laws; (vi) no conflict of interest exists in relation to the PRC Equity Owner's authorization of the WFOE (and its successors (including a liquidator replacing the WFOE (if any)) to exercise OPCO shareholder rights under the Power of Attorney; and (vii) if the PRC Equity Owner is ordered to be dissolved, is abolished, is closed, declares bankruptcy or for other reasons its capacity as an entity ceases to exist, the PRC Equity Owner shall use all efforts to procure that the PRC Equity Owner's successor (including, but not limited to a liquidator replacing the PRC Equity Owner (if any) or other entity that succeeds the PRC Equity Owner's obligations due to the above situations) continues to perform the PRC Equity Owner's obligations under the VIE Agreements.

The following diagram sets out the VIE Structure:



As at the date of the agreements, the PRC Equity Owner holds approximately 23.22% equity interest in Sichuan Changhong, the controlling shareholder of the Company. Sichuan Changhong and the PRC Equity Owner are controlling shareholders of the Company under the GEM Listing Rules*, and accordingly the transactions contemplated under the VIE Agreements (excluding the Loan Agreement) constitute continuing connected transactions and the transactions contemplated under the Loan Agreement constitute connected transactions for the Company for the purpose of the GEM Listing Rules*. Accordingly, the transactions contemplated under the VIE Agreements are subject to reporting, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules and Chapter 14A of the Listing Rules*.

As one or certain of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the transactions contemplated under the Loan Agreement exceeds 5% but all of them are less than 25%, the transactions contemplated under the Loan Agreement are subject to reporting and announcement requirements under Chapter 19 of the GEM Listing Rules and Chapter 14 of the Listing Rules*.

In relation to the VIE Agreements (excluding the Loan Agreement), the Company has applied for, and the Stock Exchange has granted, a waiver pursuant to Rule 20.100 of the GEM Listing Rules from (i) fixing their terms for a period of not exceeding three years pursuant to Rule 20.50 of the GEM Listing Rules (or Rule 14A.52 of the Listing Rules)* and (ii) setting maximum aggregate annual caps pursuant to Rule 20.51 of the GEM Listing Rules (or Rule 14A.53 of the Listing Rules)* for the services fees payable by the OPCO to the WFOE under the Exclusive Consultancy and Services Agreement subject to conditions.

* The GEM Listing Rules was applicable to the Company prior to the transfer of listing of the Company from GEM to the Main Board of the Stock Exchange on 18 March 2020 (the "**Transfer of Listing**"). Immediately after the Transfer of Listing, the Listing Rules shall be applicable to the Company.

The VIE Agreements had been approved by the shareholders at the special general meeting of the Company held on 17 May 2019. For further details, please refer to the announcements of the Company dated 12 April 2019 and 17 May 2019, and the circular of the Company dated 30 April 2019.

For the year ended 31 December 2024, WFOE provided a loan in amount of RMB60 million (up to RMB60 million) to Sichuan Changhong Holding in accordance with the loan agreement under the VIE Agreements. The investment amount of the Sichuan Changhong Holding in OPCO was RMB60 million. Sichuan Changhong Holding had pledged all the equity interests in OPCO to WFOE in accordance with the equity pledge agreement. OPCO gained approximately RMB1.76 million in 2024, hence the amount of service fees payable by OPCO to the WFOE under the Exclusive Consultancy and Services Agreement was nil. As at 31 December 2024, OPCO's total assets amounted to approximately RMB51.19 million.

Reasons for Adopting the VIE Structure

To expand the Group's e-commerce business, the Group established a new business-to-business e-commerce platform (the "**Platform**") through the OPCO, which connects third-party merchants with each other. These third-party merchants include, among others, upstream and downstream secondary distributors, resellers and manufacturers in the ICT industry.

The Platform allows third-party merchants to establish their own online shops within the Platform, and third-party merchants will be able to buy and sell their products amongst each other. In return for access to the Platform, these third-party merchants will pay fees to the Group for secured transaction payment services and interaction mechanism services, for assistance to third-party merchants in their interactions with each other, as well as for other value-added services like financial, marketing and big data analysis services.

Pursuant to the PRC Laws, an ICP license is necessary before commercial third-party merchants may join the Platform. As the OPCO has obtained an ICP License, the Company decided to operate the Platform through the OPCO. A company held more than 50% by foreign investors cannot hold an ICP License, and as a result, the WFOE and its subsidiaries are not eligible to apply for such a license.

In order to comply with PRC Laws, the VIE Agreements were entered into among the WFOE, the OPCO and the PRC Equity Owner. Through the VIE Agreements, the WFOE will have effective control over the finances and operations of the e-commerce business of the Platform under the OPCO and will enjoy the entire economic interests and benefits generated by the OPCO despite the lack of registered equity ownership.

The Board is of the view that the VIE Agreements are narrowly tailored to achieve the OPCO's business purpose and to minimize the potential conflicts and are enforceable under the relevant PRC Laws. The VIE Agreements enable the WFOE to gain control over the OPCO, and to be entitled to the economic interests and benefits of the OPCO. Pursuant to the relevant provisions of the VIE Agreements, the WFOE has the right to unwind the VIE Structure as soon as the relevant PRC Laws allow the WFOE to register itself as the shareholder of the OPCO. The Directors further believe that save as disclosed, the VIE Agreements are enforceable under the relevant PRC Laws, and that the VIE Agreements will provide a mechanism that enables the WFOE to exercise effective control over the OPCO.

Risk Factors in Relation to the VIE Agreements

The Company considers that the following risks are associated with the VIE Agreements:

- The Group may bear economic risks which may arise from difficulties in the operation of the OPCO
- Interference or encumbrance from governing bodies and PRC government may determine that the VIE Agreements do not comply with applicable regulations
- Limitations and substantial costs in exercising the option to acquire ownership of the OPCO to the Group under the Exclusive Purchase Right Agreement
- The VIE Agreements may not be as effective as direct ownership in providing control over the OPCO
- The PRC Equity Owner may potentially have a conflict of interests with the Group
- The VIE Agreements may be subject to scrutiny of the PRC and additional tax may be Imposed
- The Company does not have any insurance which covers the risks relating to the VIE Agreements and the transactions contemplated thereunder
- Certain terms of the VIE Agreements may not be enforceable under PRC Laws

Further details of these risks are set out in the section headed "RISK FACTORS IN RELATION TO THE VIE AGREEMENTS" on pages 29 to 32 of the circular of the Company dated 30 April 2019.

The Group has adopted the following measures to mitigate the above risks in relation to the VIE Agreements:

- major issues arising from the implementation and compliance with the VIE Agreements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;
- the Board will review the overall performance of and compliance with the VIE Agreements at least once a year;
- the Company will disclose the overall performance and compliance with the VIE Agreements in its annual reports; and
- the Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the VIE Agreements, review the legal compliance of WFOE and the OPCO Group to deal with specific issues or matters arising from the VIE Agreements.

Confirmation of Independent Non-executive Directors in relation to the VIE Agreements

The independent non-executive Directors have reviewed the VIE Agreements and confirmed that for the year ended 31 December 2024:

(i) the transactions carried out during the year have been entered into in accordance with the relevant provisions of the VIE Agreements, have been operated so that the revenue generated by the OPCO Group has been substantially retained by the WFOE;

(ii) no dividends or other distributions have been made by the OPCO to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and

(iii) any new contracts entered into, renewed or reproduced between the Group and the OPCO Group during the year are fair and reasonable, or advantageous to the Shareholders, so far as the Group is concerned and in the interests of the Shareholders as a whole.

Confirmation of Independent Non-executive Directors in relation to the Continuing Connected Transactions

The independent non-executive Directors have reviewed the above continuing connected transactions of the Company and confirmed that such transactions have been entered into:

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

(b) on normal or better commercial terms which are not less favorable to the Group than terms available to or from (as appropriate) independent third parties; and

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

Confirmation from Auditor of the Company in relation to the Continuing Connected Transactions

SHINEWING (HK) CPA Limited, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. SHINEWING (HK) CPA Limited has provided a letter to the board of directors to confirm the matters as stated in Rule 14A.56.

RELATED PARTY TRANSACTIONS

All of the related party transactions undertaken during the year ended 31 December 2024 as disclosed in Note 36 to the consolidated financial statements in this annual report fall under the definition of "connected transactions" under the Listing Rules. The Company has complied with the disclosure requirements set out in Chapter 14A of the Listing Rules.

AUDITORS

Deloitte Touche Tohmatsu ("**Deloitte**") retired as the auditors of the Company at the conclusion of the 2024 annual general meeting of the Company held on 24 May 2024. Following the retirement of Deloitte, SHINEWING was appointed as the new auditor of the Company to fill the casual vacancy with effect from 24 May 2024.

The financial statements of the Group for the year ended 31 December 2024 were audited by SHINEWING who shall retire at the forthcoming AGM.

For and on behalf of the Board

ZHU Jianqiu
Chairman and Executive Director

Hong Kong
28 March 2025

Independent Auditor's Report

SHINEWING (HK) CPA Limited
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311 Gloucester Road,
Causeway Bay, Hong Kong

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香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

TO THE SHAREHOLDERS OF CHANGHONG JIAHUA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Changhong Jiahua Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 58 to 136, which comprise the consolidated statement of financial position as at 31 December 2024, 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 material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, 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 Intitute 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 ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional 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 MATTERS *(Continued)*

Key audit matter	How the matter was addressed in our audit
Valuation of inventories	
We identified valuation of the inventories as a key audit matter due to the significance of the amount to the consolidated financial statements and the low gross profit margin of the Group's products. The inventories mainly represent electronic products for which the product life cycle is relatively short and gross profit margin is relatively low. In addition, significant management estimates and judgements are involved in determining the net realisable value of the inventories. As disclosed in Notes 10 and 21 to the consolidated financial statements, net reversal of allowance for inventories of approximately HK$14,440,000 has been recognised during the year ended 31 December 2024 and the carrying value of inventories was approximately HK$5,582,487,000 (net of allowance for inventories of approximately HK$90,515,000) as at 31 December 2024, which represents 31% of the total assets of the Group. The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than carrying amount. The management of the Group reviewed the inventory aging report at the end of the reporting period and estimated the net realisable value for inventories based primarily on the latest sales invoice prices and current market conditions.	Our procedures in relation to the valuation of the inventories included: • Understanding the management's process to identify obsolete/damaged stocks, to calculate the inventory cost and to perform inventory counts that are periodically performed by the management; • Performing physical observation of the inventories as at year end, on a sample basis, to identify obsolete/damaged inventories that may be required to be included in the assessment of the allowance for inventories; • Testing the cost of inventories, on a sample basis, against source documents; • Obtaining the inventory aging report to identify long aged inventories and assessing whether allowance for inventories was properly provided for; • Comparing the carrying amount of inventories with selling price stated in subsequent or latest sales invoices on a sample basis; and • Performing retrospective review of the accuracy of management judgements and assumptions relating to the allowance for inventories made in prior year.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How the matter was addressed in our audit
Recoverability of trade receivables	
We identified the recoverability of trade receivables as a key audit matter due to the significance of the amount to the consolidated financial statements and the significant judgment involved in determining the provision of expected credit losses ("ECL"). As disclosed in Notes 10 and 34 to the consolidated financial statements, net impairment loss on trade receivables of approximately HK$29,058,000 has been recognised during the year ended 31 December 2024 and the carrying amount of the Group's trade receivables was approximately HK$4,460,739,000 (net of allowance for credit losses of approximately HK$170,026,000). The management of the Group estimates the amount of lifetime ECL of trade receivables based on provision matrix through grouping of various debtors that have similar loss patterns, after considering ageing, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, trade receivables with significant outstanding and credit-impaired balances are assessed for ECL individually. The loss allowance of the individually assessed trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses.	Our procedures in relation to the recoverability of trade receivables included: • Understanding the management's process to assess the ECL of trade receivables, including the use of provision matrix; • Evaluating the reasonableness of management's determination of the expected loss rates; • Assessing the reasonableness of the historical default rates applied in the provision matrix; • Testing the accuracy of management's calculation of the ECL of trade receivables; and • Obtaining the aging report of trade receivables to trace the amounts stated in aging report, on a sample basis, to the source documents.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified opinion on those statements on 27 March 2024.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the 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 OF THE COMPANY AND THE AUDIT COMMITTEE 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.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act and our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, 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's 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.

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purpose of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Pang Wai Hang.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044

28 March 2025

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
Revenue	5	**39,986,349**	37,170,632
Cost of sales		**(38,603,498)**	(35,870,017)
Gross profit		**1,382,851**	1,300,615
Other income	7	**76,648**	130,374
Distribution and selling expenses		**(498,713)**	(449,978)
Research and development expenses		**(26,507)**	(26,894)
Administrative expenses		**(202,094)**	(184,349)
Finance costs	8	**(261,659)**	(248,548)
Impairment loss under expected credit loss model, net of reversal		**(33,149)**	(71,223)
Exchange loss, net		**(21,941)**	(21,349)
Profit before tax		**415,436**	428,648
Income tax expenses	9	**(36,170)**	(68,108)
Profit for the year attributable to the owners of the Company	10	**379,266**	360,540
Other comprehensive expense			
Item that will not be reclassified to profit or loss:			
Exchange differences arising from translation of consolidated financial statements to presentation currency		**(84,130)**	(49,433)
Total comprehensive income for the year		**295,136**	311,107
Earnings per share	13		
Basic and diluted (HK cents)		**14.75**	14.03

Consolidated Statement of Financial Position

As at 31 December 2024

	NOTES	2024 HK$'000	2023 HK$'000
Non-current assets			
Plant and equipment	14	**2,934**	3,143
Investment properties		**430**	–
Intangible assets	15	**25,601**	17,471
Right-of-use assets	16	**25,494**	16,363
Financial assets at fair value through profit or loss	17	**34,989**	37,436
Deferred tax assets	28	**43,357**	21,823
		132,805	96,236
Current assets			
Inventories	21	**5,582,487**	5,074,770
Trade receivables	18	**4,460,739**	4,863,658
Bills receivables at fair value through other comprehensive income	19	**174,219**	103,675
Prepayments, deposits and other receivables	20	**391,364**	306,293
Amounts due from related companies	36(b)	**34,699**	1,744
Refundable trade deposits		**1,128,433**	831,927
Pledged bank deposits	22	**5,602,464**	5,041,357
Cash and cash equivalents	22	**561,776**	1,087,803
		17,936,181	17,311,227
Current liabilities			
Trade and bills payables	23	**5,194,413**	7,121,164
Bills payables under supplier chain financing	23	**5,865,134**	4,694,384
Other payables	24	**474,401**	353,675
Tax payables		**17,510**	24,628
Borrowings	29	**2,723,459**	1,780,967
Amounts due to related companies	36(b)	**24,063**	28,456
Contract liabilities	25	**765,228**	574,225
Lease liabilities	26	**12,130**	8,958
		15,076,338	14,586,457
Net current assets		**2,859,843**	2,724,770
Total assets less current liabilities		**2,992,648**	2,821,006

Consolidated Statement of Financial Position

As at 31 December 2024

	NOTES	2024 HK$'000	2023 HK$'000
Non-current liabilities			
Lease liabilities	26	**13,493**	8,461
Net assets		**2,979,155**	2,812,545
Capital and reserves			
Share capital	27	**36,366**	36,366
Convertible preference shares	27	**27,897**	27,897
Reserves		**2,914,892**	2,748,282
Total equity		**2,979,155**	2,812,545

The consolidated financial statements on pages 58 to 136 were approved and authorised for issue by the board of directors on 28 March 2025 and are signed on its behalf by:

Zhu Jianqiu
DIRECTOR

Zhao Qilin
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Share capital HK$'000	Convertible preference shares HK$'000	Statutory reserve HK$'000 (Note i)	Merger reserve HK$'000 (Note ii)	Translation reserve HK$'000	Other reserve HK$'000 (Note iii)	Contributed surplus HK$'000 (Note iv)	Retained earnings HK$'000	Total HK$'000
At 1 January 2023	36,366	27,897	141,181	(1,248,106)	(199,771)	(203,432)	1,401,010	2,674,819	2,629,964
Profit for the year	–	–	–	–	–	–	–	360,540	360,540
Exchange differences arising from translation of consolidated financial statements to presentation currency	–	–	–	–	(49,433)	–	–	–	(49,433)
Total comprehensive (expense) income for the year	–	–	–	–	(49,433)	–	–	360,540	311,107
Appropriation to statutory reserve	–	–	36,142	–	–	–	–	(36,142)	–
Dividends recognised as distribution (Note 12)	–	–	–	–	–	–	(128,526)	–	(128,526)
At 31 December 2023	**36,366**	**27,897**	**177,323**	**(1,248,106)**	**(249,204)**	**(203,432)**	**1,272,484**	**2,999,217**	**2,812,545**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**379,266**	**379,266**
Exchange differences arising from translation of consolidated financial statements to presentation currency	**–**	**–**	**–**	**–**	**(84,130)**	**–**	**–**	**–**	**(84,130)**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**–**	**(84,130)**	**–**	**–**	**379,266**	**295,136**
Appropriation to statutory reserve	**–**	**–**	**37,811**	**–**	**–**	**–**	**–**	**(37,811)**	**–**
Dividends recognised as distribution (Note 12)	**–**	**–**	**–**	**–**	**–**	**–**	**(128,526)**	**–**	**(128,526)**
At 31 December 2024	**36,366**	**27,897**	**215,134**	**(1,248,106)**	**(333,334)**	**(203,432)**	**1,143,958**	**3,340,672**	**2,979,155**

Notes:

(i) In accordance with the Articles and Association of the People's Republic of China (the "PRC") subsidiaries and the relevant laws and regulations applicable in the PRC, companies established in the PRC are required to appropriate at least 10% of their statutory annual profits after tax determined in accordance with the relevant statutory rules and regulations applicable to enterprises in the PRC to the statutory reserve until the balance of the reserve reaches 50% of their respective registered capitals. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve may be used to offset against accumulated losses of the respective PRC companies. The amount of the transfer is subject to the approval of the board of director of the respective PRC companies.

(ii) The merger reserve represents the difference between the considerations and the assets and liabilities acquired under business combinations under common control.

(iii) The other reserve represents the difference between the consideration paid and the carrying values of non-controlling interests acquired during the year ended 31 December 2014.

(iv) On 15 May 2015, a resolution was passed on the annual general meeting to approve the reduction of the amount of approximately HK$2,095,051,000 standing to the credit of the share premium account of the Company and the transfer of the entire amount to the contributed surplus account of the Company.

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	2024 HK$'000	2023 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**415,436**	428,648
Adjustments for:		
Depreciation of plant and equipment	**1,754**	1,744
Depreciation of right-of-use assets	**12,202**	12,704
Amortisation of intangible assets	**4,925**	4,895
Finance costs	**261,659**	248,548
Bank interest income	**(54,531)**	(95,217)
Gain on fair value changes of financial assets at fair value through profit or loss	**–**	–
Government grants	**(20,471)**	(34,840)
Reversal of allowance for inventories, net	**(14,440)**	(3,444)
Impairment loss under expected credit loss model, net	**33,149**	71,223
Gain on disposal of plant and equipment	**–**	(44)
Operating cash flows before movements in working capital	**639,683**	634,217
(Increase) decrease in inventories	**(611,506)**	141,360
Decrease (increase) in trade receivables	**274,108**	(774,522)
Decrease in bills receivables at fair value through other comprehensive income	**(10,045,614)**	(12,858,995)
Decrease in refundable trade deposits	**(318,538)**	(378,988)
Decrease in prepayments, deposits and other receivables	**(97,181)**	(7,800)
Decrease in amounts due from related parties	**(33,491)**	(1,580)
Decrease in amounts due to related parties	**(3,852)**	(3,234)
Decrease in trade and bills payables	**6,611,734**	10,004,064
Decrease in other payables	**133,543**	45,254
Increase in contract liabilities	**205,298**	323,087
Receipt of government grants	**20,471**	33,623
Cash used in operations	**(3,235,345)**	(2,843,514)
The PRC tax paid	**(65,735)**	(79,989)
Hong Kong profits tax paid	**(503)**	(5,833)
NET CASH USED IN OPERATING ACTIVITIES	**(3,291,583)**	(2,929,336)

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	2024 HK$'000	2023 HK$'000
INVESTING ACTIVITIES		
Placement of pledged bank deposits	**(6,701,428)**	(6,876,279)
Withdrawal of pledged bank deposits	**6,022,421**	6,972,490
Addition of intangible assets	**(13,557)**	(5,246)
Recovery of part of cost of financial asset at fair value through profit or loss	**1,672**	–
Purchase of plant and equipment	**(1,635)**	(783)
Interest received	**54,531**	95,217
Purchase of financial assets at FVTPL	**–**	(4,883)
Proceeds from disposal of plant and equipment	**–**	44
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(637,996)**	180,560
FINANCING ACTIVITIES		
New borrowings raised	**4,597,870**	5,226,532
Repayment of borrowings	**(3,643,979)**	(5,968,722)
Advances on discounted bills, net of interest	**9,167,529**	10,843,647
Decrease in trade and bills payables under supply chain financing arrangements	**(6,400,224)**	(6,306,627)
Dividends paid	**(128,526)**	(128,526)
Interest paid	**(134,734)**	(145,954)
Repayment of lease liabilities	**(13,126)**	(12,338)
Guarantee fee paid	**(14,339)**	(16,926)
Interest on lease liabilities paid	**(863)**	(493)
NET CASH FROM FINANCING ACTIVITIES	**3,429,608**	3,490,593
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(499,971)**	741,817
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**1,087,803**	355,687
Effect of foreign exchange rate changes	**(26,056)**	(9,701)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR represented by cash and cash equivalents	**561,776**	1,087,803

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

1. GENERAL INFORMATION

Changhong Jiahua Holdings Limited (the "Company") was incorporated in Bermuda with limited liability.

The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is Unit 1412, 14/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong. The Company is an investment holding company. The principal activities of its subsidiaries (together with the Company collectively "the Group") are set out in Note 37.

The functional currency of the Company is Renminbi ("RMB") and the consolidated financial statements are presented in Hong Kong dollars ("HK$"). As the Company is a public company with its shares listed on the Stock Exchange with most of its investors located in Hong Kong, the directors of the Company consider that HK$ is preferable in presenting the operating result and financial position of the Group.

Sichuan Changhong Electronic Co., Limited ("Sichuan Changhong"), a company incorporated in the PRC with its shares listed on the Shanghai Stock Exchange, has obtained the control over the board of directors of the Company since 2012. Sichuan Changhong Electronics Holding Group Co., Ltd., ("Sichuan Changhong Holding", a company established in the PRC and wholly-owned by the State-owned Assets Supervision and Administration Commission of the Mianyang city government) is the single largest shareholder of Sichuan Changhong, which held approximately 23.22% of the entire issued share capital of Sichuan Changhong and has de facto control over the composition of the majority of the board of Sichuan Changhong. In the opinion of the directors of the Company, Sichuan Changhong Holding, Sichuan Changhong, Changhong (Hong Kong) Trading Limited and Fit Generation Holding Limited ("Fit Generation") remain as a group of controlling shareholders as at 31 December 2024. The Company's immediate holding company is Fit Generation, a private company incorporated in the British Virgin Islands.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

Impact on application of Amendments to HKAS 7 and HKFRS 7 Supplier Finance Arrangements

The amendments clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

As a result of implementing the amendments, the Group has provided additional disclosures about its supplier finance arrangements.

New and amendments to HKFRSs issued 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 18	Presentation and Disclosure in Financial Statements[3]
HKFRS 19	Subsidiaries without Public Accountability: Disclosures[3]
Amendments to HKAS 21	Lack of Exchangeability[1]
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[2]
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards — Volume 11[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2025.
2 Effective for annual periods beginning on or after 1 January 2026.
3 Effective for annual periods beginning on or after 1 January 2027.
4 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that, except as described below, the application of other new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 18 — Presentation and Disclosure in Financial Statements

HKFRS 18 sets out requirements on presentation and disclosures in financial statements and will replace HKAS 1 Presentation of Financial Statements. HKFRS 18 introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. Minor amendments to HKAS 7 "Statement of Cash Flows" and HKAS 33 "Earnings per Share" are also made.

HKFRS 18, and the consequential amendments to other HKFRS Accounting Standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted.

The application of the HKFRS 18 is not expected to have material impact on the financial position of the Group. The directors are in the process of making an assessment of the impact of HKFRS 18, but is not yet in a position to state whether the adoption would have a material impact on the presentation and disclosures of consolidated financial statements of the Group.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, at the end of each reporting period.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. 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 intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Note 5.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Foreign currencies

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 at 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 that are measured in terms of historical cost in a foreign currency are not retranslated.

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 foreign 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 year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Exchange difference relating to the retranslation of the Group's net assets in functional currencies different from the Group's presentation currency (i.e. HK$) are recognised directly in other comprehensive income and accumulated in translation reserve. Such exchange differences accumulated in the translation reserve are not reclassified to profit or loss subsequently.

Leasing

Definition of a lease

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

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leasing *(Continued)*

The Group as lessee *(Continued)*

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments).

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured 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.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line in the consolidated statement of financial position.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leasing *(Continued)*

The Group as lessor

The Group enters into lease agreements as a lessor with respect of its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "Other income".

Employee benefits

Retirement benefits costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefits in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing remains outstanding after the related asset is ready for its intended use or sale is included in the general pool for calculation of capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and 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 temporary differences between the carrying amounts of assets and liabilities in the consolidated 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. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax 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 assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Taxation *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets 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.

For the purpose of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

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.

Current and deferred tax are recognised in profit or loss.

Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprise of cash on hand and demand deposits, excluding g bank balances what are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) bank balances, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in Note 23.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all costs necessary to make the sale and non-incremental costs which the Group must incur to make the sale. Cost necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

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.

Financial assets

Classification and subsequent measurement of 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 interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, bills receivables at FVTOCI, pledged bank deposits, bank balances, other receivables and amounts due from related companies) 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. Assessment 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 direction 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 when 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 increase in the likelihood or risk of a default occurring since initial recognition.

(i) *Significant increase in credit risk*

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

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 *(Continued)*

(i) Significant increase in credit risk (Continued)

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 on a financial asset 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.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(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).

The Group rebuts the presumption of default under ECL for trade receivables over 90 days past due based on the strong financial position with good repayment records of those customers and continuous business relationship with the Group.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 *(Continued)*

(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 reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) 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. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

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

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 *(Continued)*

(v) Measurement and recognition of ECL (Continued)

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Except for receivables that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account. For receivables that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of these receivables. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "Exchange loss, net" line item.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

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 a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including trade and bills payables, bills payables under supplier chain financing, other payables, amounts due to related companies and borrowings are subsequently measured at amortised cost, using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or loss in the "Exchange loss, net" line item.

Derecognition of financial liabilities

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

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The Group currently has a legally enforceable right to set off trade receivable from certain customers and the rebate payable to these counterparties that are due to be settled on the same date and the Group intends to settle these balances on a net basis.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Fair value measurement

When measuring fair value except for net realisable value of inventories and value in use of assets for the purpose of impairment assessment, 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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other resources.. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Classification of a supplier finance arrangement

The Group has established a supplier finance arrangement, under which the bank agrees to pay amounts to the participating suppliers and the Group will subsequently settle the liability directly with the bank. The management considers the underlying economic substance of the transaction and the significance of the financing element to the transaction. Judgement is required to determine the most appropriate classification and presentation of these transactions within the statement of cash flows and financial position.

The economic substance of the transaction is determined to be financing in nature as the financing element is significant and the time frame in which the arrangement is extended within original supply terms. Therefore, the supplier finance arrangement is significantly different from the original invoices and presentation of the liabilities is included in bills payables under supplier chain financing, with total amounts of HK$5,865,134,000 (2023: HK$4,694,384,000) as at 31 December 2024.

Key sources of estimation uncertainty

The following are 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 resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance on inventories

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the carrying amount. The management of the Group reviewed the inventory aging report at the end of the reporting period to identify inventories that there are no longer saleable in the market and estimated the net realisable value for those items based primarily on the latest invoice sales prices and current market conditions.

The information about the allowance for inventories and the Group's inventories are disclosed in Notes 10 and 21, respectively.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Provision of ECL for trade receivables

The Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The management of the Group estimates the amount of lifetime ECL of trade receivables based on provision matrix through grouping of various debtors that have similar loss patterns, after considering ageing, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is reasonable and supportable available without undue cost or effort. In addition, trade receivables with significant outstanding and credit-impaired balances are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Notes 18 and 34(b).

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2024			
	ICT consumer products HK$'000	ICT corporate products HK$'000	Others HK$'000	Total HK$'000
Type of goods or service				
Sales of Information and Communication Technology ("ICT") products	17,836,456	13,167,140	59,356	31,062,952
Sales of smartphone and own brand products	–	–	7,815,894	7,815,894
Sales of warranty packages and professional integrated ICT solutions	24,435	999,037	63,559	1,087,031
Provision of ICT services	–	–	20,472	20,472
	17,860,891	14,166,177	7,959,281	39,986,349
Timing of revenue recognition				
A point of time	17,860,891	14,166,177	7,938,809	39,965,877
Overtime	–	–	20,472	20,472
	17,860,891	14,166,177	7,959,281	39,986,349

5. REVENUE *(Continued)*

(i) Disaggregation of revenue from contracts with customers *(Continued)*

	For the year ended 31 December 2023			
	ICT consumer products HK$'000	ICT corporate products HK$'000	Others HK$'000	Total HK$'000
Type of goods or service				
Sales of ICT products	16,812,624	11,628,090	153,002	28,593,716
Sales of smartphone and own brand products	–	–	7,736,342	7,736,342
Sales of warranty packages and professional integrated ICT solutions	18,306	751,815	50,099	820,220
Provision of ICT services	–	–	20,354	20,354
	16,830,930	12,379,905	7,959,797	37,170,632
Timing of revenue recognition				
A point of time	16,830,930	12,379,905	7,939,443	37,150,278
Overtime	–	–	20,354	20,354
	16,830,930	12,379,905	7,959,797	37,170,632

(ii) Performance obligations for contracts with customers and revenue recognition policies

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal for sales of products, warranty packages and professional integrated ICT solutions.

5. REVENUE *(Continued)*

(ii) Performance obligations for contracts with customers and revenue recognition policies *(Continued)*

For sales of products to distributors, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the distributors' specific location (delivery). Following delivery, the distributor has full discretion over the manner of distribution and price to sell the goods, the primary responsibility on selling the goods and bears the risks of obsolescence and loss in relation to the goods. For sales of warranty packages and professional integrated ICT solutions, control is transferred when the customers have the right to use or sell these products.

For sales of products that contain variable consideration (e.g. sales returns or volume rebates), the Group estimates the amount of consideration to which it will be entitled using the expected value method, which better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

The ICT services are recognised overtime and considered to be distinct services as it is supplied by the Group to customers on a stand-alone basis or is available for customers from other providers in the market.

(iii) Transaction price allocated to the remaining performance obligations for contracts with customers

All sales of goods and provision of services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. SEGMENT INFORMATION

Information reported to the executive directors or the management of the Company, being the chief operating decision maker (the "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 and operating segments under HKFRS 8 are as follows:

1. ICT Consumer Products — distribution of ICT consumer products which include mainly personal computers, digital products and IT accessories.

2. ICT Corporate Products — distribution of ICT corporate products which include mainly storage products, minicomputers, networking products, personal computer servers, intelligent building management system products and unified communications and contact centre products.

3. Others — distribution of smartphones and its own brand products including but not limited to intelligent terminals, sales of warranty packages and professional integrated ICT solutions and provision of ICT services.

Segment profit represents the profit earned by each segment without allocation of other income, research and development expenses, finance costs, exchange loss, net as well as unallocated head office and corporate administrative expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets do not include plant and equipment, investment properties, intangible assets, right-of-use assets, prepayments, deposits and other receivables, pledged bank deposits, cash and cash equivalents, financial asset at FVTPL and deferred tax assets. Segment liabilities do not include other payables, tax payables, lease liabilities, amounts due to related companies and borrowings.

6. SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's revenue and results, as well as assets and liabilities by reportable and operating segment:

For the year ended 31 December 2024

	ICT consumer products HK$'000	ICT corporate products HK$'000	Others HK$'000	Total HK$'000
Revenue				
External sales	17,860,891	14,166,177	7,959,281	39,986,349
Segment profit	288,853	472,966	89,170	850,989
Other income				76,648
Research and development expenses				(26,507)
Administrative expenses				(202,094)
Exchange loss, net				(21,941)
Finance costs				(261,659)
Profit before tax				415,436
Segment assets	3,846,958	5,774,097	1,759,522	11,380,577
Unallocated assets:				
Pledged bank deposits				5,602,464
Cash and cash equivalents				561,776
Prepayments, deposits and other receivables				391,364
Plant and equipment				2,934
Right-of-use assets				25,494
Investment properties				430
Intangible assets				25,601
Financial assets at FVTPL				34,989
Deferred tax assets				43,357
Total consolidated assets				18,068,986
Segment liabilities	1,727,308	9,224,863	872,604	11,824,775
Unallocated liabilities:				
Other payables				474,401
Amounts due to related companies				24,063
Tax payables				17,510
Borrowings				2,723,459
Lease liabilities — non-current				13,493
Lease liabilities — current				12,130
Total consolidated liabilities				15,089,831

6. SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2023

	ICT consumer products HK$'000	ICT corporate products HK$'000	Others HK$'000	Total HK$'000
Revenue				
External sales	16,830,930	12,379,905	7,959,797	37,170,632
Segment profit	309,947	411,613	57,854	779,414
Other income				130,374
Research and development expenses				(26,894)
Administrative expenses				(184,349)
Exchange loss, net				(21,349)
Finance costs				(248,548)
Profit before tax				428,648
Segment assets	3,932,032	5,452,646	1,491,096	10,875,774
Unallocated assets:				
Pledged bank deposits				5,041,357
Cash and cash equivalents				1,087,803
Prepayments, deposits and other receivables				306,293
Plant and equipment				3,143
Right-of-use assets				16,363
Intangible assets				17,471
Financial assets at FVTPL				37,436
Deferred tax assets				21,823
Total consolidated assets				17,407,463
Segment liabilities	2,853,579	8,507,926	1,028,268	12,389,773
Unallocated liabilities:				
Other payables				353,675
Amounts due to related companies				28,456
Tax payables				24,628
Borrowings				1,780,967
Lease liabilities — non-current				8,461
Lease liabilities — current				8,958
Total consolidated liabilities				14,594,918

6. SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2024

	ICT consumer products HK$'000	ICT corporate products HK$'000	Others HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or segment assets:					
Impairment loss recognised (reversed) under expected credit loss model, net of reversal	15,528	32,448	(14,827)	–	33,149
Allowance for (reversal of allowance for) inventories, net	969	(15,627)	218	–	(14,440)
Amounts regularly provided to the CODM but not included in the measure of segment profit or segment assets:					
Research and development expenses	–	–	–	26,507	26,507
Addition to non-current assets	–	–	–	38,604	38,604
Depreciation	–	–	–	13,956	13,956
Amortisation	–	–	–	4,925	4,925
Bank interest income	–	–	–	(54,531)	(54,531)
Finance costs	–	–	–	261,659	261,659
Income tax expenses	–	–	–	36,170	36,170

6. SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2023

	ICT consumer products HK$'000	ICT corporate products HK$'000	Others HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or segment assets:					
Impairment loss recognised under expected credit loss model, net of reversal	16,839	39,467	14,917	–	71,223
(Reversal of) allowance for inventories, net	(7,374)	11,275	(7,345)	–	(3,444)
Amounts regularly provided to the CODM but not included in the measure of segment profit or segment assets:					
Research and development expenses	–	–	–	26,894	26,894
Addition to non-current assets	–	–	–	25,635	25,635
Depreciation	–	–	–	14,448	14,448
Amortisation	–	–	–	4,895	4,895
Bank interest income	–	–	–	(95,217)	(95,217)
Finance costs	–	–	–	248,548	248,548
Income tax expenses	–	–	–	68,108	68,108

6. SEGMENT INFORMATION *(Continued)*

Geographical information

The following table provides an analysis of the Group's sales by geographical market, based on the location of the operations:

	2024 HK$'000	2023 HK$'000
Mainland, China	**39,204,925**	36,878,399
Other regions	**781,424**	292,233
	39,986,349	37,170,632

The following is an analysis of the carrying amount of non-current assets* analysed by the geographical area which the assets are located:

	2024 HK$'000	2023 HK$'000
Other regions	**4**	31
Mainland, China	**54,455**	36,946
	54,459	36,977

* Non-current assets excluded financial instruments and deferred tax assets.

None of the Group's customers contributed over 10% of the total revenue of the Group for both years.

7. OTHER INCOME

	2024 HK$'000	2023 HK$'000
Bank interest income	**54,531**	95,217
Government grants (Note 31)	**20,471**	34,840
Others	**1,646**	317
	76,648	130,374

8. FINANCE COSTS

	2024 **HK$'000**	2023 HK$'000
Interest on:		
Bank borrowings	**82,718**	86,064
Discounted bills receivables and supplier chain financing arrangements	**167,676**	148,063
Guarantee fee	**10,402**	13,928
Lease liabilities	**863**	493
	261,659	248,548

9. INCOME TAX EXPENSES

	2024 **HK$'000**	2023 HK$'000
Current tax:		
The PRC Enterprise Income Tax ("EIT")		
— Provision for the year	**69,155**	78,918
— (Over) underprovision in prior years	**(13,366)**	9,714
Hong Kong Profits Tax		
— Provision for the year	**2,714**	750
— Underprovision in prior years	**–**	672
	58,503	90,054
Deferred taxation (Note 28)	**(22,333)**	(21,946)
	36,170	68,108

Pursuant to the rules and regulations of the Bermuda, the Company is not subject to any income tax in the Bermuda.

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be 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%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

9. INCOME TAX EXPENSES *(Continued)*

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, except as disclosed below, the tax rates of the subsidiaries in PRC are 25% for both years.

Changhong IT Information Products Co., Ltd. ("CHIT"), Changhong IT Digital Technology Co., Ltd. ("Changhong IT Digital"), Sichuan Changhong IT Duolayouhuo E-commerce Co., Ltd. and Sichuan Changhong Information Service Co., Ltd., operating in the PRC, have been qualified as the "Encouraged Enterprises" under "The Catalogue of Encouraged Industries in Western Regions" (the "Catalogue"), as their main business is one of the encouraged business in the Catalogue and the revenue from their main business accounts for more than the required percentage of their total revenue, and enjoyed the reduced preferential EIT rate of 15%. Accordingly, the profits derived by the aforesaid subsidiaries are subject to 15% EIT rate.

The tax charge for the years can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income are as follows:

	2024 **HK$'000**	2023 HK$'000
Profit before tax	**415,436**	428,648
Tax at the domestic income tax rate of 25% (2023: 25%) (Note)	**103,859**	107,162
Tax effect of income not taxable for tax purpose	**(1,046)**	(138)
Tax effect of expenses not deductible for tax purpose	**1,012**	1,699
Effect of tax exemption and tax concessions	**(30,292)**	(46,800)
Tax effect of tax losses not recognised	**4,527**	965
Recognition of deductible temporary differences previously not recognised	**(19,153)**	(19,985)
Tax effect of deductible temporary differences not recognised	**12,455**	15,528
Utilisation of deductible temporary differences not recognised	**(25,578)**	(7,791)
(Over) underprovision in prior years	**(13,366)**	10,386
Others	**3,752**	7,082
Income tax expenses	**36,170**	68,108

Note: The domestic tax rate in the jurisdiction where the operations of the Group are substantially based is used.

9. INCOME TAX EXPENSES *(Continued)*

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained earnings of the PRC subsidiaries amounting to HK$3,071,901,000 (2023: HK$3,160,993,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

10. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	2024 HK$'000	2023 HK$'000
Depreciation of plant and equipment	**1,754**	1,744
Depreciation of right-of-use assets	**12,202**	12,704
Amortisation of intangible assets	**4,925**	4,895
Auditor's remuneration	**1,685**	2,449
Directors' emoluments	**21,155**	24,655
Cost of inventories recognised as an expense	**38,603,498**	35,870,017
Staff costs, (including directors' emoluments)		
— Salaries and related staff costs	**376,719**	342,780
— Retirement benefit scheme contributions	**87,927**	81,457
	464,646	424,237
Reversal of allowance of inventories, net (included in costs of sales)	**(14,440)**	(3,444)
Impairment loss under expected credit loss model, net of reversal		
— Trade receivables	**29,058**	46,780
— Other receivables	**4,091**	24,443
	33,149	71,223
Research and development expenses (note)	**26,507**	26,894

Note: Included in the research and development expenses, approximately HK$19,585,000 (2023: HK$17,292,000) are related to staff costs.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of emoluments paid by the Group to the directors and chief executive of the Company during the year are as follows:

For the year ended 31 December 2024

	Fees HK$'000	Salaries and allowances HK$'000	Retirement benefits scheme contributions HK$'000	Performance related incentive payments HK$'000	Total HK$'000
Executive directors					
Mr. Zhu Jianqiu *(Chief Executive)*	–	1,212	160	11,745	13,117
Mr. Zhang Xiaolong (Note iv)	–	–	–	–	–
Mr. Mao Haiyun (Note v)	–	–	–	–	–
Mr. Ma Ban (Note v)	–	–	–	–	–
Mr. Zhao Qilin (Note i)	–	–	–	–	–
Mr. Shao Min (Note ii)	–	–	–	–	–
Ms. Su Huiqing (Note i)	–	555	98	6,826	7,479
Sub-total	–	1,767	258	18,571	20,596
Independent non-executive directors					
Mr. Jonathan Chan Ming Sun	200	–	–	–	200
Mr. Gao Xudong	180	–	–	–	180
Mr. Meng Gingbin	180	–	–	–	180
Sub-total	560	–	–	–	560
Total	560	1,767	258	18,571	21,156

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

For the year ended 31 December 2023

	Fees HK$'000	Salaries and allowances HK$'000	Retirement benefits scheme contributions HK$'000	Performance related incentive payments HK$'000	Total HK$'000
Executive directors					
Mr. Zhu Jianqiu *(Chief Executive)*	–	1,228	155	15,160	16,543
Mr. Zhang Xiaolong	–	–	–	–	–
Mr. Pan Xiaoyong (Note iii)	–	–	–	–	–
Mr. Zhao Qilin (Note i)	–	–	–	–	–
Mr. Shao Min (Note ii)	–	–	–	–	–
Ms. Su Huiqing (Note i)	–	562	158	6,832	7,552
Mr. Zhou Jiachao	–	–	–	–	–
Sub-total	–	1,790	313	21,992	24,095
Independent non-executive directors					
Mr. Jonathan Chan Ming Sun	200	–	–	–	200
Mr. Gao Xudong	180	–	–	–	180
Mr. Meng Gingbin	180	–	–	–	180
Sub-total	560	–	–	–	560
Total	560	1,790	313	21,992	24,655

Notes:

(i) Mr. Zhao and Ms. Su were appointed as executive directors on 17 March 2023.

(ii) Mr. Shao was appointed as an executive director on 10 August 2023 and resigned on 27 March 2024.

(iii) Mr. Pan resigned as an executive director on 10 August 2023.

(iv) Mr. Zhang resigned as executive directors on 27 March 2024.

(v) Mr. Mao and Mr. Ma were appointed as executive directors on 27 March 2024.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Mr. Zhu Jianqiu and Ms. Su Huiqing are also the Chief Executive and Vice President of the Company respectively. Their emoluments disclosed above include those for services rendered by them as the Chief Executive and Vice President. Mr. Zhu Jianqiu and Ms. Su Huiqing are entitled to bonus payments which are determined based on a percentage of the Group's financial performance, including revenue and profit after tax for the year.

Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2023: two) were directors of the Company whose emoluments are included in the disclosures as above. The emoluments of the remaining three (2023: three) individuals who are neither directors nor chief executive of the Company were as follows:

	2024 **HK$'000**	2023 HK$'000
Salaries and other allowances	**8,862**	7,887
Retirement benefits scheme contributions	**428**	400
	9,290	8,287

Their emoluments fell within the following bands:

	Number of individuals	
	2024	2023
HK$2,000,001 to HK$2,500,000	**1**	2
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,000,001 to HK$3,500,000	**–**	1
HK$4,000,001 to HK$4,500,000	**1**	–
	3	3

No emoluments have been paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for both years. During the year ended 31 December 2024, all executive directors waived emoluments of HK$60,000 each (2023: HK$60,000 each).

Mr. Zhu Jianqiu is also the managing director of the Company and has overall chief executive responsibility for the Group's business development and day to day management and his emoluments disclosed above include those for services rendered by him as the managing director.

12. DIVIDENDS

	2024 HK$'000	2023 HK$'000
Dividends recognised as distribution during the year:		
2023 Final dividend — HK5 cents (2023: 2022 Final dividend HK5 cents) per share	**128,526**	128,526

The directors recommend the payment of a final dividend of HK5 cents (2023 Final: HK5 cents) per share in respect of the year ended 31 December 2024 which is subject to approval by the shareholders in the forthcoming annual general meeting.

13. EARNINGS PER SHARE

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

	2024 HK$'000	2023 HK$'000
Earnings		
Profit for the year attributable to owners of the Company	**379,266**	360,540
Less: Earnings attributable to convertible preference shares	**(164,640)**	(156,511)
Earnings for the purpose of basic earnings per share	**214,626**	204,029
Add: Earnings attributable to convertible preference shares	**164,640**	156,511
Earnings for the purpose of diluted earnings per share	**379,266**	360,540

	2024 '000	2023 '000
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**1,454,652**	1,454,652
Number of convertible preference shares for the purpose of diluted earnings per share	**1,115,868**	1,115,868
Number of shares for the purpose of diluted earnings per share	**2,570,520**	2,570,520

14. PLANT AND EQUIPMENT

	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Total HK$'000
COST			
At 1 January 2023	43,756	5,759	49,515
Additions	783	–	783
Written off/disposal	(3,459)	–	(3,459)
Exchange realignment	(608)	(82)	(690)
At 31 December 2023 and 1 January 2024	40,472	5,677	46,149
Additions	1,635	–	1,635
Written off/disposal	(596)	–	(596)
Exchange realignment	(885)	(121)	(1,006)
At 31 December 2024	40,626	5,556	46,182
ACCUMULATED DEPRECIATION			
At 1 January 2023	39,598	5,759	45,357
Charge for the year	1,744	–	1,744
Written off/eliminated on disposals	(3,459)	–	(3,459)
Exchange realignment	(554)	(82)	(636)
At 31 December 2023 and 1 January 2024	37,329	5,677	43,006
Charge for the year	1,754	–	1,754
Written off/eliminated on disposals	(574)	–	(574)
Exchange realignment	(817)	(121)	(938)
At 31 December 2024	37,692	5,556	43,248
CARRYING VALUES			
At 31 December 2024	2,934	–	2,934
At 31 December 2023	3,143	–	3,143

The above items of plant and equipment are depreciated on a straight-line basis over the estimated useful lives after taking into account their estimated residual values at the following periods:

Furniture, fixtures and equipment	5 to 10 years
Leasehold improvements	Over the term of the lease ranging from 2 to 5 years

15. INTANGIBLE ASSETS

	Software HK$'000
COST	
At 1 January 2023	33,130
Additions	5,246
Exchange realignment	(502)
At 31 December 2023 and 1 January 2024	37,874
Additions	13,557
Exchange realignment	(1,011)
At 31 December 2024	50,420
AMORTISATION	
At 1 January 2023	15,760
Charge for the year	4,895
Exchange realignment	(252)
At 31 December 2023 and 1 January 2024	20,403
Charge for the year	4,925
Exchange realignment	(509)
At 31 December 2024	24,819
CARRYING VALUES	
At 31 December 2024	25,601
At 31 December 2023	17,471

The software has finite useful and is amortised on a straight-line basis over 5 to 10 years.

16. RIGHT-OF-USE ASSETS

	Office premises HK$'000
COST	
As at 1 January 2023	22,689
Additions	19,606
Written off	(15,703)
Exchange realignment	(345)
At 31 December 2023 and 1 January 2024	26,247
Additions	21,825
Written off	(7,386)
Exchange realignment	(776)
At 31 December 2024	39,910
ACCUMULATED DEPRECIATION	
As at 1 January 2023	13,052
Charge for the year	12,704
Elimination of written off	(15,703)
Exchange realignment	(169)
At 31 December 2023 and 1 January 2024	9,884
Charge for the year	12,202
Elimination of written off	(7,386)
Exchange realignment	(284)
At 31 December 2024	14,416
CARRYING VALUES	
At 31 December 2024	25,494
At 31 December 2023	16,363

16. RIGHT-OF-USE ASSETS *(Continued)*

	2024 HK$'000	2023 HK$'000
Expenses relating to short-term leases	**498**	555
Total cash outflow for leases	**14,113**	13,386

For the year ended 31 December 2024, the Group leases office premises for its operations. Lease contracts are entered into for fixed term ranging from 2 to 4 years (2023: 2 to 4 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for office premises. As at 31 December 2024 and 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 HK$'000	2023 HK$'000
Unlisted investments, at fair value	**34,989**	37,436

The above unlisted investments represent investments in two limited partnerships established in the PRC and are measured at FVTPL at the end of both reporting periods. During the year ended 31 December 2024, there was a recovery of part of cost from a limited partnership amounted to HK$1,672,000 and there was no material fair value change in the investments for both reporting periods.

18. TRADE RECEIVABLES

	2024 HK$'000	2023 HK$'000
Trade receivables	**4,630,765**	5,013,333
Less: Allowance for credit losses	**(170,026)**	(149,675)
	4,460,739	4,863,658

As at 1 January 2023, trade receivable from contracts with customers amounted to HK$4,224,190,000.

The following is the ageing analysis of trade receivables, net of allowance for credit losses, based on the invoice dates at the end of the reporting period with approximately the respective revenue recognition dates:

	2024 HK$'000	2023 HK$'000
Within 30 days	**1,111,255**	1,652,923
31–60 days	**775,144**	866,229
61–90 days	**417,505**	405,772
91–180 days	**601,759**	538,203
181–365 days	**512,339**	392,920
Over 1 year	**1,042,737**	1,007,611
	4,460,739	4,863,658

The Group allows a credit period ranging from 0–180 days (2023: 0–180 days) to its third party trade customers. As at 31 December 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$1,728,343,000 (2023: HK$1,756,884,000) which are past due as at the reporting date. Out of the past due balances, HK$1,261,932,000 (2023: HK$1,188,006,000) has been past due 90 days or more and is not considered as in default as the Group continues to maintain businesses relationship and there are stable repayment from debtors and the amounts are still considered recoverable.

As at 31 December 2024 and 2023, certain trade receivables are pledged with collaterals which represent properties located in the PRC. There has not been any significant changes in the quality of the collateral held for the trade receivables.

Details of impairment assessment of trade receivables are set out in Note 34(b).

19. BILLS RECEIVABLES AT FVTOCI

	2024 HK$'000	2023 HK$'000
Bills receivables at FVTOCI comprise of:		
Bills receivables aged within 360 days presented based on the issue dates of bills receivables	**174,219**	103,675

The Group's bills receivables are considered as within the hold to collect contractual cash flows and to sell business model, and classified as debt instruments at FVTOCI. Advances on discounted bills of HK$9,167,529,000 (2023: HK$10,843,647,000) are presented as financing cash inflow during the year, among which bills receivables of HK$5,375,441,000 (2023: HK$6,366,835,000) is matured before the year end. Bills receivables of HK$804,225,000 (2023: HK$1,816,156,000) were endorsed for the settlement of trade and other payables during the year. Outstanding discounted and endorsed bills receivables with recourse are set out in Note 32.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2024 HK$'000	2023 HK$'000
Prepayments	**–**	101
Other tax receivable	**348,428**	264,539
Deposits	**24,542**	16,073
Other receivables	**18,394**	25,580
	391,364	306,293

21. INVENTORIES

	2024 HK$'000	2023 HK$'000
Trading merchandises	**5,582,487**	5,074,770

As at 31 December 2024, the carrying amount of inventories was net of allowance for inventories of approximately HK$90,515,000 (2023: HK$107,017,000).

22. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

Cash and cash equivalents include demand deposits and short term deposits for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates range from 0.10% to 2.40% (2023: 0.20% to 3.40%).

Pledged bank deposits carry interest rate of 0.10% to 1.75% (2023: 0.20% to 2.10%) and represent deposits pledged to banks to secure banking facilities granted to the Group. The pledged bank deposits will be released upon the settlement of relevant banking facilities within twelve months and therefore classified as current in nature.

Details of impairment assessment of bank balances and pledged bank deposits are set out in Note 34(b).

23. TRADE AND BILLS PAYABLES/BILLS PAYABLES UNDER SUPPLIER CHAIN FINANCING

	2024 **HK$'000**	2023 HK$'000
Trade and bills payables (Note a)	**5,194,413**	7,121,164
Bills payables under supplier chain financing (Note b)	**5,865,134**	4,694,384
	11,059,547	11,815,548

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

	2024 **HK$'000**	2023 HK$'000
Within 30 days	**520,984**	1,249,025
31–60 days	**428,416**	317,232
61–90 days	**100,414**	52,769
91–180 days	**142,300**	97,517
181–365 days	**113,739**	97,676
Over 1 year	**84,330**	96,250
	1,390,183	1,910,469

The credit period on purchase of goods is ranging from 30 to 120 days (2023: 30 to 120 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

23. TRADE AND BILLS PAYABLES/BILLS PAYABLES UNDER SUPPLIER CHAIN FINANCING

(Continued)

Notes:

(a) These relate to trade payables in which the Group has issued bills to the relevant suppliers for future settlement trade payables. The Group continues to recognise these trade payables as the relevant banks are obliged to make payments only on due dates of the bills, under the same conditions as agreed with the suppliers without further extension. In the consolidated statement of cash flows, settlements of these bills are included within operating cash flows based on the nature of the arrangements.

(b) The Group has entered into certain supplier finance arrangements with banks, under which the Group obtained extended credit in respect of the invoice amounts owed to certain suppliers. Under these arrangements, the banks pay suppliers the amounts owed by the Group in advance of the original due dates at a discount offered by the suppliers, and then the Group settles the bank between 4 and 365 days later than the original due dates with the suppliers with interest ranges from 0.80% to 3.48% (2023: 1.10% to 3.40%). The Group's obligations to suppliers are legally extinguished on settlement by the relevant banks. The payables under supplier finance arrangements are unsecured.

Having considered the nature and substance of these arrangements, the Group has presented payables to the banks under these arrangements as "Bills payables under supplier chain financing" in the consolidated statement of financial position. In the consolidated statement of cash flows, payments to the banks are included within financing cash flows based on the nature of the arrangements, and the balance at the end of the reporting period represents the payments to the suppliers by the banks which are considered as non-cash transactions. The range of payment due dates for liabilities that are part of the supplier finance arrangements and comparable trade payable that are not part of the supplier finance arrangements is 1 to 12 months and 1 to 4 months respectively.

24. OTHER PAYABLES

	2024 HK$'000	2023 HK$'000
Accruals	**25,432**	31,062
Provision for social insurance and housing provident funds (Note)	**36,634**	37,908
Other tax payables	**274,142**	148,658
Salaries payables	**98,739**	97,018
Interest payables	**3,325**	4,095
Other payables	**36,129**	34,934
	474,401	353,675

24. OTHER PAYABLES *(Continued)*

Note: The Group entered into labour service agreements separately with two employment agencies (the "Employment Agencies"), each independent third party labour service company, to provide contractual workers for its production. Pursuant to the labour service agreement, the Employment Agencies will instruct these contractual workers to follow the direction of the Group's management for day-to-day work assignments. However, under the PRC Labour Contract Law, if each of the Employment Agencies violates the PRC Labour Contract Law and such violation results in damages to the contractual workers, the Group would be jointly and severally liable for the compensation payables to the contractual workers.

The Group has not paid the social insurance contribution and housing provident fund for these contractual workers in respect of the bonus paid by the Group under the agreements made between the labour service company and these contractual workers. As at 31 December 2024, the Group has total accumulated unpaid amount of social insurance and housing provident fund of approximately HK$36,634,000 (2023: HK$37,908,000). Provisions for the unpaid amounts had been recognised and included in other payables.

As at 31 December 2024, the Group had not received any notice from the relevant housing fund or social security authorises ordering the Group to make outstanding payments or rectification, or any administrative penalties from the relevant authorities. The relevant authorities may request the Group at any time to pay up the outstanding amount of the social insurance or housing provident fund contributions and may impose a fine of up to three times of the unpaid amount of social insurance and housing provident fund on the Group if the above mentioned unpaid amounts are not settled within the time specified in the notice. The fine will be recognised in the consolidated statement of financial position if the Group does not settle the unpaid amounts within a specific time upon the request. During the years ended 31 December 2024 and 2023, no such request was received by the Group.

25. CONTRACT LIABILITIES

	2024 **HK$'000**	2023 HK$'000
Contract liabilities, current	**765,228**	574,225

As at 1 January 2023, contract liabilities amounted to HK$256,029,000.

25. CONTRACT LIABILITIES *(Continued)*

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities and how much related to performance obligations that were satisfied in prior periods.

	Sales of ICT product HK$'000
For the year ended 31 December 2024	
Revenue recognised that was included in the contract liabilities at the beginning of the year	563,812
For the year ended 31 December 2023	
Revenue recognised that was included in the contract liabilities at the beginning of the year	218,839

The Group receives payments from customers based on billing schedules as established in the sales contract. Payments are usually received in advance of the performance under the contracts for transfer of control of products to the customers and provision of services.

26. LEASE LIABILITIES

	2024 **HK$'000**	2023 HK$'000
Lease liabilities payable:		
Within one year	**12,130**	8,958
Within a period of more than one year but not more than two years	**10,993**	7,905
Within a period of more than two years but not exceeding than five years	**2,500**	556
	25,623	17,419
Less: Amount due for settlement within 12 months shown under current liabilities	**(12,130)**	(8,958)
Amount due for settlement after 12 months shown under non-current liabilities	**13,493**	8,461

The weighted average incremental borrowing rate applied to lease liabilities is 4.75% for both years.

27. SHARE CAPITAL/CONVERTIBLE PREFERENCE SHARES

	Number of shares		Share capital	
	2024	2023	**2024**	2023
	'000	'000	**HK$'000**	HK$'000
Authorised:				
Ordinary shares of HK$0.025 each				
At the beginning and at the end of the financial year	**5,000,000**	5,000,000	**125,000**	125,000
Convertible preference shares of HK$0.025 each				
At the beginning and at the end of the financial year	**3,000,000**	3,000,000	**75,000**	75,000

The convertible preference shares shall be non-redeemable by the Company or the holders thereof.

	Ordinary share			
	Number of shares		Share capital	
	2024	2023	**2024**	2023
	'000	'000	**HK$'000**	HK$'000
Issued and fully paid:				
At beginning and end of the year	**1,454,652**	1,454,652	**36,366**	36,366

	Convertible preference share			
	Number of shares		Share capital	
	2024	2023	**2024**	2023
	'000	'000	**HK$'000**	HK$'000
At beginning and end of the year	**1,115,868**	1,115,868	**27,897**	27,897

27. SHARE CAPITAL/CONVERTIBLE PREFERENCE SHARES *(Continued)*

The major terms of the convertible preference shares are set out below:

The convertible preference shares are convertible into ordinary shares of the Company and are entitled to the same dividends that are declared for the ordinary shares. The convertible preference shares of the Company shall be convertible at the option of holder at any time after the issue date with par value HK$0.025 each into ordinary shares of HK$0.025 each. Convertible preference shares do not carry the right to vote in shareholders' meeting. Upon winding up, the Company's residual assets and funds are distributed to the members of the Company in the following priority:

(i) in paying to the holders of the convertible preference shares, pari passu as between themselves by reference to the aggregate nominal amount of the convertible preference shares held by them respectively, an amount is equal to the aggregate of the issue price of all of the convertible preference shares held by them respectively;

(ii) the balance of such assets shall be distributed on a pari passu basis among the holders of any class of shares in the capital of the Company other than the convertible preference shares and other than any shares which are not entitled to participate in the distribution of such assets, by reference to the aggregate nominal amount paid up on the shares held by them respectively; and

(iii) the remaining balance of such assets shall belong to and be distributed on a pari passu basis among the holders of any class of shares including the convertible preference shares, other than any shares that are not entitled to participate of such assets, by reference to the aggregate nominal amount of shares held by them respectively.

28. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and deferred tax liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2024 **HK$'000**	2023 HK$'000
Deferred tax assets	**43,357**	21,823

28. DEFERRED TAXATION *(Continued)*

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current year:

Deferred tax assets:

	Allowance for inventories HK$'000	Impairment allowances for receivables HK$'000	Lease liabilities HK$'000	Other payables HK$'000	Total HK$'000
At 1 January 2023	–	–	–	–	–
Credit to profit or loss	12,026	9,790	2,599	–	24,415
Exchange realignment	(68)	(55)	(15)	–	(138)
At 31 December 2023 and 1 January 2024	11,958	9,735	2,584	–	24,277
Credit to profit or loss	1,882	20,077	1,555	502	24,016
Exchange realignment	(283)	(507)	(79)	(7)	(876)
At 31 December 2024	13,557	29,305	4,060	495	47,417

Deferred tax liabilities:

	Right-of-use assets HK$'000
At 1 January 2023	–
Charges to profit or loss	(2,469)
Exchange realignment	15
At 31 December 2023 and 1 January 2024	(2,454)
Charges to profit or loss	(1,683)
Exchange realignment	77
At 31 December 2024	(4,060)

28. DEFERRED TAXATION *(Continued)*

At the end of the reporting period, the Group has unused tax losses of HK$102,123,000 (2023: HK$84,934,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Unrecognised tax losses of approximately HK$82,341,000 (2023: HK$65,991,000) will expire from 2025 to 2032 (2023: 2024 to 2032), and approximately HK$19,782,000 (2023: HK$18,943,000), subject to agreement by Hong Kong Inland Revenue Department, may be carried forward indefinitely

As at 31 December 2024, the Group had deductible temporary differences of HK$355,749,000 (2023: HK$332,411,000) available for offsetting against future profits. A deferred tax asset has been recognised in respect of HK$314,289,000 (2023: HK$161,847,000) of such deductible temporary difference. No deferred tax asset has been recognised in respect of the remaining balance of HK$41,460,000 (2023: HK$170,564,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

	2024 **HK$'000**	2023 HK$'000
2024	**–**	920
2025	**2,481**	2,481
2026	**4,318**	4,318
2027	**6,281**	6,281
2028	**14,869**	14,869
2029	**19,341**	2,071
2030	**19,552**	19,552
2031	**1,791**	1,791
2032	**13,708**	13,708
	82,341	65,991

29. BORROWINGS

	2024 **HK$'000**	2023 HK$'000
Bank borrowings, unsecured	**2,723,459**	1,780,967

Bank borrowings are repayable within one year based on scheduled repayment dates set out in the loan agreements. The range of effective interest rates (which are also equal to contracted interest rates) due in the Group's bank borrowings for the year ended 31 December 2024 is fixed from 2.35% to 5.25% per annum (2023: 2.64% to 6.10% per annum).

30. RETIREMENT BENEFIT SCHEME

The Group has joined the mandatory provident fund (the "MPF Scheme") for all of its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme. For the year ended 31 December 2024, contributions of the Group under the MPF Scheme amounted to approximately HK$57,000 (2023: HK$76,000).

Employees of the subsidiaries in the PRC are members of the state-sponsored pension scheme operated by the PRC government (the "PRC Pension Scheme"). The subsidiaries are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefit. The only obligation of the Group with respect to the pension scheme is to make the required contributions. For the year ended 31 December 2024, contributions of the Group under the PRC Pension Scheme amounted to approximately HK$87,772,000 (2023: HK$81,322,000).

The total cost charged to the consolidated statement of profit or loss and other comprehensive income of approximately HK$87,927,000 (2023: HK$81,457,000) for the year ended 31 December 2024, represent contributions payable to these schemes by the Group during the year ended 31 December 2024.

31. GOVERNMENT GRANTS

The movement of government grants is as follows:

	Government grant related to assets	Government grant related to income	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2023	1,227	–	1,227
Receipt of government grant	–	33,623	33,623
Credit to other income	(1,217)	(33,623)	(34,840)
Exchange realignment	(10)	–	(10)
At 31 December 2023 and 1 January 2024	–	–	–
Receipt of government grant	–	20,471	20,471
Credit to other income	–	(20,471)	(20,471)
At 31 December 2024	–	–	–

31. GOVERNMENT GRANTS *(Continued)*

The Group received government grants and tax refunds of approximately HK$20,471,000 (2023: HK$33,623,000) during the year ended 31 December 2024 towards the research and development expenditure. The amounts have been treated as deferred income and are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. This policy has resulted in a credit to other income in the current year of approximately HK$20,471,000 (2023: HK$33,623,000).

The Group received government grants towards the acquisition of plant and equipment. The amounts have been treated as deferred income and transferred to income over the useful lives of the related assets. This policy has resulted in a credit to other income during the year ended 31 December 2023 of approximately HK$1,217,000 (2024: nil).

32. TRANSFER OF FINANCIAL ASSETS

During the years ended 31 December 2024 and 2023, the Group (i) endorsed certain bills receivables for the settlement of trade and other payables; and (ii) discounted certain bills receivables to banks for raising of cash. In the opinion of the directors of the Company, the Group has transferred the significant risks and rewards relating to these bills receivables, and the Group's obligations to the corresponding counterparties were discharged in accordance with the commercial practice in the PRC and the risk of default in payment of the endorsed and discounted bills receivables is low because i) the endorsed or discounted bills receivables are issued and guaranteed by the reputable banks in the PRC or ii) the bills receivables are endorsed or discounted on a without recourse basis. As a result, the relevant assets and liabilities have been derecognised in the consolidated financial statements. The maximum exposure to the Group that may result from the default of these endorsed and discounted bills receivables on a with recourse basis at the end of each reporting period are as follows:

	2024 **HK$'000**	2023 HK$'000
Settlement of trade and other payables	**132,139**	67,471
Discounted bills for raising of cash	**1,803,800**	1,867,949
Outstanding endorsed and discounted bills receivables with recourse	**1,935,939**	1,935,420

The outstanding endorsed and discounted bills receivables are aged within 360 days (2023: 360 days) at the end of each reporting period.

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which include borrowings, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Group is not subject to any externally imposed capital requirements.

34. FINANCIAL INSTRUMENTS

34a. Categories of financial instruments

	2024 HK$'000	2023 HK$'000
Financial assets		
Financial assets at FVTPL	**34,989**	37,436
Financial assets at FVTOCI	**174,219**	103,675
Financial assets at amortised cost	**10,678,072**	11,020,142
	10,887,280	11,161,253
Financial liabilities		
Financial liabilities at amortised cost	**13,945,262**	13,761,018

34b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, bills receivables at FVTOCI, amounts due from related companies, other receivables, pledged bank deposits, bank balances, financial asset at FVTPL, trade and bills payables, bills payables under supplier chain financing, other payables, amounts due to related companies, borrowings and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure the appropriate measures are implemented on a timely and effective manner.

34. FINANCIAL INSTRUMENTS *(Continued)*

34b. Financial risk management objectives and policies *(Continued)*

Market risk

(i) Currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2024 HK$'000	2023 HK$'000	**2024 HK$'000**	2023 HK$'000
United States dollars ("USD") (RMB as functional currency)	**5,352**	8,882	**112,572**	135,511
USD (HK$ as functional currency)	**4,267**	23,468	**48,724**	64,069

The Group will monitor its foreign currency exposure closely and will consider hedging significant currency exposure should the need arise.

Sensitivity analysis

The Group is mainly exposed to the currencies of RMB and USD. As the USD will only vary between HK$7.75=USD1.00 and HK$7.85=USD1.00 under the Linked Exchange Rate System, the management of the Company are of the opinion that the Group's exposure to USD relative to HK$ is minimal and accordingly, sensitivity analysis below represents the exposure of USD against RMB.

The following table details the Group's sensitivity to a 10% (2023: 10%) increase and decrease in the functional currency of group entities against the relevant foreign currencies. 10% (2023: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the year end for a 10% (2023: 10%) change in foreign currency rates. A positive number below indicates increase in post-tax profit where functional currency of group entities strengthen 10% (2023: 10%) against the relevant currency. For a 10% (2023: 10%) weakening of functional currency of group entities against the relevant currency, there would be an equal and opposite impact on the post-tax profit.

34. FINANCIAL INSTRUMENTS *(Continued)*

34b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) Currency risk *(Continued)*

Sensitivity analysis (Continued)

	USD impact	
	2024	2023
	HK$'000	HK$'000
Profit or loss	**8,042**	9,497

(ii) Interest rate risk

The Group is exposed to fair value interest-rate risk in relation to fixed rate borrowings from banks (Note 29), lease liabilities (Note 26) and bills payables under supplier chain financing (Note 23).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate short-term bank balances and bank deposits (Note 22). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. 100 basis points (2023: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents the management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

As at 31 December 2024, if interest rates on bank deposits had been 100 basis points (2023: 100 basis points) higher/lower and all other variables were held constant, post-tax profit for the year ended 31 December 2024 would have increased/decreased by HK$1,635,000 (2023: HK$5,349,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate short-term bank deposits.

34. FINANCIAL INSTRUMENTS *(Continued)*

34b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(iii) Other price risk

As at 31 December 2024, the Group's unlisted investments are measured at FVTPL. If the fair value of the respective unlisted investment had been 5% (2023: 5%) higher/lower, the post-tax profit would increase/decrease by HK$1,312,000 (2023: HK$1,404,000).

The price risk on the bills receivables at FVTOCI is limited because the maturity period of bills receivables are short.

Credit risk and impairment assessment

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, pledged bank deposits, bank balances, amounts due from related companies, other receivables and bills receivables at FVTOCI. 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 settlement of certain bills receivables at FVTOCI are backed by bills guaranteed by reputable financial institutions and certain trade receivables are pledged with collaterals which represent properties located in the PRC.

Trade and bills receivables arising from contracts with customers

The Group has concentration of credit risk as 15% (2023: 15%) and 30% (2023: 26%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

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. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed at the end of the reporting period. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

34. FINANCIAL INSTRUMENTS *(Continued)*

34b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Trade and bills receivables arising from contracts with customers *(Continued)*

The Group accepts trade receivables settled by bills. The management of the Group considers the credit risk arising from the endorsed or discounted bills is insignificant when the bills are issued or guaranteed by reputable PRC banks. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. The management estimates the estimated loss rates of commercial bills receivables based on historical credit loss experience of the debtors, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. Based on assessment by the management, the probability of default is low in view of the repayment history and credit rating of debtors and the management considers the ECL for commercial bills receivables is insignificant.

In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. Except for trade receivables with significant outstanding balances and credit-impaired, which are assessed for impairment individually, the remaining trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment history for recurring customers and current past due exposure for the new customers. Impairment of HK$29,058,000 (2023: HK$46,780,000) is recognised during the year. Details of the quantitative disclosures are set out below in this note.

Amounts due from related companies

Given the historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportable and forward looking information available without undue costs or effort, the directors of the Company are of the opinion that the risks of default of the trade-related amounts due from related companies which are under individual assessment by these counterparties are not significant. Therefore, expected credit loss rates of these financial assets are assessed to be insignificant.

34. FINANCIAL INSTRUMENTS *(Continued)*

34b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Pledged bank deposits and bank balances

The credit risk on bank balances and pledged bank deposits are limited because the counterparties are reputable banks with good credit records.

Other receivables

For other receivables and deposits which represented deposits paid in advance to suppliers, the management believes that there are no significant increase in credit risk for certain receivables amounting to approximately HK$18,394,000 (2023: HK$21,448,000) since initial recognition. For the remaining HK$25,653,000 (2023: HK$26,229,000) the Group provided impairment based on lifetime ECL. Impairment of HK$4,091,000 (2023: HK$24,443,000) was provided by the Group during the year ended 31 December 2024.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12-month ECL
Doubtful	There has been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

34. FINANCIAL INSTRUMENTS *(Continued)*

34b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Other receivables *(Continued)*

The tables below detail the credit risk exposure of the Group's financial assets, which are subject to ECL assessment:

	Internal credit rating	12m or lifetime ECL	Gross carrying amount			
			2024		2023	
			HK$'000	**HK$'000**	HK$'000	HK$'000
Trade receivables — contracts with customers	Low risk (Note)	Lifetime ECL — not credit impaired (collective assessment)	**3,664,374**		4,063,266	
	Doubtful	Lifetime ECL — not credit impaired (individual assessment)	**715,220**		769,477	
	Loss	Lifetime ECL — credit-impaired	**251,171**	**4,630,765**	180,590	5,013,333
Other receivables	Low risk	12m ECL	**18,394**		21,448	
	Loss	Lifetime ECL — credit-impaired	**25,653**	**44,047**	26,229	47,677

Note: For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by aging of trade receivables.

34. FINANCIAL INSTRUMENTS *(Continued)*

34b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Provision matrix — debtors' aging

The Group rebuts the presumption of default under ECL for trade receivables over 90 days past due based on the strong financial position with good repayment records of those customers and continuous business relationship with the Group.

As part of the Group's credit risk management, the Group uses aging of trade receivables to assess the impairment for its customers because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Trade receivables with significant outstanding balances and credit-impaired which legal action has been taken by the Group to demand for repayment are assessed individually.

The estimated loss rates under the provision matrix are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2024, the Group provided net impairment allowance of HK$58,737,000 (2023: HK$50,739,000) for trade receivables, based on the collective assessment. Impairment allowance of HK$29,606,000 and HK$81,683,000 (2023: HK$48,601,000 and HK$50,335,000) were made on debtors with significant balance and credit-impaired receivables, respectively.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

34. FINANCIAL INSTRUMENTS *(Continued)*

34b. Financial risk management objectives and policies *(Continued)*

Gross carrying amount

	Lifetime ECL — not credit-impaired (individual assessment) HK$'000	Lifetime ECL — not credit-impaired (collective assessment) HK$'000	Lifetime ECL — credit-impaired HK$'000	Total HK$'000
As at 1 January 2023	49,303	30,557	30,374	110,234
Changes due to financial instruments recognised as at 1 January 2023:				
— Transfer to credit-impaired	–	(939)	939	–
— Impairment loss recognised	–	34,538	29,609	64,147
— Impairment loss reversed	–	(21,366)	(6,764)	(28,130)
— Write-offs	–	(46)	(5,269)	(5,315)
New financial assets originated	–	8,757	2,006	10,763
Exchange adjustments	(702)	(762)	(560)	(2,024)
As at 31 December 2023	48,601	50,739	50,335	149,675
Changes due to financial instruments recognised as at 1 January 2023:				
— Transfer to credit-impaired	–	(776)	776	–
— Impairment loss recognised	–	37,233	42,306	79,539
— Impairment loss reversed	(18,227)	(35,819)	(6,356)	(60,402)
— Write-offs	–	(25)	(6,158)	(6,183)
— Reversal of write-offs	–	–	1,076	1,076
New financial assets originated	–	8,651	1,270	9,921
Exchange adjustments	(768)	(1,266)	(1,566)	(3,600)
As at 31 December 2024	29,606	58,737	81,683	170,026

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

34. FINANCIAL INSTRUMENTS *(Continued)*

34b. Financial risk management objectives and policies *(Continued)*

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalent deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The management monitors the utilisation of borrowings and bills payables under supplier chain financing. The management will closely monitor the cash flow generated from operations and the Group's needs for different types of external financing and will negotiate for proper facilities and consider proper means of equity financing as appropriate.

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

	Weighted average interest rate %	Repayable on demand or less than 1 month HK$'000	1–3 months HK$'000	Over 3 months but less than 1 year HK$'000	1–5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2024							
Non-derivative financial liabilities							
Trade and bills payables	–	5,194,413	–	–	–	5,194,413	5,194,413
Bills payables under supplier chain financing	1.44	1,034,596	2,255,297	2,643,938	–	5,933,832	5,865,134
Other payables	–	138,193	–	–	–	138,193	138,193
Amounts due to related companies	–	24,063	–	–	–	24,063	24,063
Borrowings	2.81	458,578	358,082	1,943,619	–	2,760,279	2,723,459
Lease liabilities	4.75	–	3,496	10,582	16,192	30,270	25,623
		6,849,843	2,616,875	4,598,139	16,192	14,081,050	13,970,855

34. FINANCIAL INSTRUMENTS *(Continued)*

34b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

	Weighted average interest rate %	Repayable on demand or less than 1 month HK$'000	1–3 months HK$'000	Over 3 months but less than 1 year HK$'000	1–5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2023							
Non-derivative financial liabilities							
Trade and bills payables	–	7,121,164	–	–	–	7,121,164	7,121,164
Bills payables under supplier chain financing	1.87	470,403	1,919,699	2,404,782	–	4,794,884	4,694,384
Other payables	–	136,047	–	–	–	136,047	136,047
Amounts due to related companies	4.04	28,456	–	–	–	28,456	28,456
Borrowings	3.87	276,501	309,437	1,225,775	–	1,811,713	1,780,967
Lease liabilities	4.75	–	3,296	5,852	8,801	17,949	17,419
		8,032,571	2,232,432	3,636,409	8,801	13,910,213	13,778,437

(i) ***Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis***

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 2024 HK$'000	Fair value as at 2023 HK$'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Financial asset at FVTPL	**23,758**	25,960	Level 3	Fair value of the underlying investments held by the investment fund	Underlying investments in the fund	The higher the value of the underlying investments, the higher the fair value, vice versa.
Financial asset at FVTPL	**11,231**	11,476	Level 2	Recent transaction method, quoted bid prices in an inactive market	N/A	N/A
Bills receivables at FVTOCI	**174,219**	103,675	Level 2	Discounted cash flow — estimated future cash flows are discounted at market interest rate that reflects the time value to the date of settlement.	N/A	N/A

34. FINANCIAL INSTRUMENTS *(Continued)*

34b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

(ii) Reconciliation of Level 3 fair value measurements

	Financial asset at FVTPL HK$'000
At 1 January 2023	26,097
Exchange adjustments	(137)
At 31 December 2023 and 1 January 2024	25,960
Recovery of part of cost	(1,672)
Exchange adjustments	(530)
At 31 December 2024	23,758

(iii) Fair values of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The fair value of other financial assets and financial liabilities, carried at amortised cost, are determined in accordance with generally accepted pricing models which is based on discounted cash flows analysis using the relevant prevailing market rates as input.

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recognised at amortised cost in the consolidated financial statements approximate their fair values.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Borrowings HK$'000	Other payables — interest payable HK$'000	Other payables — dividend payable HK$'000	Other payables — guarantee fee payable HK$'000	Lease liabilities HK$'000	Bills payables under supplier financing HK$'000	Amount due to a related party — non-trade HK$'000	Total HK$'000
At 1 January 2023	2,548,366	10,473	152	18,432	10,684	4,974,790	27,088	7,589,985
Financing cash flows	10,101,457	(92,340)	(128,526)	(16,926)	(12,831)	(6,360,241)	3,490,593	
Non-cash transaction								
Dividend recognised as distribution	–	–	128,526	–	–	–	–	128,526
Bills payables issued	–	–	–	–	–	6,196,109	–	6,196,109
Finance costs	36,357	86,064	–	13,928	493	111,706	–	248,548
Discounted bills	(10,957,248)	–	–	–	–	–	(27,088)	(10,984,336)
New lease entered	–	–	–	–	19,606	–	–	19,606
Foreign exchange translation	52,035	(102)	–	–	(533)	(227,980)	–	(176,580)
At 31 December 2023	**1,780,967**	**4,095**	**152**	**15,434**	**17,419**	**4,694,384**	**–**	**6,512,451**
Financing cash flows	**10,121,420**	**(83,138)**	**(128,526)**	**(10,402)**	**(13,989)**	**(6,400,224)**	**–**	**3,485,141**
Non-cash transaction								
Dividend recognised as distribution	**–**	**–**	**128,526**	**–**	**–**	**–**	**–**	**128,526**
Bills payables issued	**–**	**–**	**–**	**–**	**–**	**7,557,330**	**–**	**7,557,330**
Finance costs	**34,454**	**82,718**	**–**	**10,402**	**863**	**133,222**	**–**	**261,659**
Discounted bills	**(9,167,529)**	**–**	**–**	**–**	**–**	**–**	**–**	**(9,167,529)**
New lease entered	**–**	**–**	**–**	**–**	**21,825**	**–**	**–**	**21,825**
Foreign exchange translation	**(45,853)**	**(60)**	**–**	**–**	**(495)**	**(115,008)**	**–**	**(161,416)**
At 31 December 2024	**2,723,459**	**3,615**	**152**	**15,434**	**25,623**	**5,869,704**	**–**	**8,639,250**

36. RELATED PARTY DISCLOSURES

In addition to those related party transactions disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties during the year:

Name of companies	Notes	Nature of transaction	2024 HK$'000	2023 HK$'000
Immediate and ultimate holding company of the Company				
Sichuan Changhong	(i)	Sales of goods	**17,755**	7,509
		Administrative expenses		
		— rental expenses	**44**	44
		Finance cost — guarantee charge	**10,420**	13,928
		Guarantee to suppliers		
		— Maximum amount granted	**2,751,529**	2,785,515
Shareholder of immediate and ultimate holding company of the Company				
四川長虹電子控股集團有限公司	(ii)	Sales of goods	**505**	982
		Administrative expenses		
		— training expenses	**36**	2
Fellow subsidiaries of the Company				
四川虹信軟件有限公司	(iii)	Sales of goods	**25,767**	4,444
		Purchase of goods	**62**	1,546
		Administrative expenses		
		— rental expenses	**–**	33
北京長虹科技有限公司	(iii)	Administrative expenses		
		— rental expenses	**6,442**	6,471
		Other income	**5**	5
四川長虹電子系統有限公司	(iii)	Sales of goods	**128**	2
四川虹微技術有限公司	(iii)	Sales of goods	**–**	199
		Purchase of goods	**765**	–

36. RELATED PARTY DISCLOSURES *(Continued)*

Name of companies	Notes	Nature of transaction	2024 HK$'000	2023 HK$'000
Fellow subsidiaries of the Company (Continued)				
四川長虹國際酒店有限責任公司	(iii)	Administrative expenses		
		— hotel expenses	**6**	3
		Selling and distribution expenses	**1**	–
四川快益點電器服務連鎖有限公司	(iii)	Other income	**–**	19
四川長虹物業服務有限公司	(iii)	Administrative expenses		
		— rental expenses	**293**	281
四川愛創科技有限公司	(iii)	Sales of goods	**–**	94
		Purchase of goods	**1**	54
		Selling and distribution expenses	**17**	113
四川長虹民生物流股份有限公司	(iii)	Selling and distribution expenses	**116**	40
四川長虹智能製造技術有限公司	(iii)	Sales of goods	**922**	100
四川智易家網絡科技有限公司	(iii)	Other income	**35**	35
四川長虹雲數信息技術有限公司	(iii)	Sales of goods	**210**	212
四川佳虹實業有限公司	(iii)	Administrative expenses	**7**	6
四川長虹空調有限公司	(iii)	Purchase of goods	**474**	–
四川長虹網絡科技有限責任公司	(iii)	Sales of goods	**690**	218
四川啟睿克科技有限公司	(iii)	Sales of goods	**–**	123
		Purchase of goods	**1,328**	435
		Research and development expenses	**–**	1,195
		Selling and distribution expenses	**166**	47
		Administrative expenses	**1**	–

36. RELATED PARTY DISCLOSURES *(Continued)*

Name of companies	Notes	Nature of transaction	2024 HK$'000	2023 HK$'000
Fellow subsidiaries of the Company (Continued)				
四川長虹模塑科技有限公司	(iii)	Sales of goods	**–**	36
深圳長虹科技有限責任公司	(iii)	Administrative expenses	**431**	437
成都長虹電子科技有限責任公司	(iii)	Administrative expenses	**554**	327
		Finance cost — lease liabilities	**52**	–
四川長虹教育科技有限公司	(iii)	Sales of goods	**859**	–
		Purchase of goods	**2,095**	173
四川長虹智能科技有限公司	(iii)	Sales of goods	**133**	315
綿陽快益點電器服務連鎖有限公司	(iii)	Other income	**8**	13
四川長虹器件科技有限公司	(iii)	Sales of goods	**–**	160
中玖閃光醫療科技有限公司	(iii)	Sales of goods	**–**	31
長虹華意壓縮機股份有限公司	(iii)	Sales of goods	**–**	49
四川智遠樂享軟體有限公司	(iii)	Sales of goods	**–**	1,384
四川虹美智能科技有限公司	(iii)	Sales of goods	**–**	438
四川華豐科技股份有限公司	(iii)	Sales of goods	**829**	–
四川長虹電源股份有限公司	(iii)	Sales of goods	**175**	–

36. RELATED PARTY DISCLOSURES *(Continued)*

Name of companies	Notes	Nature of transaction	2024 HK$'000	2023 HK$'000
Fellow subsidiaries of the Company (Continued)				
四川啟賽微電子有限公司	(iii)	Sales of goods	**84**	–
四川長虹精密電子科技股份有限公司	(iii)	Sales of goods	**38**	–
四川長虹新網科技股份有限公司	(iii)	Sales of goods	**33**	–
四川長虹電子科技股份有限公司	(iii)	Sales of goods	**53,562**	–
四川長虹智慧健康科技股份有限公司	(iii)	Sales of goods	**716**	–
長虹財務	(iv)	Finance cost — interest of discounted bills	**34,883**	50,449
		Discount of bills receivables	**4,822,958**	6,298,670

36. RELATED PARTY DISCLOSURES *(Continued)*

(a) Related parties balances

The Group allows a credit period of 55 days for sales to its related parties. As at 31 December 2024 and 2023, the Group has the following balances with related parties and the respective aging analysis:

Name of companies	Notes	Nature of transaction	2024 HK$'000	2023 HK$'000
Fellow subsidiaries of the Company				
四川虹信軟件有限公司	(iii)	Trade and bills receivables		
		Within 30 days	**604**	375
		31–60 days	**84**	1,080
		91–180 days	**362**	15
			1,050	1,470
四川長虹電子科技有限責任公司	(iii)	Trade and bills receivables		
		181–365 days	**31,853**	–
		Over 1 year	**9**	9
四川長虹網絡科技有限責任公司	(iii)	Trade and bills receivables		
		Within 30 days	**–**	245
四川愛創科技有限公司	(iii)	Trade and bills receivables		
		61–90 days	**–**	20
四川長虹教育科技有限公司	(iii)	Trade and bills receivables		
		31–60 days	**576**	–
四川長虹智慧健康科技有限公司	(iii)	Trade and bills receivables		
		Within 30 days	**125**	–
		31–60 days	**121**	–
四川長虹精密電子科技有限公司	(iii)	Trade and bills receivables		
		Within 30 days	**27**	–
		31–60 days	**15**	–
四川華豐科技股份有限公司	(iii)	Trade and bills receivables		
		Within 30 days	**923**	–
Total amounts due from related companies — trade and bills receivables			**34,699**	1,744

36. RELATED PARTY DISCLOSURES *(Continued)*

(b) Related parties balances

Name of companies	Notes	Nature of transaction	2024 HK$'000	2023 HK$'000
Fellow subsidiaries of the Company				
長虹財務	(iv)	Authorised institution deposits, included in bank balances and pledged bank deposits	**217,985**	726,043
Shareholder of immediate and ultimate holding company of the Company				
四川長虹電子控股集團有限公司	(ii), (v)	Other payables	**15,083**	15,413
Sichuan Changhong	(v)	Other payables	**6,891**	11,005
		Contract liabilities	**1,484**	1,752
			8,375	12,757
Fellow subsidiaries of the Company				
四川愛創科技有限公司	(iii), (v)	Trade payables	**11**	11
四川虹微技術有限公司	(iii), (v)	Trade payables	**510**	–
成都長虹電子科技有限責任公司	(iii)	Contract liabilities	**83**	85
四川長虹電子系統有限公司	(iii)	Contract liabilities	**1**	19
四川長虹智慧健康科技有限公司	(iii)	Contract liabilities	**–**	169
四川長虹電子控股集團有限公司	(iii)	Contract liabilities	**–**	2
Total amounts due to related companies			**24,063**	28,456

36. RELATED PARTY DISCLOSURES *(Continued)*

(b) Related parties balances *(Continued)*

Notes:

(i) Sichuan Changhong holds approximately 77.44% equity interest of the Company.

(ii) 四川長虹電子控股集團有限公司 holds approximately 23.22% equity interest of Sichuan Changhong.

(iii) Sichuan Changhong has controlling interests in these companies.

(iv) Sichuan Changhong holds 35.04% equity interests in 長虹財務. The bank balances and pledged bank deposits placed at 長虹財務 carry interest rate of 0.42%–2.4% per annum (2023: 0.42%–3.40%).

(v) The amounts are unsecured, non-interest bearing and repayable on demand.

The details of continuing connected transactions are disclosed in the Report of Directors section of the annual report.

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2024 **HK$'000**	2023 HK$'000
Short term benefits	**28,236**	26,293
Post-employment benefits	**833**	581
	29,069	26,874

The remuneration of directors and management personnel are determined by the remuneration committee having regard to the performance of individuals and market trends. Certain directors are entitled to bonus payments which are determined based on a percentage of the Group's financial performance, including revenue and profit after tax for the year as disclosed in Note 11.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31 December 2024 and 2023 are as follows:

Name of subsidiaries	Place and date of incorporation/ registration and operation	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Group				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				2024 %	2023 %	2024 %	2023 %	2024 %	2023 %	2024 %	2023 %	
Changhong (Hong Kong) Enterprises Limited	Hong Kong	Ordinary	HK$10,001	–	–	100	100	–	–	100	100	Investment holding
CHIT 四川長虹佳華信息產品有限責任公司#	PRC	–	RMB800,000,000 (2023: RMB400,000,000)	–	–	100	100	–	–	100	100	Provision of professional integrated IT solutions and services and distribution of consumer digital products
Changhong IT Digital 四川長虹佳華數字技術有限公司*	PRC	–	RMB50,000,000	–	–	100	100	–	–	100	100	Provision of professional integrated IT solutions and services and distribution of consumer digital products
Beijing Jiacun Intelligent Cloud Technology Co., Ltd. 北京佳存智聯雲科技有限公司*	PRC	–	RMB100,000,000	–	–	100	100	–	–	100	100	Provision of professional integrated IT solutions and services and distribution of consumer digital products
Changhong IT (Hong Kong) Information Products Co., Limited	Hong Kong	Ordinary	HK$10,000,000	100	100	–	–	100	100	–	–	Provision of professional integrated IT solutions and services and distribution of consumer digital products
Sichuan Changhong IT Duolayouhuo E-commerce Co., Ltd. 四川長虹佳華哆啦有貨電子商務有限公司*	PRC	–	RMB100,000,000	–	–	100	100	–	–	100	100	Provision of professional integrated IT solutions and services and distribution of consumer digital products and others
Sichuan Changhong Cloud Computing Company limited 四川長虹雲計算有限公司 (「雲計算」) (Note a)	PRC	–	RMB60,000,000 (2023: RMB20,000,000) (Note)	–	–	100	100	–	–	100	100	Provision of cloud computing services
Sichuan Changhong Information Service Co., Ltd. 四川長虹信息服務有限公司*	PRC	–	RMB200,000,000	–	–	100	100	–	–	100	100	Provision of professional integrated IT solutions and services and distribution of consumer digital products and others
Beijing Changhong IT Information Technology Co., Ltd. 北京長虹佳華信息科技有限公司*	PRC	–	RMB100,000,000	–	–	100	100	–	–	100	100	Provision of professional integrated IT solutions and services and distribution of consumer digital products and others
PT Changhong Jiahua Information Technology Indonesia	Indonesia	–	IDR7,000,000,000	–	–	100	100	–	–	100	100	Provision of professional integrated IT solutions and services and distribution of consumer digital products and others
Beijing Changhong information technology Company Limited 北京長虹信息技術有限公司 (Note b)	PRC	–	RMB50,000,000 (2023: RMB1,427,000)	–	–	100	100	–	–	100	100	Provision of cloud computing services
Changhong Jiahua Information Technology Philippines Inc (Note c)	Philippine	–	PHP21,402,594 (2023: PHP11,000,000)	–	–	100	100	–	–	100	100	Provision of professional integrated IT solutions and services and distribution of consumer digital products and others

\# foreign-invested enterprise

* limited liabilities company

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Notes:

(a) 雲計算 is a limited liability company established under PRC law and under the legal ownership of 四川長虹電子控股集團有限公司 (the "PRC Equity Owner"). Under certain agreements (the "VIE Agreements") entered into among the PRC Equity Owner, 雲計算 and a subsidiary of the Group, 四川長虹佳華數字技術有限公司, 四川長虹佳華數字技術有限公司 controls 雲計算 by way of having the voting rights to govern the financial and operating policies, having the power to appoint or remove the directors of 雲計算 and obtaining all the returns of 雲計算. Accordingly, the Group has rights to exercise power over 雲計算, receives variable returns from its involvement in 雲計算, and has the ability to affect the returns from 雲計算 through its power over 雲計算. The Company's directors confirmed that, based on the advice from the Company's PRC legal adviser, the VIE Agreements are legally binding and enforceable against each party in accordance with their terms and provisions under PRC law. Further details of the contractual arrangements are disclosed in the circular of the Company dated 30 April 2019.

(b) During the year ended 31 December 2021, a new subsidiary, 北京長虹信息技術有限公司 (formally known as 四川長虹雲服務有限公司) was set up and immediately held by 雲計算.

(c) During the year ended 31 December 2023, a new subsidiary, Changhong Jiahua Information Technology Philippines Inc was set up and immediately held by Changhong IT (Hong Kong) Information Products Co., Limited.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

Principal activities	Principal place of business	Number of subsidiaries	
		2024	2023
Investment holding	British Virgin Islands	**2**	2

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2024 HK$'000	2023 HK$'000
Non-current assets			
Plant and equipment		**46**	46
Investments in subsidiaries		**1,241,751**	1,241,751
		1,241,797	1,241,797
Current assets			
Prepayment, deposits and other receivables		**2**	9
Amounts due from subsidiaries	(i)	**92**	53
Cash and cash equivalents		**446**	349
		540	411
Current liabilities			
Other payables		**3,480**	2,068
Borrowings		**–**	30,000
Tax payables		**35**	35
Dividend payables		**152**	1,415
Amounts due to subsidiaries		**997,980**	839,566
		1,001,647	873,084
Net current liabilities		**(1,001,107)**	(872,673)
		240,690	369,124
Capital and reserves			
Share capital		**36,366**	36,366
Convertible preference shares		**27,897**	27,897
Reserves		**176,427**	304,861
		240,690	369,124

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Movement of reserves during both years are as follows:

	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2023	1,401,010	(967,325)	433,685
Loss and total comprehensive expense for the year	–	(298)	(298)
Dividend recognised as distribution (Note 12)	(128,526)	–	(128,526)
At 31 December 2023 and 1 January 2024	1,272,484	(967,623)	304,861
Profit and total comprehensive income for the year	–	92	92
Dividend recognised as distribution (Note 12)	(128,526)	–	(128,526)
At 31 December 2024	1,143,958	(967,531)	176,427

Five-Year Summary of Financial Information

A summary of the published results and the assets and liabilities of the Group for the last five financial years is as follows:

RESULTS

	Year ended 31 December				
	2024	2023	2022	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**39,986,349**	37,170,632	38,339,109	44,558,173	40,381,301
Cost of sales	**(38,603,498)**	(35,870,017)	(37,066,598)	(43,239,733)	(39,302,538)
Gross profit	**1,382,851**	1,300,615	1,272,511	1,318,440	1,078,763
Other income	**76,648**	130,374	61,326	67,530	68,657
Distribution and selling expenses	**(498,713)**	(449,978)	(412,280)	(437,078)	(363,873)
Administrative expenses*	**(228,601)**	(303,815)	(269,050)	(267,357)	(223,940)
Finance costs	**(261,659)**	(248,548)	(211,088)	(175,290)	(144,130)
Profit before tax	**415,436**	428,648	441,419	506,245	415,477
Income tax expenses	**(36,170)**	(68,108)	(75,603)	(92,998)	(70,079)
Profit for the year	**379,266**	360,540	365,816	413,247	345,398
Profit for the year attributed to:					
Owner of the Company	**379,266**	360,540	365,816	413,247	345,398
Non-controlling interests	**–**	–	–	–	–
	379,266	360,540	365,816	413,247	345,398

* Administrative expenses included research and development expenses, impairment loss on trade receivables, net and exchange (loss) gain, net.

Five-Year Summary of Financial Information

	Year ended 31 December				
	2024	2023	2022	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Profit for the year	**379,266**	360,540	365,816	413,247	345,398
Other comprehensive income (expense)					
Items that will not be reclassified to profit or loss:					
Exchange difference arising from translation of consolidated financial statements to presentation currency	**(84,130)**	(49,433)	(287,586)	87,389	166,783
Items that may be reclassified subsequently to profit or loss:					
Exchange difference arising from translation of foreign operations	**–**	–	–	–	–
Other comprehensive income (expense) for the year	**(84,130)**	(49,433)	(287,586)	87,389	166,783
Total comprehensive income for the year	**295,136**	311,107	78,230	500,636	512,181
Total comprehensive income attributable to:					
Owners of the Company	**295,136**	311,107	78,230	500,636	512,181
Non-controlling interests	**–**	–	–	–	–
	295,136	311,107	78,230	500,636	512,181

ASSETS AND LIABILITIES

	31 December				
	2024	2023	2022	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**18,068,986**	17,407,463	15,950,764	12,471,445	10,959,723
Total liabilities	**(15,089,831)**	(14,594,918)	(13,320,800)	(9,791,185)	(8,651,573)
Total equity	**2,979,155**	2,812,545	2,629,964	2,680,260	2,308,150