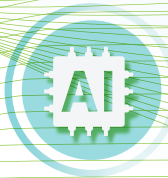




PHOENITRON

Phoenitron Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8066)



**SEEING FURTHER
GOING FORWARD**

Annual Report 2024

Characteristics of GEM of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

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

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

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



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Corporate Information

DIRECTORS

Executive Directors

Lily Wu (*Chairman and Chief Executive Officer*)
 Guo Rongxiang (*appointed with effect from 11 September 2024*)
 Chang Wei Wen
 Yang Meng Hsiu

Independent non-executive Directors

Chan Siu Wing, Raymond
 Wong Ka Wai, Jeanne
 Yeung Man Chit, Daniel

COMPLIANCE OFFICER

Lily Wu

COMPANY SECRETARY

Ching Shuk Wah, Shirley (*ACG HKACG*)

AUTHORISED REPRESENTATIVES

Lily Wu
 Chang Wei Wen

AUDIT COMMITTEE

Wong Ka Wai, Jeanne (*Chairman*)
 Chan Siu Wing, Raymond
 Yeung Man Chit, Daniel

REMUNERATION COMMITTEE

Chan Siu Wing, Raymond (*Chairman*)
 Chang Wei Wen
 Lily Wu
 Wong Ka Wai, Jeanne
 Yeung Man Chit, Daniel

NOMINATION COMMITTEE

Lily Wu (*Chairman*)
 Chan Siu Wing, Raymond
 Wong Ka Wai, Jeanne
 Yang Meng Hsiu
 Yeung Man Chit, Daniel

REGISTERED OFFICE

Cricket Square
 Hutchins Drive
 P.O. Box 2681
 Grand Cayman KY1-1111
 Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 710, 7th Floor, North Tower
 World Finance Centre
 Harbour City
 Tsimshatsui, Kowloon
 Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
 Suite 3204, Unit 2A, Block 3, Building D
 PO Box 1586, Gardenia Court, Camana Bay
 Grand Cayman KY1-1110, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKER

Nanyang Commercial Bank Limited

AUDITOR

Moore CPA Limited
Registered Public Interest Entity Auditor
 1001-1010 North Tower
 World Finance Centre
 Harbour City
 19 Canton Road
 Tsimshatsui
 Kowloon
 Hong Kong

WEBSITE ADDRESS

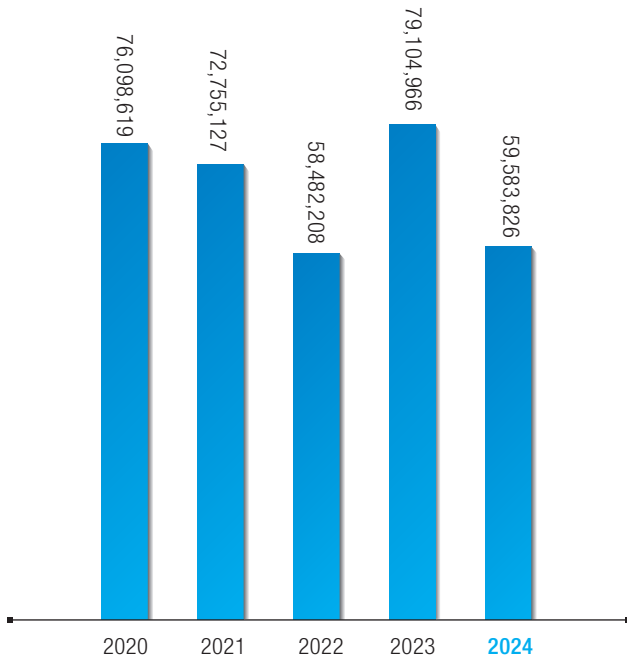
www.phoenitron.com

STOCK CODE

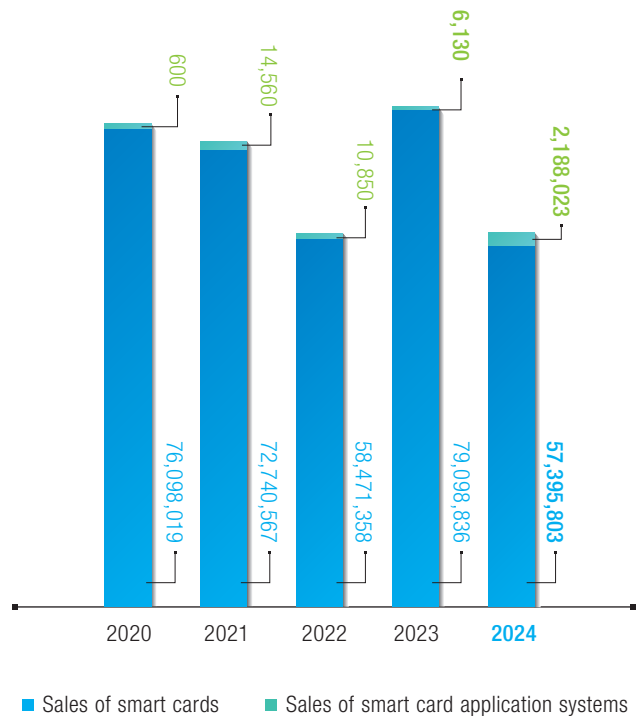
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Financial Highlights

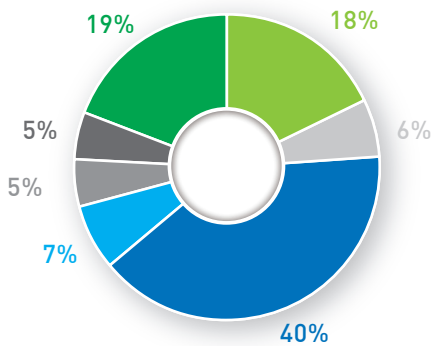
TURNOVER



TURNOVER BY SEGMENTS



TOTAL ASSETS AT 31 DECEMBER 2024



- Cash and cash equivalents
- Trade and other receivables
- Investment in TV programmes
- Other assets
- Intangible assets
- Right-of-use assets
- Property, plant and equipment

Chairman's Statement

TO OUR SHAREHOLDERS

On behalf of the Board of Directors, I am pleased to present the results of Phoenitron Holdings Limited (the "Company") and its subsidiaries (together, the "Group" or "Phoenitron") for the financial year ended 31 December 2024 (the "Reporting Period").

RESULTS

For the year ended 31 December 2024, the Company recorded a consolidated revenue of approximately HK\$59,584,000 (2023: approximately HK\$79,105,000) and profit attributable to owners of the Company of approximately HK\$453,000 (2023: approximately HK\$4,336,000).

DIVIDEND

The Board of Directors (the "Board") of the Company does not recommend any payment of a final dividend for the Reporting Period.

BUSINESS AND OPERATION REVIEW

During the Reporting Period, the Group's financial result was principally derived from the contract manufacturing and sales of smart cards.

Contract manufacturing and sales of smart cards

2024 was full of challenges. In the first half of 2024, sales significantly declined by approximately HK\$15.8 million or 42.3% as compared to the same period last year. This downturn was attributable to a high level of 2023 revenue from the supply of chips bouncing back during that year (post-COVID 19), enabling our Shenzhen plant to clear its smartcard order backlog and the order volumes resumed at normal level in 2024. Using our highly automated production facilities, superior product quality and speedy delivery services, the management team improved sales and profit margins in the second half of the year to partially offset the first half weakness. For the full Reporting Period, the Group recorded a revenue of approximately HK\$57.4 million, representing a decline of approximately HK\$21.7 million or 27.4%, as compared to the corresponding period in last year of approximately HK\$79.1 million. The profit of approximately HK\$7.8 million (2023: approximately HK\$14.3 million) was derived from the SIM card market.

During the Reporting Period, we focused on strengthening our relationship with existing customers and at the same time expanding the client base and overall market share. Management also continued to make greater efforts in implementing cost-cutting/streamlining measures and increasing productivity and operational efficiency.

In the fourth quarter of 2023, the smart card plant landlord early terminated the lease, leading to the relocation of the Shenzhen ("SZ") plant to a new site near to the previous plant. The relocation process was completed in early January 2024. As opposed to the old plant, all the workshops in the new SZ plant are on the same floor, which improves the overall production and operational efficiency by 15% to 20%. More importantly, the layout of the new SZ plant meets the requirement for the global SAS standard certification, which could increase the Group's customer opportunities in the future.

Chairman's Statement

Investment in TV Programmes

On 30 September 2019, Kartop (Hong Kong) Limited ("Kartop HK"), an indirectly wholly-owned subsidiary of the Company, entered into the joint production agreement with 浙江優盛影視文化有限公司, pursuant to which Kartop HK agreed to invest RMB24.0 million (equivalent to approximately HK\$26.9 million) in the production of a TV Play "Snow Leopard II" (the "Target TV Play"), which is directed by Mr. Wang De Qing, produced by Mr. Zhang Jian and starring Mr. Zhang Ming En and Ms. Feng Yue and was tentatively targeting a release in China in 2020.

As disclosed in the Company's 2023 annual report, the production of the Target TV Play was completed. According to the producer, Mr. Zhang Jian, as additional time is needed to negotiate and conclude sales contract that could meet the target revenue, the Target TV Play is now targeting a release by the end of 2025. Such a release date would mean Kartop HK should receive revenue share by end of first quarter 2026.

The Group plans to develop new businesses in the advertising, media and entertainment industry. The Directors consider that the investment in the Target TV Play would be beneficial to the Group as it represents a first step forward in the Group's future development and diversification plan. The Directors also believe that the Target TV Play provides a good investment return and additional income to the Group. Apart from "Snow Leopard II", the management is looking for other similar investments in the future.

E-Commerce Business Segment – Digital Platform Business

As disclosed in the previous announcements of the Company, the Group intends to diversify its business portfolio by entering the prospering digital economy and exploring new development opportunities in the application of artificial intelligence. In furtherance of this, the Group, through 北京德生萬利時印藝科技有限公司 (Beijing Desheng Wanlizi Printing Arts Technology Company Limited*) (a limited liability company established in the People's Republic of China (the "PRC") and an indirect wholly-owned subsidiary of the Company), has completed the acquisition of the 100% equity interest in 海南動創數娛科技集團有限公司 (Hainan Dongchuang Digital Entertainment Technology Group Company Limited*) ("Hainan Dongchuang") on 31 December 2024 (the "Acquisition"), which has an experienced market operation team and a strong customer base. It is expected that Hainan Dongchuang will operate a pan-entertainment digital ecosystem membership e-commerce platform – Dongchuang E-Commerce App Service Platform. The platform has commenced trial operations and primarily provides entertainment e-commerce with private domain traffic, including the provision of digital products and services (the "Digital Platform Business"). The headquarters of the Digital Platform Business is located in Haikou City, Hainan Province, the PRC.

Financing

On 10 February 2023, the Company, as issuer, and Mr. Guo Rongxiang, as subscriber, entered into the subscription agreement in relation to the issue of convertible bonds (the "Convertible Bonds"). Completion took place on 3 September 2024.

The gross proceeds from the issue of the Convertible Bonds totaled HK\$16,500,000. The net proceeds from the issue of the Convertible Bonds of approximately HK\$16,392,000 are intended to be used as general working capital of the Group as well as for the continuous development of the existing media and entertainment businesses (including e-commerce business) of the Group.

The Directors consider raising funds by issuing the Convertible Bonds is justifiable considering the recent market conditions which represent an opportunity for the Company to enhance its working capital and strengthen its capital base and financial position for the continuous development of the existing businesses of the Group. Additionally, the Convertible Bonds will not have an immediate dilution effect on the shareholding of our existing shareholders.

* The English translation of the Chinese name is for information purpose only, and should not be regarded as the official English translation of such name.

Chairman's Statement

OUTLOOK

Looking ahead to 2025, we anticipate even greater challenges in terms of price and market pressure of our smartcard business. International clients are facing aggressive competition from Chinese rivals, who, due to overcapacity, are offering low prices to capture market share globally. To secure relatively stable order volumes in this environment, we will need to make certain price concessions, pressuring margins in 2025.

In response to the gradual decline in order volumes, we took advantage of our factory relocation at the beginning of 2024 to invest in hardware and software upgrades aligned with GSMA's SAS certification standards. We successfully obtained this certification by the end of 2024. With this achievement, we are now positioned to target other international clients requiring SAS-certified suppliers in 2025, with the goal of bringing in new clients to offset the possible loss of order volume and lower prices from existing ones.

The Company is cautiously optimistic about the development of the digital platform business. The acquisition of Hainan Dongchuang is a strategic move aimed at seizing new opportunities in the digital economy and artificial intelligence (AI) applications. The Group also aims to progressively expand its range of digital economy services and market presence. The acquisition of Hainan Dongchuang marks the starting point, establishing a foothold in e-commerce services. Dongchuang E-Commerce App Service Platform, which is currently in trial operations, already features over 30,000 listed products.

We believe, by applying the Company's funds in an appropriate manner and by utilising the unique investment opportunities of the Company, we will bring stable revenue and profit for our shareholders. The Board believes the diversification of our businesses will facilitate the long-term development of the Group and enhance our shareholder value.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to extend our gratitude to all members of the Board and staff for their dedication and contribution to the Group throughout the year 2024. I would also like to express my heartfelt appreciation to our shareholders, business partners, investors and customers for their continuous support.

Lily WU

Chairman

Hong Kong, 20 March 2025

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the financial year ended 31 December 2024 (the "Reporting Period"), the Group's financial result was principally derived from the contract manufacturing and sales of smart cards.

During the Reporting Period, the Group's revenue generated from sales of smart cards amounted to approximately HK\$57.4 million, representing a decrease of approximately HK\$21.7 million or 27.4% as compared to the corresponding period in 2023 of approximately HK\$79.1 million. The significant decrease in revenue was attributable to a high level of revenue in 2023 due to the supply of chips bouncing back, clearing a smartcard order backlog and the order volumes resumed at normal level in 2024.

The Group's revenue generated from sales of smart card application systems amounted to approximately HK\$2.2 million (2023: HK\$6,130).

Cost of Sales and Gross Profit

During the Reporting Period, cost of sales incurred for sales of smart cards amounted to approximately HK\$37.1 million, a decrease of approximately HK\$14.3 million or 27.8% as compared to the corresponding period in 2023 of approximately HK\$51.4 million. The decrease in cost of sales was in line with the decrease in revenue year-on-year.

The Group recorded cost of sales from sales of smart card application systems of approximately HK\$0.50 million (2023: HK\$5,430).

Due to the decrease in sales, gross profit of the Group during the Reporting Period dropped by approximately HK\$5.7 million or 20.7%, from the corresponding period in 2023 of approximately HK\$27.7 million, to approximately HK\$22.0 million.

Other Income

Other income of approximately HK\$1.38 million consisted of bank interest income of HK\$5,157, government subsidies of HK\$14,880 and sundry income of approximately HK\$1.36 million (2023: approximately HK\$1.20 million and was mainly comprised of PRC government subsidies of approximately HK\$0.64 million, bank interest income of HK\$7,355 and sundry income of approximately HK\$0.56 million).

Other (Losses)/Gains, Net

During the Reporting Period, other losses (net) amounted to approximately HK\$1.55 million which was attributable to the exchange differences arising from translating the carrying balance of investment in TV programme at the balance sheet date, and the exchange losses arising from foreign currency-based transactions (2023: gains of approximately HK\$1.41 million, comprised of net exchange gains and gain on early termination of leases relating to the old factory in Shenzhen, of each of approximately HK\$705,000).

Selling and Distribution Costs

During the Reporting Period, selling and distribution costs amounted to approximately HK\$2.1 million, representing a decrease of approximately HK\$0.6 million, or 22.0%, as compared to the corresponding period in 2023 of approximately HK\$2.7 million. The decrease was mainly due to the decrease in freight costs and sales commission corresponding to the decrease in revenue year-on-year.

Administrative Expenses

Administrative expenses recorded a slight decrease of approximately HK\$0.2 million, or 0.9% during the Reporting Period, from approximately HK\$21.8 million for the corresponding period in 2023, to approximately HK\$21.6 million.

Management Discussion and Analysis

Impairment Loss on Other Receivables

During the Reporting Period, an impairment loss on other receivables amounted to HK\$56,314 (2023: HK\$15,389).

Change in Fair Value of Investment in TV Programmes

During the Reporting Period, a fair value gain on investment in TV programmes of approximately HK\$2.88 million was recognised (2023: loss of approximately HK\$1.32 million).

According to Mr. Zhang Jian, the director of the TV programme, the estimated timetable of revenue inflow will be delayed about six months.

Finance Costs

During the Reporting Period, the Group's finance costs amounted to approximately HK\$0.50 million which consists of interest charges on lease liabilities of approximately HK\$0.22 million, and interest charges on convertible bonds of approximately HK\$0.28 million (2023: approximately HK\$0.19 million, comprised solely of finance charges on leases liabilities).

Income Tax Credit

No income tax expense or credit was recognised during the Reporting Period (2023: income tax credit of HK\$4,707).

Non-controlling Interests

During the Reporting Period, a loss of HK\$1,153 (2023: HK\$1,078) attributable to the non-controlling interests was recognised.

As a result of the foregoing, profit attributable to owners of the Company for the Reporting Period amounted to approximately HK\$0.45 million (2023: approximately HK\$4.34 million).

LIQUIDITY AND FINANCIAL RESOURCES/CAPITAL STRUCTURE

During the Reporting Period, the Group financed its business operations and investments with cash, revenue generated from operating activities, proceeds from issuance of convertible bonds and other borrowings. As at 31 December 2024, the Group had cash and bank balances of approximately HK\$13.8 million (2023: approximately HK\$7.2 million), long-term convertible bonds of approximately HK\$16.5 million (2023: nil) and no other borrowings (2023: approximately HK\$1.0 million).

As at 31 December 2024, the Group had current assets of approximately HK\$30.8 million (2023: approximately HK\$26.5 million) and current liabilities of approximately HK\$19.2 million (2023: approximately HK\$24.7 million). The current ratio, expressed as current assets over current liabilities, was 1.6 (2023: 1.1).

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 31 December 2024, the Group employed a total of 136 employees (2023: 126 employees), of which 15 were located in Hong Kong and the rest were located in the PRC and Taiwan. Among them, around 36% of the workforce (including senior management) were female, and around 29% of the Group's senior management positions were held by female. The Company considers there is a balanced gender diversity in its workforce as a whole, and intends to maintain similar level of balance. To support diversity at different level of the Group, the Group is enhancing diversity awareness through employee networks, hiring and recruitment practices, and awareness raising promotions and training for all employees. The ESG report for 2024 sets out more information about the Group's workforce.

Employee cost, including Directors' remuneration, was approximately HK\$22.8 million (2023: approximately HK\$25.8 million) during the Reporting Period. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. In addition to basic salaries and participation in mandatory provident fund scheme, staff benefits include bonus, training scheme, a medical scheme and share options.

Management Discussion and Analysis

SIGNIFICANT INVESTMENTS

Save as disclosed in notes 23 and 38 to the consolidated financial statements, there was no other significant investments for the year ended 31 December 2024.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Saved as disclosed in note 38 to the consolidated financial statements, there was no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2024.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the “Chairman’s Statement” and “Management Discussion and Analysis” sections, there were no future plans for material investments or capital assets.

CHARGE ON GROUP ASSETS

At 31 December 2024, there is no charge on assets of the Group (2023: nil).

GEARING RATIO

The gearing ratio of the Group, expressed as a percentage of total borrowings including lease liabilities to total assets of the Group, was 26.3% (2023: 11.3%) as at 31 December 2024.

CONTINGENT LIABILITIES

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group’s exposures to currency risk arise from its investment in TV programmes and overseas sales and purchases, which are primarily denominated in Renminbi (“RMB”) and United States Dollars (“USD”). These are not the functional currencies of the group entities to which these transactions relate.

To mitigate the Group’s exposure to foreign currency risk, cash flows in foreign currencies are monitored in accordance with the Group’s risk management policies. Generally, the Group’s risk management procedures distinguish short term foreign currency cash flows (due within 6 months) from longer term cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken. The policy to manage foreign currency risk has been followed by the Group since prior periods and is considered to be effective.

FINAL DIVIDEND

The Directors does not recommend any payment of a final dividend for the year ended 31 December 2024 (2023: nil).

The Company was not aware of any shareholders that had waived or agreed to waive any dividend arrangement for the year ended 31 December 2024.

Management Discussion and Analysis

COMPETING INTERESTS

As at 31 December 2024, none of the Directors or the management shareholders or any of its respective associates (as defined under the GEM Listing Rules) of the Company had any interest in a business that competed or might compete with the business of the Group directly or indirectly.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities (including sale of treasury shares (as defined under the GEM Listing Rules)) during the Reporting Period. As at 31 December 2024, the Company did not hold any treasury shares.

ANNUAL GENERAL MEETING

The annual general meeting (the "AGM") of the shareholders of the Company will be held at 10:00 a.m., on Friday, 23 May 2025 (Hong Kong time), at Pacific Room IV, 9/F, Towers Wing, Royal Pacific Hotel, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong and the notice of AGM will be published and dispatched to the shareholders in the manner as required by the GEM Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlements to attend the AGM, the register of members of the Company will be closed from Tuesday, 20 May 2025 to Friday, 23 May 2025 (both dates inclusive) during which period no transfer of shares of the Company will be registered. In order to qualify for attending the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 17F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Monday, 19 May 2025.

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2024.

INTRODUCTION

The Board believes that good corporate governance practices are essential for effective management and enhancement of shareholder value and investor confidence. The Company has taken a proactive approach in strengthening corporate governance practices, increasing transparency and sustaining accountability to shareholders through effective internal controls, under the leadership of its experienced and committed Board.

The Company has applied the principles set out in the Corporate Governance Code (the “CG Code”) contained in Appendix C1 to the GEM Listing Rules.

In the opinion of the Board, the Company has complied with all the code provisions set out in the CG Code throughout the year ended 31 December 2024 with the exception of the code provision C.2.1 which requires that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Details relating to the foregoing deviation are summarised below.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2024.

BOARD OF DIRECTORS

The Board is responsible for overseeing the management of the business and affairs of the Group with the overriding objective of enhancing share value. With delegating authorities from the Board, management of the Company is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer.

Code provision C.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

Ms. Lily Wu (“Ms. Wu”) serves as the Chairman of the Board since 1 April 2006 and was further appointed as the Chief Executive Officer on 23 March 2009. The reasons for not splitting the roles of chairman and chief executive officer are (i) the size of the Group is still relatively small and thus not justified in separating the roles of chairman and chief executive officer; and (ii) the Group has in place an internal control system to perform the check and balance function. Ms. Wu is primarily responsible for leadership of the Group and the Board, setting strategic direction, ensuring the effectiveness of management in execution of the strategy approved by the Board. Execution responsibilities lie with another executive Director and senior management of the Company.

The Board considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company.

Corporate Governance Report

BOARD COMPOSITION

Up to the date of this annual report, the Board comprises seven Directors, including four executive Directors and three Independent non-executive Directors. Details of their composition by category are as follows:

Executive Directors

Ms. Lily Wu (*Chairman and Chief Executive Officer*)

Mr. Guo Rongxiang (*appointed with effect from 11 September 2024*)

Mr. Chang Wei Wen

Mr. Yang Meng Hsiu

Independent non-executive Directors

Mr. Chan Siu Wing, Raymond

Ms. Wong Ka Wai, Jeanne

Mr. Yeung Man Chit, Daniel

Biographical details of Directors are set out on pages 22 to 23 of this annual report.

There are no financial, business, family or other material or relevant relationships between members of the Board.

The Directors, with relevant and sufficient experience and qualifications, have given sufficient time and attention to the affairs of the Group and have exercised due care and fiduciary duties to the significant issues of overall business planning, management and strategic development of the Group.

Mr. Guo Rongxiang was appointed as an executive Director on 11 September 2024. He has confirmed that he obtained legal advice from a firm of solicitors qualified to advise on Hong Kong law on 10 September 2024 with regards to the requirements under the GEM Listing Rules that are applicable to him as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange as set out in Rule 5.02D of the GEM Listing Rules and he had confirmed he understood his obligations as a director of a listed issuer.

Board and general meetings

The Board conducts regular scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require. During the year ended 31 December 2024, there were four board meetings and one general meeting held. The Directors can attend meetings in person or via telephone conference as permitted under the articles of association of the Company.

Corporate Governance Report

Details of individual attendance of all Directors at the board meetings and general meeting are as follows:

Name of Directors	Attendance of Board meetings	Attendance of general meeting
Executive Directors		
Ms. Lily Wu	4/4	1/1
Mr. Guo Rongxiang (<i>appointed with effect from 11 September 2024</i>)	1/4	0/1
Mr. Chang Wei Wen	4/4	1/1
Mr. Yang Meng Hsiu	4/4	0/1
Independent Non-executive Directors		
Mr. Chan Siu Wing, Raymond	4/4	1/1
Ms. Wong Ka Wai, Jeanne	4/4	1/1
Mr. Yeung Man Chit, Daniel	4/4	1/1

On 11 September 2024, Mr. Guo Rongxiang appointed as an executive Director. The number of meetings convened is based on the tenure of Directors.

Information of material issues, due notice of meeting and minutes of each Directors' meeting have been sent to each of the Directors for their information, comment and review.

The Board is responsible to set strategic plans, formulates policies and provides effective oversight over the management on the operational affairs, and members of the Board are individually and collectively accountable to the shareholders of the Company. The management 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 commitments on behalf of the Group.

Independent non-executive Directors

Each Director is required to keep abreast of his responsibilities as a director of the Company and of the Company's conduct, business activities and development. Given the essential unitary nature of the Board, independent non-executive Director has the same duties of care and skill and fiduciary duties as executive Directors. Independent non-executive Director brings a wide range of business and financial expertise, experience and independent judgment to the Board. Functions of independent non-executive Director include but should not be limited to the following:

- i. participating in Board meetings to bring independent judgment;
- ii. taking the lead where potential conflict of interests may arise;
- iii. serving on the audit, nomination and remuneration committees if invited; and
- iv. scrutinizing the Group's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.

Corporate Governance Report

Pursuant to Rule 5.05 of the GEM Listing Rules, the Board has appointed three independent non-executive Directors and all of them have appropriate professional accounting qualifications or related experiences on financial management which is in compliance with Rule 5.05A and 5.05 of the GEM Listing Rules. Currently, there is no specific terms of service for each of Mr. Chan Siu Wing, Raymond, Ms. Wong Ka Wai, Jeanne and Mr. Yeung Man Chit, Daniel and the appointment may continue thereafter unless and until terminated by either the Company or each of Mr. Chan, Ms. Wong and Mr. Yeung by giving not less than one month's prior notice in writing and such appointment is subject at all times to the Articles of Association.

The Company strongly supports the principle of Board independence. Mr. Chan Siu Wing, Raymond and Ms. Wong Ka Wai Jeanne have been serving the Board as independent non-executive Directors for more than nine years and have consistently demonstrated their willingness to exercise independent judgments and provide objective challenges to management. They have actively participated in board meetings and board committee meetings held during the year and have shown themselves able to give constructive and independent advice to the Board over significant issues. Therefore, the Board considers that both of them remain independent, notwithstanding the length of their tenure as independent non-executive Directors. The Board has assessed the independence of all independent non-executive directors and considers that all of them are independent as required under the GEM Listing Rules. All independent non-executive Directors have also confirmed their independence pursuant to Rule 5.09 of the GEM Listing Rules by providing an annual confirmation of their independence.

Continuous Professional Development

Pursuant to Code Provision C.1.4, which has come into effect from 1 April 2012, 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. Up to the date of this report, all Directors have participated in continuous professional development by attending training course or reading relevant materials on the topics related to corporate governance and regulations.

The individual training record of each Director received for the year ended 31 December 2024 is summarised below:

Name of Directors	Attending seminar(s)/ Programme(s)/ relevant materials in relation to the business or Directors' duties
Executive Directors	
Ms. Lily Wu	Yes
Mr. Guo Rongxiang (<i>appointed with effect from 11 September 2024</i>)	Yes
Mr. Chang Wei Wen	Yes
Mr. Yang Meng Hsiu	Yes
Independent non-executive Directors	
Mr. Chan Siu Wing, Raymond	Yes
Ms. Wong Ka Wai, Jeanne	Yes
Mr. Yeung Man Chit, Daniel	Yes

All the Directors also understand the importance of continuous professional development and are committed to participating any suitable training or reading relevant materials in order to develop and refresh their knowledge and skills.

Corporate Governance Report

BOARD COMMITTEES

Audit committee

The audit committee currently comprises three independent non-executive Directors and is chaired by Ms. Wong Ka Wai, Jeanne. The rest of members are Mr. Chan Siu Wing, Raymond and Mr. Yeung Man Chit, Daniel. At the discretion of the audit committee, executive Directors and/or senior management personnel, overseeing the Group's finance and internal control functions, may be invited to attend meeting. The primary role and function of the audit committee are to review the Company's financial controls, internal control and risk management systems; to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard; to review the Company's consolidated financial statements, annual reports, interim reports and quarterly reports (if any), and to provide advice and comment thereon to the Board.

The audit committee held four meetings to review the interim and annual results during the year ended 31 December 2024 as well as discussed and reviewed the Group's internal control and audit works with the auditor of the Group. Details of the attendance of the audit committee meetings are as follows:

Members	Attendance
Ms. Wong Ka Wai, Jeanne	4/4
Mr. Chan Siu Wing, Raymond	4/4
Mr. Yeung Man Chit, Daniel	4/4

The Group's unaudited interim results and annual audited results during the year ended 31 December 2024 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

Nomination committee

The nomination committee comprises two executive Directors and three independent non-executive Directors and is chaired by Ms. Lily Wu. The rest of the members are Mr. Chan Siu Wing, Raymond, Ms. Wong Ka Wai, Jeanne, Mr. Yeung Man Chit, Daniel and Mr. Yang Meng Hsiu. The primary role and function of the nomination committee are to review and monitor the structure, size and composition of the Board at least once a year and make recommendations on any proposed changes to the Board to carry out the Company's corporate strategies; to assess the independence of independent non-executive Directors; and to make recommendations to the Board succession planning.

Diversity of the Board

The nomination committee is also responsible for the review of the Board's diversity policy, considering factors including but not limited to gender, age, cultural and educational background, ethnicity, industry experience, professional experience, skills, knowledge and length of service of Board members, and review the measurable objectives that the Board has set for implementing the Board's diversity policy, and monitor the progress on achieving the measurable objectives. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

As of the date of this report, the Board comprises both male and female (five male and two female), providing the Board with a direct and diversified channel of the opinion of both genders. The Directors believe that the composition of the Board reflects a balance of skills, experience and expertise appropriate for the requirements of the Company's business development and for effective leadership. All the executive Directors possess extensive experience in the Company's industry while the non-executive Directors (including independent non-executive Directors) possess professional knowledge and broad experience in diversified areas including the accounting, taxation, finance, trust, corporate affairs, financial management and company secretarial works, and cover different age group. The Directors are of the opinion that Board diversity (including gender diversity) has been achieved, and the present structure of the Board can ensure the independence and objectivity of the Board and provide a system of checks and balances.

Corporate Governance Report

The Board will continue to maintain Board diversity (including gender diversity), and maintain at least one female representation to ensure the opinions from different gender are well represented. If the Board determines that an additional or replacement Director is required, the Company will deploy multiple channels for identifying suitable director candidates, including without limitation, referral from Directors, shareholders, management, advisors of the Company, with regarding to the range of diversity perspectives set forth in the Board's diversity policy.

The Nomination Committee had reviewed and is satisfied with the current composition of the Board.

The nomination committee held one meeting during the year ended 31 December 2024. Details of the attendance of the nomination committee meetings are as follows:

Members	Attendance
Ms. Lily Wu	1/1
Mr. Chan Siu Wing, Raymond	1/1
Ms. Wong Ka Wai, Jeanne	1/1
Mr. Yang Meng Hsiu	1/1
Mr. Yeung Man Chit, Daniel	1/1

Director's Nomination Policy

The Nomination Committee shall assist the Company in nominating suitable candidates to the Board. The Board shall make recommendations to the Company's shareholders on the appointment of Directors and succession planning for Directors.

The director's nomination policy sets out the key selection criteria, procedures and principles adopted by the Nomination Committee in making any such recommendations.

Selection Criteria

The Nomination Committee shall consider the following factors when assessing the suitability of a proposed candidate:

- (a) reputation for integrity;
- (b) accomplishment and experience in the business and industry;
- (c) commitment of the candidate to devote sufficient time and interest to carry out his/her duties;
- (d) diversity in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- (e) independence of the candidate;
- (f) for a proposed re-appointment of a Director, the number of years he/she has served the Company; and
- (g) other relevant factors considered by the Nomination Committee or the Board as appropriate.

Corporate Governance Report

Nomination Procedures

Subject to provisions in the memorandum of association and Articles of Association, if the Board recognises the need to appoint or re-appoint a Director, the following procedures should be followed:

- (a) the secretary of the Nomination Committee shall convene a meeting of the Nomination Committee, and invite nominations of candidates from the Board, if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee shall also be entitled to put forward candidates who are not nominated by the Board;
- (b) the Nomination Committee shall identify or select candidates recommended to the Nomination Committee pursuant to criteria set out above;
- (c) the Nomination Committee shall be entitled to use any process it deems appropriate to evaluate candidates, including but not limited to personal interviews, background checks, presentations or written submissions by candidates and third party references;
- (d) to fill casual vacancies, the Nomination Committee shall make recommendations for consideration and approval of the Board. To propose candidates to stand for election at a general meeting of the Company, the Nomination Committee shall make nominations for the Board's consideration and recommendation;
- (e) the Board shall deliberate and decide on the appointment based on the recommendation of the Nomination Committee;
- (f) appointments of Directors should be confirmed by a letter of appointment or Director service agreement, as appropriate, setting out the key terms and conditions of the appointment of Directors;
- (g) pursuant to Rule 17.46A of the GEM Listing Rules, where shareholders are required to vote on electing or re-electing Directors, the circular accompanying the notice of the relevant general meeting should include all information of the candidates required under Rule 17.50(2) of the GEM Listing Rules;
- (h) a shareholder shall be entitled to serve a notice to the company secretary within the lodgment period of its intention to propose a resolution to elect a person as a Director, without recommendation of the Board or nomination of the Nomination Committee, other than those candidates set out in the shareholder circular. The particulars of the candidates proposed shall be sent to all shareholders for information by a supplementary circular;
- (i) a candidate shall be entitled to withdraw his/her candidature at any time before the general meeting by serving a notice, in writing, to the company secretary; and
- (j) the Board shall have the final decision on matters relating to its recommendation of candidates to stand for election at any general meeting.

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in code provision A.2.1 of the Corporate Governance Code.

During the Reporting Period, the Board had reviewed the Company's corporate governance policies and practices, reviewed and monitored the training and continuous professional development of the Directors and senior management, reviewed and monitor the Company's policies and practices in compliance with legal and regulatory requirements, developed, reviewed and monitored the code of conduct and compliance manual applicable to employees and the Directors, and reviewed the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

Remuneration committee

The remuneration committee comprises two executive Directors and three independent non-executive Directors and is chaired by Mr. Chan Siu Wing, Raymond. The rest of the members are Mr. Chang Wei Wen, Ms. Lily Wu, Ms. Wong Ka Wai, Jeanne and Mr. Yeung Man Chit, Daniel. The primary role and function of the remuneration committee are to review and make recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration; and to review and make recommendations to the Board the remuneration packages of all Directors and senior management.

The remuneration committee held one meeting during the year ended 31 December 2024. Details of the attendance of the remuneration committee meetings are as follows:

Members	Attendance
Mr. Chan Siu Wing, Raymond	1/1
Mr. Chang Wei Wen	1/1
Ms. Lily Wu	1/1
Ms. Wong Ka Wai, Jeanne	1/1
Mr. Yeung Man Chit, Daniel	1/1

Compliance Officer

Ms. Lily Wu was appointed as the Compliance Officer of the Company on 28 December 2005. Details of her qualifications and experience are set out in the section headed "Profiles of Directors and Senior Management" on page 22 of this annual report.

Company Secretary

Ms. Ching Shuk Wah, Shirley ("Ms. Ching") was the Company Secretary of our Company. Details of Ms. Ching's qualifications and experience are as below:

Ms. Ching, aged 52, has over 27 years' experience in corporate secretarial services, administration and management, international trade and trade financing. She joined SWCS Corporate Services Group (Hong Kong) Limited ("SWCS", a corporate service provider) in January 2020 and is currently an assistant manager of SWCS, responsible for assisting in providing company secretarial services. Ms. Ching holds a bachelor degree in Business Administration from the University of Western Sydney and master degree in Corporate Governance from the Hong Kong Metropolitan University (formerly "The Open University of Hong Kong"), is a Chartered Secretary, a Chartered Governance Professional and a member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

Ms. Ching had taken no less than 15 hours of relevant professional training during the year ended 31 December 2024.

During the Reporting Period, the main contact person of Ms. Ching in the Company is Mr. Chang Wei Wen, an executive Director.

Corporate Governance Report

Directors' and auditor's responsibilities for the consolidated financial statements

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 December 2024, the Board has selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements of the Group on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The statement of auditor about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 32 to 35. The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

AUDITOR'S REMUNERATION

During the year ended 31 December 2024, the fees paid/payable to the auditor of the Company in respect of audit and non-audit services provided by the auditor of the Company were as follows:

Nature of services	Amount HK\$'000
Audit services	730
Non-audit services (Tax compliance services)	32

INTERNAL CONTROL AND RISK MANAGEMENT

The Directors are responsible for the internal control of the Group and for reviewing its effectiveness.

The internal control system of the Group comprises of a comprehensive organisational structure and delegation of authorities assigned to individuals based on experience and business need.

Control procedures have been designed to safeguard assets against unauthorised use and disposition; ensure compliance with relevant laws, rules and regulations; ensure proper maintenance of accounting records for provision of reliable financial information used within the business or for publication; and to provide reasonable assurance against material misstatement, loss or fraud.

The overall risk management functions of the Group are under responsibility of management comprising the executive director, and management team. There are established control procedures to identify, assess, control and report to each of the four major types of risks consisting of business and market risk, compliance risk, financial and treasury risk and operational risk.

The Group has engaged an independent professional advisor (the "Internal Control Advisor") to carry out the internal audit functions by performing an independent appraisal of the adequacy and effectiveness of the Group's internal control systems.

The Internal Control Advisor is independent of the Group's daily operation and carries out appraisal of the internal control systems by conducting interviews, walkthroughs and tests of operational effectiveness of the procedures, systems and controls established by the Group including various operational cycles of the Group such as the revenue and receipts, purchase and payments, fixed assets and capital expenditure management, financial reporting, payroll and human resource management.

The Board, through its annually review and the review made by the Audit Committee, concluded that the internal control systems and risk management for the year ended 31 December 2024 were effective and adequate. Such systems, however, 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.

Corporate Governance Report

Principal risks and uncertainties

A number of factors may affect the results and business operations of the Group, major risks are summarised below.

Reliance on limited number of customers

The Group derived a significant portion of our revenue from a limited number of customers. For the year ended 31 December 2024, the five largest customers of the Group contributed 97% of total revenue to the Group. There is no assurance that these significant customers will continue their business relationship with the Group or that the revenue generated from the customers will increase or be maintained in the future. The Group will continue to expand the customer base to mitigate the risk.

Handling and Dissemination of Inside Information

The Company has established and maintained the procedures and internal controls for the handling and dissemination inside information. The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to dealing restrictions. The Group has strictly prohibited unauthorised use of confidential or inside information or any use of such information for the advantage of himself or others. Any inside information and any information which may potentially constitute inside information is promptly identified, assessed and escalated to the Board and for the Board to decide on the need for disclosure. Inside information and other information which is required to be disclosed pursuant to the GEM Listing Rules will be announced on the respective websites of GEM and the Company in due course.

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting

Pursuant to article 58 of the articles of association of the Company (the "Articles of Association"), the Directors of the Company, notwithstanding anything in its bye-laws shall, on the requisition of Shareholders of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene an extraordinary general meeting ("EGM") of the Company.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the Company Secretary at the Company's principal place of business in Hong Kong, and may consist of several documents in like form each signed by one or more requisitionists.

The request will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board of Directors to include the resolution in the agenda for the EGM.

If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists may themselves convene a meeting.

Enquiries put to the Board

The enquiries must be in writing with contact information of the requisitionists and deposited at the Company Secretary at the Company's principal place of business in Hong Kong.

Procedures for putting forward proposals at shareholders' meetings

Pursuant to article 59(1) of the Articles of Association, in order to put forward proposals at an annual general meeting ("AGM"), or EGM, the Shareholders should submit a written notice of those proposals with the detail contact information to the Company Secretary at the Company's principal place of business in Hong Kong. The request will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting.

Corporate Governance Report

The notice period to be given to all the Shareholders for consideration of the proposal raised by the Shareholders concerned at the shareholders' meetings are as follows:

- An AGM must be called by notice in writing of not less than twenty-one (21) clear days
- All other general meetings (including EGMs) must be called by notice in writing of not less than fourteen (14) clear days

INVESTOR RELATIONS

The Company has formulated the shareholders' communication policy and established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for shareholders to raise comments and exchanging views with the Board; (iii) updated and key information of the Group available on the websites of GEM and the Company; (iv) the Company's website offering communication channel between the Company and its shareholders and investors; and (v) the Company's share registrars in Hong Kong serving the shareholders in respect of all share registration matters.

The Company aims to provide its shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to provide clear, detailed, timely manner and on a regular basis information of the Group to shareholders through the publication of interim and annual reports and/or dispatching circulars, notices, and other announcements.

During the Reporting Period, the Company had reviewed its shareholders' communication policy and examined the implementation and effectiveness of the shareholders' communication policy. The Company believes that the shareholders' communication policy is still appropriate and effective in providing a channel for shareholders to communicate on various matters affecting the Company, as well as the Company to solicit and understand the opinions of shareholders and stakeholders.

Significant Changes in Constitutional Documents

The Stock Exchange of Hong Kong Limited has published conclusions on December 2023 on proposals to expand the paperless listing regime and other GEM Listing Rule amendments. The key proposal to be adopted is to mandate electronic dissemination of listed issuers' corporate communications to their securities holders to the extent permitted by their applicable laws and regulations. In order to (i) reflect and align with the latest regulatory requirement in relation to the expanded paperless listing regime and the electronic dissemination of corporate communications by listed issuers and the relevant amendments made to the GEM Listing Rules which took effect from 31 December 2023; and (ii) align with other relevant requirements of the GEM Listing Rules and company law of the Cayman Islands; and incorporate certain corresponding and housekeeping amendments, the Company has proposed the amendments to the Articles of Association in the annual general meeting of the Company held on 19 June 2024 and such changes have been approved by the Shareholders by way of special resolution on that meeting. The current version of Articles of Association was amended on 19 June 2024 following such approval by the Shareholders. Details of the amendment are set out in the circular of the general meeting of the Company dated 5 April 2024.

The latest version of the Articles of Association is available on the Company's website and the website of the Stock Exchange.

Save as aforesaid, there were no significant changes in the constitutional documents of the Company for the year ended 31 December 2024.

Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS

Lily WU, aged 62, is an executive Director and the Chairman of the Company. She was appointed as Director of the Company in June 2005. Ms. Wu has 38 years of experience in the technology sector investment research and industry analysis. She is currently an independent investment analyst on technology companies for private equity firms, and has previously worked as a director in equity research for Salomon Smith Barney, and as a vice president in equity research for Bankers Trust. Ms. Wu earned a Bachelor of Science degree with Honors in Engineering from the California Institute of Technology.

GUO Rongxiang, aged 63, is an executive Director. He has more than 20 years of experience in the information technology industry, especially in businesses relating to operating of online trading platforms. Mr. Guo is currently the chairman of State Energy Musheep (Shanghai) Technology Development Co., Ltd.* (國能木羊(上海)科技發展有限公司), a company mainly engages in the business of research and development, industry design, investment and production organisation of new energy storage equipment; planning, design and system integration of new energy storage system etc. Further, Mr. Guo is also a licensed fund practitioner in the PRC and has over 7 years of experience in compliance and risk management, with his latest position being the director of risk management of Guangdong Zheda Yueke Century Investment Management Co., Ltd.* (廣東浙大粵科世紀投資管理有限公司) since March 2019. Mr. Guo has obtained his master degree in engineering at The Naval University of Engineering (海軍工程大學) of the PRC in 1987 and his bachelor degree in the professional engineering in shipping powerplant design at The Naval University of Engineering (海軍工程大學) of the PRC in 1983.

CHANG Wei Wen, aged 48, is an executive Director. He was appointed as a non-executive Director of the Company in May 2006 and was re-designated as an executive Director of the Company in December 2006 when he assumed key management and operating responsibilities for the Group. He formerly worked as an assistant to directors of a Taiwan company, which is principally engaged in international trade and wholesale of information software and electronic materials. Mr. Chang obtained a Bachelor of Organization Management degree from Patten University.

YANG Meng Hsiu, aged 48, is an executive Director. He was appointed as Director of the Company in March 2011. Mr. Yang graduated from The Leader University of Taiwan (currently known as The University of Kang Ning) with a bachelor degree in leisure management. Mr. Yang had more than 19 years of experience in product planning and brand name marketing business.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Siu Wing, Raymond, aged 60, is an independent non-executive Director. He is the chairman of the remuneration committee and one of the members of the audit committee and the nomination committee of the Company. Mr. Chan has over 34 years of experience in the field of accounting, taxation, finance and trust. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a founding member of the Macau Society of Certified Practising Accountants. Mr. Chan holds a Bachelor of Economics degree from the University of Sydney. Mr. Chan holds the position of independent non-executive director of Quali-Smart Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange. Mr. Chan was formerly an independent non-executive director of Hong Kong Finance Group Limited, a company whose shares are listed on the Main Board of the Stock Exchange, and has resigned with effect from 1 November 2022. Mr. Chan joined the Company in February 2007.

WONG Ka Wai, Jeanne, aged 60, is an independent non-executive Director. She is the chairman of the audit committee and one of the members of the remuneration committee and the nomination committee of the Company. Ms. Wong has over 35 years of experience in finance, accounting, taxation and corporate affairs. Ms. Wong is a member of the Institute of Chartered Accountants of Australia, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Taxation Institute of Hong Kong and a member of the Society of Trust and Estate Practitioners. She holds a Bachelor Degree in Economics from the University of Sydney, Australia. Ms. Wong is currently the Managing Director of Wellex Consultancy Limited as well as the Chief Financial Officer of a local law firm. Ms. Wong is also an independent non-executive director of Good Fellow Healthcare Holdings Limited, a company whose shares are listed on GEM of the Stock Exchange. Ms. Wong joined the Company in September 2001.

Profiles of Directors and Senior Management

YEUNG Man Chit, Daniel, aged 51, is an independent non-executive Director. He is one of the members of each of the audit committee, the remuneration committee and the nomination committee of the Company. Mr. Yeung has over 29 years of experience in accounting, financial management and company secretarial works. Mr. Yeung is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He holds a Bachelor of Arts (Hons) Degree in Accountancy from The Hong Kong Polytechnic University. Mr. Yeung is the financial controller and company secretary of Chaoda Modern Agriculture (Holdings) Limited (stock code: 682), a company listed on the Main Board of the Stock Exchange. Mr. Yeung has not held any other directorship in the last three years in other public company. Mr. Yeung joined the Company in December 2022.

Directors' Report

The Directors have pleasure in submitting the annual report of the Company together with its audited consolidated financial statements for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services. Details of the principal activities of its subsidiaries are set out in note 34 to the consolidated financial statements.

The revenue of the Group is derived principally from the contract manufacturing and sales of smart cards.

RESULTS

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 36.

BUSINESS REVIEW

A business review as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group, can be found in the Management Discussion and Analysis and Corporate Governance Report set out on pages 7 to 10 and pages 11 to 21 of this annual report, respectively.

DIVIDEND POLICY

The Company has adopted a general dividend policy that aims to provide shareholders of the Company out of the Group's profit attributable to shareholders in any financial year. In proposing any dividend payout, the Board shall take into account, inter alia, the following factors:

- the Group's actual and expected financial performance;
- shareholders' interests;
- retained earnings and distributable reserves of the Company and each of the other members of the Group;
- the level of the Group's debts to equity ratio, return on equity and financial covenants to which the Group is subject;
- possible effects on the Group's creditworthiness;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- the Group's expected working capital requirements and future expansion plans;
- liquidity position and future commitments at the time of declaration of dividend;
- taxation considerations;
- statutory and regulatory restrictions;
- general business conditions and strategies;

Directors' Report

- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems appropriate.

The payment of dividend is also subject to any restrictions under the applicable laws, the Company's Memorandum and Articles of Association.

The Directors do not recommend any payment of a final dividend for the year ended 31 December 2024 (2023: nil).

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 39 and note 32 to the consolidated financial statements respectively.

DIRECTORS

The Directors who held office during the financial year and up to the date of this report were:

Executive Directors

Lily Wu (*Chairman and Chief Executive Officer*)

Guo Rongxiang (*appointed with effect from 11 September 2024*)

Chang Wei Wen

Yang Meng Hsiu

Independent non-executive Directors

Chan Siu Wing, Raymond

Wong Ka Wai, Jeanne

Yeung Man Chit, Daniel

In accordance with Article 86(3) of the Articles of Association, Mr. Guo Rongxiang retires at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

In accordance with Article 87(1) of the Articles of Association, Mr. Yang Meng Hsiu and Mr. Yeung Man Chit, Daniel retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 18 to the consolidated financial statements.

DONATIONS

During the Reporting Period, the Company did not make any donation.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

Directors' Report

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 IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or contracts of significance (as defined in rule 18.25 of the GEM Listing Rules) to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movement in the Company's authorised and issued share capital and share option scheme during the year are set out in notes 30 and 31 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's reserve available for distribution represents the contributed surplus, share premium, other reserves and accumulated losses. At the balance sheet date, the Company had no reserves available for distribution.

CONVERTIBLE BONDS

On 3 September 2024, the Company issued the 3-year convertible bonds in the aggregate principal amount of HK\$16,500,000 with interest rate of 5% per annum to Mr. Guo Rongxiang, an executive Director, which upon exercise of the conversion rights under the conversion bonds in full, the convertible bonds are converted into 55,000,000 shares of the Company at an initial conversion price of HK\$0.30 per conversion share (subject to adjustments).

As at 31 December 2024, no convertible bonds was converted into shares of the Company by Mr. Guo Rongxiang.

The gross proceeds and net proceeds from the subscription amount for the convertible bonds by Mr. Guo Rongxiang (the "Subscription") are approximately HK\$16.5 million and HK\$16.4 million, respectively. The Company applied the net proceeds from the Subscription as follows:

	Business Segment	Planned use of proceeds HK\$ 'million	Actual use of proceeds during year ended 31 December 2024 HK\$'million	Unutilised net proceeds as at 31 December 2024 HK\$'million	Expected timeline for full utilisation of the proceeds
Development of the existing media and entertainment businesses (including E-commerce business)	E-commerce business	8.9	5.2	3.7	By the end of 31 December 2025
General working capital of the Group	—	7.5	4.8	2.7	By the end of 31 December 2025
Total		16.4	10.0	6.4	

Directors' Report

The Company will apply the remaining net proceeds for the purpose as disclosed above. The expected timeline for full utilisation is based on the Directors' best estimation barring unforeseen circumstances. The actual timing for utilising the remaining proceeds may change.

Save as disclosed above, there were no other conversion bonds issued by the Company during the reporting period.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group are set out in note 35 to the consolidated financial statements of this annual report. The Directors consider that those related party transactions did not fall under the definition of "connected transaction" or "continuing connected transaction" in or were fully exempted under Chapter 20 of the GEM Listing Rules. The Group has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

DIRECTORS' INTERESTS AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL AND OPTIONS

As at 31 December 2024, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or 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 would have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which would be required pursuant to section 352 of the SFO or to be entered in the register as referred to therein, or otherwise required to be notified to the Company and the Stock Exchange pursuant to Model Code, were as follows:

Name of Director	Nature of interest	Long/short position	Number of shares of the Company	Number of Underlying shares of the Company	Approximate percentage of interest in the Company's issued share capital
Executive Director					
Lily Wu (<i>Note 1</i>)	Beneficial owner	Long	100,000	4,500,000	0.88
Guo Rongxiang (<i>Note 2</i>)	Beneficial owner	Long	–	55,000,000	10.47
Chang Wei Wen (<i>Note 1</i>)	Beneficial owner	Long	525,000	4,500,000	0.96
Yang Meng Hsiu (<i>Note 1</i>)	Beneficial owner	Long	3,750,000	4,500,000	1.57
Independent non-executive Director					
Chan Siu Wing, Raymond (<i>Note 3</i>)	Beneficial owner	Long	–	450,000	0.09
Wong Ka Wai, Jeanne (<i>Note 3</i>)	Beneficial owner	Long	–	450,000	0.09

Directors' Report

Notes:

1. These include 4,500,000 Share Options conferring rights to subscribe for 4,500,000 Shares.
2. These include rights to convert into 55,000,000 conversion shares assuming exercise of the conversion rights under the convertible bonds in full.
3. These include 450,000 Share Options conferring rights to subscribe for 450,000 Shares.

Save as disclosed above, as at 31 December 2024, none of the Directors nor chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which was required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2024, as far as is known to the Directors, the persons (other than Directors or chief executive of the Company) or corporations who had interest or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholders	Type of interests	Long/short position	Number of shares of the Company	Approximate percentage of Interests
Golden Dice Co., Ltd (<i>Note 1</i>)	Beneficial	Long	78,802,512	15.00
Best Heaven Limited (<i>Note 1</i>)	Beneficial	Long	31,586,500	6.01
Mr. Tsai Chi Yuan (<i>Note 1</i>)	Interests in controlled company	Long	110,389,012	21.01

Note:

1. Mr. Tsai Chi Yuan is deemed to be a substantial shareholder of the Company by virtue of his 100% beneficial interest in Golden Dice Co., Ltd and Best Heaven Limited.

Save as disclosed above, as at 31 December 2024, the Directors and the chief executive of the Company were not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Directors' Report

SENIOR MANAGEMENT

The Group regards the executive Directors and independent non-executive Directors as members of the senior management team.

The emoluments paid or payable to members of senior management were within the following bands:

	Number of individuals	
	2024	2023
Emolument bands		
Nil – HK\$1,000,000	6	5
HK\$1,000,001 – HK\$1,500,000	1	1

The biographies of members of the senior management team at the date of this annual report are disclosed in the section headed “Profiles of Directors and Senior Management” in this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report of the Company prepared in accordance with Appendix C2 to the GEM Listing Rules will be published on the Stock Exchange’s website and the Company’s website at www.phoenitron.com at the same time as the publication of the annual report of the Company.

EVENT AFTER THE REPORTING PERIOD

There is no other material event after the Reporting Period.

EQUITY LINKED AGREEMENTS

Save as disclosed in the section headed “Share Option Scheme”, no equity-linked agreements were entered into by the Company at any time during the year ended 31 December 2024 or subsisted at the end of the year.

Compliance with Relevant Laws and Regulations

The Group recognises the importance of compliance with legal and regulatory requirements and the risk of non-compliance with such requirements. The Group conducts on-going reviews of newly enacted/revised laws and regulations affecting its operations. The Company is not aware of any non-compliance in any material respect with the relevant laws and regulations that have a significant impact on the business and operation of the Group for the year ended 31 December 2024.

Relationship with Employees, Suppliers, Customers and Other Stakeholders

The Group understands that the success of the Group’s business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and shareholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

Information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

Sales

– the largest customer	66%
– five largest customers in aggregate	97%

Purchases

– the largest supplier	45%
– five largest suppliers in aggregate	86%

At no time during the year have the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital, excluding treasury shares (if any)) had an interest in the Group's five largest suppliers or customers during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association, or the laws and regulations of the Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

PERMITTED INDEMNITY PROVISIONS

The Articles provide that every Director shall be indemnified out of the assets of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses, including legal expenses, whatsoever which they or any of them may incur as a result of any act or failure to act in carrying out their functions other than such liability (if any) that they may incur by reason of their own actual fraud or willful defaults.

The Company has arranged for appropriate insurance coverage in respect of potential legal actions against its Directors and senior management.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 104 of the annual report.

Directors' Report

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 December 2024 have been audited by Moore CPA Limited. A resolution to re-appoint Moore CPA Limited as auditor of the Company will be proposed at the forthcoming AGM.

There are no changes of the auditor of Company in the preceding three years.

For and on behalf of the Board

Lily Wu

Chairman

Hong Kong, 20 March 2025

Independent Auditor's Report



Moore CPA Limited

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Independent Auditor's Report to the Shareholders of Phoenitron Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Phoenitron Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 36 to 103, 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, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting 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 Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), 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 MATTER

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

Independent Auditor's Report

Estimation of fair value of investment in TV programmes

Refer to notes 2.10 and 23 to the consolidated financial statements

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>The Group has an investment in TV programmes. Such investment in TV programmes is measured at fair value of HK\$31,663,113 as at 31 December 2024.</p> <p>Fair value of the investment in TV programmes is estimated by using an income approach, based on the discounted cash flow of the estimated revenues to be generated by the TV programmes.</p> <p>Significant estimation and judgement are required by the management of the Company to determine the fair value of the investment in TV programmes. To support management's estimation of the fair value, the Group engaged an external valuer to perform valuation on the investment in TV programmes as at 31 December 2024.</p>	<p>Our key procedures to address the matter included:</p> <ul style="list-style-type: none"> • Evaluated the objectivity, independence and competency of the external valuer; • Assessed the methodologies and assumptions adopted in the valuation for estimating the fair value of the investment in TV programmes; • Challenged the external valuer's key inputs adopted in the valuation for estimating the fair value of the investment in TV programmes and inspected underlying documents or data to support those key inputs; • Appointed an auditor's expert to review the valuation for estimating the fair value of the investment in TV programmes; and • Confirmed with the representative of the TV programmes producer in relation to their latest business plan, broadcast timetable and expected revenue to be generated by the TV programmes.

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

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2024 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Independent Auditor's Report

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The audit committee of the Company assists the directors of the Company in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with 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 judgement and maintain professional skepticism throughout the audit. We also:

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

Independent Auditor's Report

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

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

Moore CPA Limited

Certified Public Accountants

Tse Cheuk Man

Practising Certificate Number: P08087

Hong Kong, 20 March 2025

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

	Notes	2024 HK\$	2023 HK\$
Revenue	6	59,583,826	79,104,966
Cost of sales		(37,591,717)	(51,371,188)
Gross profit		21,992,109	27,733,778
Other income	7	1,381,652	1,202,251
Other (losses)/gains, net	8	(1,547,036)	1,408,548
Selling and distribution costs		(2,103,180)	(2,697,192)
Administrative expenses		(21,589,589)	(21,786,420)
Impairment loss on other receivables		(56,314)	(15,389)
Change in fair value of investment in TV programmes	23	2,878,465	(1,321,585)
Finance costs	9	(504,299)	(194,276)
Profit before income tax	10	451,808	4,329,715
Income tax credit	11	–	4,707
Profit for the year		451,808	4,334,422
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of foreign operations		(96,002)	(583,120)
Other comprehensive loss for the year, net of income tax		(96,002)	(583,120)
Total comprehensive income for the year		355,806	3,751,302
Profit/(loss) for the year attributable to:			
Owners of the Company		452,961	4,335,500
Non-controlling interests		(1,153)	(1,078)
		451,808	4,334,422
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		356,959	3,752,380
Non-controlling interests		(1,153)	(1,078)
		355,806	3,751,302
Earnings per share attributable to owners of the Company	13	HK cents	HK cents
Basic and diluted		0.086	0.825

Consolidated Statement of Financial Position

As at 31 December 2024

	<i>Notes</i>	2024 HK\$	2023 HK\$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	18	3,539,720	2,700,493
Intangible assets	19	4,706,589	420,000
Right-of-use assets	20	3,776,663	6,681,880
Deposits	22	308,454	962,744
Prepayments for acquisition of property, plant and equipment	22	597,850	2,041,933
Investment in TV programmes	23	31,663,113	29,735,683
Prepayment for acquisition of an associate	22	2,746,482	–
		47,338,871	42,542,733
Current assets			
Inventories	21	2,104,154	1,036,738
Trade and other receivables, deposits and prepayments	22	14,868,358	18,257,977
Cash and cash equivalents	24	13,822,703	7,224,481
		30,795,215	26,519,196
Current liabilities			
Trade and other payables	25	16,370,775	20,479,991
Lease liabilities	26	2,803,989	3,231,661
Other borrowings	27	–	987,342
		19,174,764	24,698,994
Net current assets		11,620,451	1,820,202
Total assets less current liabilities		58,959,322	44,362,935
Non-current liabilities			
Lease liabilities	26	1,167,085	3,595,777
Convertible bonds	28	16,540,273	–
Defined benefit plan obligations	17	327,338	327,338
		18,034,696	3,923,115
Net assets		40,924,626	40,439,820

Consolidated Statement of Financial Position

As at 31 December 2024

	<i>Notes</i>	2024 HK\$	2023 HK\$
EQUITY			
Share capital	<i>30</i>	105,069,500	105,069,500
Deficit in reserves	<i>32</i>	(64,373,238)	(64,859,197)
Equity attributable to owners of the Company		40,696,262	40,210,303
Non-controlling interests		228,364	229,517
Total equity		40,924,626	40,439,820

The consolidated financial statements on the pages 36 to 103 were approved and authorised for issue by the Board of Directors on 20 March 2025 and are signed on its behalf by:

Lily Wu
Director

Chang Wei Wen
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Attributable to owners of the Company										
	Share capital	Share premium*	Contributed surplus*	Share option reserve*	Convertible bonds reserve	Other reserves*	Translation reserve*	Accumulated losses*	Total	Non-controlling interests	Total equity
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	(note 30)	(note 32)	(note 32)	(note 32)	(note 28)		(note 32)				
Balance at 1 January 2023	105,069,500	363,340,792	13,985,669	3,339,000	–	7	10,543,317	(459,820,362)	36,457,923	230,595	36,688,518
Profit/(loss) for the year	–	–	–	–	–	–	–	4,335,500	4,335,500	(1,078)	4,334,422
Other comprehensive loss											
– Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	(583,120)	–	(583,120)	–	(583,120)
Total comprehensive (loss)/income for the year	–	–	–	–	–	–	(583,120)	4,335,500	3,752,380	(1,078)	3,751,302
Lapse of share options (note 31)	–	–	–	(39,930)	–	–	–	39,930	–	–	–
Balance at 31 December 2023 and 1 January 2024	105,069,500	363,340,792	13,985,669	3,299,070	–	7	9,960,197	(455,444,932)	40,210,303	229,517	40,439,820
Profit/(loss) for the year	–	–	–	–	–	–	–	452,961	452,961	(1,153)	451,808
Other comprehensive loss											
– Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	(96,002)	–	(96,002)	–	(96,002)
Total comprehensive (loss)/income for the year	–	–	–	–	–	–	(96,002)	452,961	356,959	(1,153)	355,806
Issue of convertible bonds (note 28)	–	–	–	–	129,000	–	–	–	129,000	–	129,000
Balance at 31 December 2024	105,069,500	363,340,792	13,985,669	3,299,070	129,000	7	9,864,195	(454,991,971)	40,696,262	228,364	40,924,626

* The total of these accounts as at the reporting date represents deficit in reserves of HK\$64,373,238 (2023: HK\$64,859,197) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	<i>Notes</i>	2024 HK\$	2023 HK\$
Cash flows from operating activities			
Profit before income tax		451,808	4,329,715
Adjustments for:			
Depreciation of property, plant and equipment	10	2,126,346	1,924,918
Depreciation of right-of-use assets	10	3,319,762	3,387,704
Finance costs	9	504,299	194,276
Interest income	7	(5,157)	(7,355)
Written-off of property, plant and equipment	10	26,301	254,420
Impairment loss on other receivables	10	56,314	15,389
Reversal of impairment loss on trade receivables	10	–	(473)
Change in fair value of investment in TV programmes	23	(2,878,465)	1,321,585
Net foreign exchange loss arising from translation of investment in TV programmes	23	951,035	628,125
Gain on early termination of leases	8	–	(704,536)
Reversal of defined benefit plan obligations		–	(10,200)
Operating cash flows before working capital changes		4,552,243	11,333,568
(Increase)/decrease in inventories		(1,002,556)	2,407,491
Decrease/(increase) in trade and other receivables, deposits and prepayments		3,993,544	(3,263,678)
Decrease in trade and other payables		(5,008,947)	(2,762,680)
Net cash generated from operating activities		2,534,284	7,714,701

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	<i>Notes</i>	2024 HK\$	2023 HK\$
Cash flows from investing activities			
Interest received		5,157	7,355
Net cash outflow arising on acquisition of assets through acquisition of a subsidiary	38	(2,303,700)	–
Prepayment for acquisition of property, plant and equipment		(450,196)	(2,041,933)
Prepayment for acquisition of an associate		(2,746,482)	–
Purchase of property, plant and equipment (<i>note (i)</i>)		(1,252,186)	(617,423)
Net cash used in investing activities		(6,747,407)	(2,652,001)
Cash flows from financing activities			
Proceeds from shareholder's loan	37	–	3,724,546
Repayments of shareholder's loan	37	(987,342)	(4,106,826)
Proceeds from other loans	37	325,000	–
Repayments of other loans	37	(318,902)	–
Proceeds from convertible bonds (<i>note (iii)</i>)	37	15,500,000	–
Payment of capital element of lease liabilities	37	(3,267,581)	(3,499,905)
Payment of interest element of lease liabilities	37	(227,180)	(194,276)
Net cash generated from/(used in) financing activities		11,023,995	(4,076,461)
Net increase in cash and cash equivalents		6,810,872	986,239
Cash and cash equivalents at 1 January		7,224,481	6,236,472
Effect of foreign exchange rate changes		(212,650)	1,770
Cash and cash equivalents at 31 December		13,822,703	7,224,481

Major non-cash transactions:

- (i) During the year, additions of property, plant and equipment of HK\$1,894,279 (2023: HK\$275,262) were prepaid in prior year and the amounts were transferred from prepayments for acquisition of property, plant and equipment.
- (ii) During the year ended 31 December 2023, the Group received a deposit of HK\$1,000,000 from the holder of the convertible bonds, included in other payables and accrual, which is part of cash consideration for subscription of the convertible bonds issued during the year ended 31 December 2024. The remaining proceeds of HK\$15,500,000 were received by the Group during the year ended 31 December 2024.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

1. GENERAL INFORMATION

Phoenitron Holdings Limited (the “Company”) is a public limited company incorporated in the Cayman Islands and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company is located at Suite 710, 7th Floor, North Tower, World Finance Centre, Harbour City, Tsimshatsui, Kowloon, Hong Kong.

The principal activities of the Company and its subsidiaries (the “Group”) are manufacturing and sales of smart cards, provision of customised smart card application systems, provision of financial and management consultancy services, sales and trading of scrap metals and investment in media and entertainment industry. During the year, the Group acquired the entire equity interest in Hainan Dongchuang (as defined in note 19) and commenced e-commerce business.

The consolidated financial statements for the year ended 31 December 2024 were approved for issue by the Board of Directors on 20 March 2025.

2. MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Basis of preparation

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

The consolidated financial statements are presented in Hong Kong dollar (“HK\$”), which is also the functional currency of the Company.

The material accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new and amended HKFRSs and the impacts on the Group’s consolidated financial statements, if any, are disclosed in note 3.

The consolidated financial statements have been prepared on the historical cost basis, except for investment in TV programmes, which is measured at fair value. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates and assumptions are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on sales of intra-group asset are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

2.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation on property, plant and equipment is provided to write off the costs less their residual values over their estimated useful lives, using the straight-line method, at the rate of 20% per annum.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.3 Property, plant and equipment (Continued)

The gain or loss arising on retirement or disposal of an asset is determined as the difference between the sales proceeds and the net carrying amount of the asset and is recognised in profit or loss.

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

2.4 Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and accumulated impairment losses, if any. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2.5 Leases

The Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.5 Leases (Continued)

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

The right-of-use asset is adjusted for any remeasurement of lease liabilities.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.6 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15, all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss ("FVTPL"), plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of profit or loss and other comprehensive income.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within other income and finance costs, respectively.

Debt investments – Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

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

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in other income in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's trade and other receivables and deposits and cash and cash equivalents, fall into this category of financial instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.6 Financial instruments (Continued)

Financial assets (Continued)

Debt investments – Financial assets at FVTPL

Financial assets that are held within a different business model other than “hold to collect” or “hold to collect and sell” are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Financial liabilities

The Group’s financial liabilities include trade and other payables, lease liabilities and other borrowings.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument’s fair value that are reported in profit or loss are included within finance costs or other gains/(losses), net.

Accounting policies of lease liabilities are set out in note 2.5.

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Other borrowings

Other borrowings are recognised initially at fair value, net of transaction costs incurred. Other borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Other borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.6 Financial instruments (Continued)

Financial liabilities (Continued)

Convertible bonds

The component parts of the convertible bonds are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component (including any embedded non-equity and closely related derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

A conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

2.7 Impairment of financial assets

HKFRS 9's impairment requirements use forward-looking information to recognise expected credit loss ("ECL") - the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost and trade receivables recognised and measured under HKFRS 15.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.7 Impairment of financial assets (Continued)

Trade receivables

For trade receivables, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Other financial assets measured at amortised cost

The Group measures the loss allowance for other receivables and deposits and bank balances equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, 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 default occurring since initial recognition.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.7 Impairment of financial assets (Continued)

Other financial assets measured at amortised cost (Continued)

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

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 collateral held by the Group).

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortised cost are set out in note 39.2.

2.8 Inventories

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses. Cost is determined using the weighted average basis and, in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. It excludes borrowing costs.

2.9 Revenue recognition

Revenue arises mainly from sales of smart cards and related application systems and sales and trading of scrap metals.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods to its customers.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.9 Revenue recognition (Continued)

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

Revenue from contracts with customers

- (i) Revenue from sales of smart cards and related application systems for which control of assets is transferred at a point in time is recognised when the goods are delivered to customers. The Group does not provide any sales-related warranties. There is no right of return by customers under the Group's standard contract terms.
- (ii) Revenue from provision of smart card technical advisory and consultancy services are recognised in accordance with terms of respective agreements over the relevant period in which the services are rendered. Revenue from provision of smart card technical advisory and consultancy services is recognised over time as the customer simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs.

Revenue from other source

Interest income is recognised on a time proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

2.10 Investment in TV programmes

The Group's investment in TV programmes which entitles the Group to share certain percentage of income to be generated from the related TV programmes based on the Group's investment portion as specified in respective TV programmes investment agreement but the Group has no control, significant influence or joint control over the investment. Investment in TV programmes are carried at fair value and recognised as financial asset at FVTPL.

2.11 Impairment of non-financial assets

Intangible asset with indefinite useful live is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. Property, plant and equipment, intangible assets, right-of-use assets, prepayment for acquisition of property, plant and equipment, interests in subsidiaries (recognised in the Company's statement of financial position) are subject to impairment testing whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.11 Impairment of non-financial assets (Continued)

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment losses is charged pro rata to the assets in the cash generating unit, except that the carrying amount of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of such impairment is credited to profit or loss in the period in which it arises unless that asset is carried at revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for the revalued amount.

2.12 Employee benefits

Defined benefit plan

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Past service cost is recognised in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognised when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan). Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.12 Employee benefits (Continued)

Defined benefit plan (Continued)

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (for example contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability or asset.
- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by HKAS 19 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the entity reduces service cost in the period in which the related service is rendered/reduces service cost by attributing contributions to the employees' periods of service in accordance with HKAS 19 paragraph 70.

For long service payment ("LSP") obligation, the Group accounts for the employer Mandatory Provident Fund ("MPF") contributions expected to be offset as a deemed employee contribution towards the LSP obligation in terms of HKAS 19.93(a) and it is measure on a net basis. The estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

2. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.12 Employee benefits (Continued)

Defined contribution plan

The Group operates a defined contribution MPF retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiaries which operate in the People’s Republic of China (the “PRC”) and Taiwan are required to participate in various defined contribution plans operated by the relevant authorities. These subsidiaries are required to contribute specified percentage of its payroll costs in accordance with the local practice and regulations.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group’s obligations under these plans are limited to the fixed percentage contributions payable.

There were no forfeited contributions utilised by the Group to reduce existing level of contributions for each of the years.

Short-term employee benefits

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

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. ADOPTION OF NEW AND AMENDED HKFRSS

(a) Amended HKFRSSs

In the preparation of the consolidated financial statements for the year ended 31 December 2024, the Group has applied the following amendments to HKFRSSs, for the first time, which are mandatorily effective for the annual periods beginning on or after 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 related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

(b) New and amendments to HKFRSSs not yet adopted

The Group has not applied the following new and amendments to HKFRSSs, which have been issued but are not yet effective, in these consolidated financial statements.

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ³
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11 ³
Amendments to HKAS 21	Lack of Exchangeability ²
HKFRS 18	Presentation and Disclosure in Financial Statements ⁴

¹ Effective for annual periods beginning on or after a date to be determined

² Effective for annual periods beginning on or after 1 January 2025

³ Effective for annual periods beginning on or after 1 January 2026

⁴ Effective for annual periods beginning on or after 1 January 2027

Except for the new HKFRSSs mentioned below, the directors of the Company anticipate that the application of all new and amendments to HKFRSSs will have no material impact on the consolidated financial statements in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. ADOPTION OF NEW AND AMENDED HKFRSS (Continued)

(b) New and amendments to HKFRSSs not yet adopted (Continued)

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. Whilst many of the requirements will remain consistent, the new standard introduces new requirements to present specified categories and defined subtotals in the consolidated statement of profit or loss and other comprehensive income; 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 primary financial statements and the notes. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the consolidated statement of profit or loss and other comprehensive income and disclosures in the future financial statements. The Group is currently assessing the impact that HKFRS 18 will have on the Group's consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Estimation uncertainty

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

Provision for impairment of trade and other receivables and deposits within the scope of ECL under HKFRS 9

The Group makes allowances on items subjects to ECL (including trade and other receivables and deposits) based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period as set out in note 2.7. As at 31 December 2024, the carrying amounts of (i) trade receivables amounted to HK\$10,386,299 without any ECL allowance (2023: HK\$13,155,916 without any ECL allowance) and (ii) other receivables and deposits (excluding prepayments) amounted to HK\$4,088,778 (net of ECL allowance of HK\$683,165) (2023: HK\$4,663,991 (net of ECL allowance of HK\$626,851)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Estimation uncertainty (Continued)

Estimation of fair value of investment in TV programmes

As at 31 December 2024, the Group's investment in TV programmes is stated at fair value of HK\$31,663,113 (2023: HK\$29,735,683) based on the valuation performed by an independent qualified professional valuer. It is measured at fair value and determined based on unobserved inputs using valuation techniques as set out in note 23. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair value.

4.2 Critical accounting judgements

Determination of the lease term in lease contracts and discount rate

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below the market rates);
- the extent of leasehold improvements undertaken by the Group; and
- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's needs).

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated), which in turn affect the carrying amounts of lease liabilities and corresponding right-of-use assets.

During the years ended 31 December 2024 and 2023, all extension options in leases of properties have not been included in the lease liabilities because the Group could replace the assets without significant cost or business disruption.

In determining the discount rate, the Group is required to determine by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. The Group exercises considerable judgement in relation to determining the incremental borrowing rate taking into account the nature of the underlying assets and the terms and conditions of the leases, at both the commencement date and effective date of the modification. The weighted average incremental borrowing rates applied to the lease liabilities range from 2.7% to 5.9% (2023: 2.7% to 4.8%) per annum.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

5. SEGMENT INFORMATION

The operating segments are reported in a manner consistent with the way in which information is reported internally to the chief operating decision makers (i.e. executive directors of the Company) for the purposes of resources allocation and assessment of segment performance. The business components in the internal reporting to the executive directors of the Company, the chief operating decision makers, are determined following the Group's major product and service lines. The Group is currently organised into the following six operating segments:

- Sales of smart cards;
- Sales of smart card application systems, including relevant services;
- Financial and management consultancy services;
- Sales and trading of scrap metals;
- Media and entertainment; and
- E-commerce business.

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches.

Revenue and expenses are allocated to the reportable segments with reference to sales generated and the expenses incurred by those segments. The measurement of segment profit/(loss) before income tax is the same as those used in preparing these consolidated financial statements under HKFRSs except that finance costs, impairment loss on other receivables, exchange (losses)/gains, net and corporate expenses, net not directly attributable to business activities of the operating segments are not included in arriving at the operating results of the operating segments.

Segment assets include all assets with the exception of assets which are not attributable to the business activities of the operating segments and other assets which are managed on a group basis such as cash and cash equivalents.

Segment liabilities include all liabilities except for liabilities which are not attributable to the business activities of the operating segments and other liabilities which are managed on a group basis such as convertible bonds and other borrowings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

5. SEGMENT INFORMATION (Continued)

Segment revenue, segment results, segment assets and segment liabilities

Information regarding the Group's reportable segments including the reconciliation to revenue, profit before income tax, total assets, total liabilities and other segment information are as follows:

2024

	Sales of smart cards HK\$	Sales of smart card application systems HK\$	Financial and management consultancy services HK\$	Sales and trading of scrap metals HK\$	Media and entertainment HK\$	E-commerce business HK\$	Unallocated HK\$	Consolidated HK\$
Reportable segment revenue	57,395,803	2,188,023	-	-	-	-	-	59,583,826
Reportable segment profit/(loss)	7,810,979	1,671,039	-	(3,156,951)	2,875,860	-	-	9,200,927
Finance costs								(504,299)
Impairment loss on other receivables								(56,314)
Exchange losses, net								(1,547,036)
Corporate expenses, net								(6,641,470)
Profit before income tax								451,808
Reportable segment assets	21,408,662	1,066,098	-	349,545	31,663,113	7,147,357	2,676,608	64,311,383
Cash and cash equivalents								13,822,703
Total consolidated assets								78,134,086
Reportable segment liabilities	15,489,006	12,000	-	116,845	-	2,097,175	2,954,161	20,669,187
Convertible bonds								16,540,273
Total consolidated liabilities								37,209,460
Other information								
Depreciation of property, plant and equipment	2,051,021	-	-	75,325	-	-	-	2,126,346
Depreciation of right-of-use assets	2,475,941	-	-	-	-	-	843,821	3,319,762
Interest income	3,557	19	-	1,394	-	-	187	5,157
Additions to non-current segment assets during the year	4,077,861	-	-	-	-	7,033,071	-	11,110,932

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

5. SEGMENT INFORMATION (Continued)

Segment revenue, segment results, segment assets and segment liabilities (Continued)

2023

	Sales of smart cards HK\$	Sales of smart card application systems HK\$	Financial and management consultancy services HK\$	Sales and trading of scrap metals HK\$	Media and entertainment HK\$	Unallocated HK\$	Consolidated HK\$
Reportable segment revenue	79,098,836	6,130	–	–	–	–	79,104,966
Reportable segment profit/(loss)	14,251,720	(13,734)	–	(3,058,576)	(1,324,040)	–	9,855,370
Finance costs							(194,276)
Impairment loss on other receivables							(15,389)
Exchange gains, net							704,012
Corporate expenses, net							(6,020,002)
Profit before income tax							4,329,715
Reportable segment assets	28,000,219	–	–	440,918	29,735,683	3,660,628	61,837,448
Cash and cash equivalents							7,224,481
Total consolidated assets							69,061,929
Reportable segment liabilities	19,708,887	12,000	–	636,225	–	7,277,655	27,634,767
Other borrowings							987,342
Total consolidated liabilities							28,622,109
Other information							
Depreciation of property, plant and equipment	1,849,796	–	–	72,644	–	2,478	1,924,918
Depreciation of right-of-use assets	2,486,348	–	–	–	–	901,356	3,387,704
Interest income	5,103	21	–	1,824	–	407	7,355
Additions to non-current segment assets during the year	6,933,211	–	–	375,241	–	2,515,708	9,824,160

There has been no inter-segment sales between different business segments during the years.

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For the year ended 31 December 2024

5. SEGMENT INFORMATION (Continued)

Geographical information

The following table presents the revenue from external customers for the reporting period and the specified non-current assets by geographical locations as at the reporting date.

	Revenue from external customers		Specified non-current assets	
	2024	2023	2024	2023
	HK\$	HK\$	HK\$	HK\$
The PRC	9,096,932	8,403,153	12,305,809	7,626,527
Europe	50,182,344	52,698,839	–	–
Africa	–	17,857,867	–	–
Asia, excluding the PRC, Hong Kong and Taiwan	81,870	23,514	–	–
Hong Kong	222,680	121,593	2,840,585	3,911,425
Taiwan	–	–	220,910	306,354
	59,583,826	79,104,966	15,367,304	11,844,306

The Company is an investment holding company incorporated in the Cayman Islands where the Company does not have activities. Since the major operations of the Group are conducted in the PRC, which is considered as the Group's country of domicile for the disclosure purpose of HKFRS 8 *Operating Segments*.

Specified non-current assets include property, plant and equipment, intangible assets, right-of-use assets, prepayments for acquisition of property, plant and equipment and prepayment for acquisition of an associate only.

The geographical location of customers is based on the principal place of business of the customers. The geographical location of the specified non-current assets is based on the location of assets.

Information about major customers

Revenue from each of the major customers during the reporting period is as follows:

	2024	2023
	HK\$	HK\$
Customer A – Sales of smart cards	39,276,670	22,920,350
Customer B – Sales of smart cards	10,770,710	29,448,310
Customer C – Sales of smart cards	N/A ^(note)	17,857,867

Note: Revenue from this customer contributed less than 10% of the total revenue of the Group during the year ended 31 December 2024.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

6. REVENUE

The Group's principal activities are disclosed in note 1. The Group's revenue is analysed as follows:

	2024 HK\$	2023 HK\$
Revenue from contracts with customers within the scope of HKFRS 15 recognised at a point in time:		
Sales of smart cards	57,395,803	79,098,836
Sales of smart card application systems	2,600	6,130
	57,398,403	79,104,966
Revenue from contracts with customers within the scope of HKFRS 15 recognised over time:		
Sales of smart card application systems relevant services		
– Revenue from smart card technical advisory and consultancy services	2,185,423	–
	59,583,826	79,104,966

	2024	
	Sales of smart cards HK\$	Sales of smart card application systems HK\$
Geographical markets by segments		
The PRC	6,911,509	2,185,423
Europe	50,182,344	–
Asia, excluding the PRC, Hong Kong and Taiwan	81,870	–
Hong Kong	220,080	2,600
Total	57,395,803	2,188,023

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

6. REVENUE (Continued)

	2023	
	Sales of smart cards HK\$	Sales of smart card application systems HK\$
Geographical markets by segments		
The PRC	8,403,153	–
Europe	52,698,839	–
Africa	17,857,867	–
Asia, excluding the PRC, Hong Kong and Taiwan	23,514	–
Hong Kong	115,463	6,130
Total	79,098,836	6,130

7. OTHER INCOME

	2024 HK\$	2023 HK\$
Bank interest income	5,157	7,355
Government subsidies (<i>note</i>)	14,880	639,080
Sundry income	1,361,615	555,816
	1,381,652	1,202,251

Note:

The government subsidies recognised for the year were the approved subsidies from the PRC government for staff costs (2023: the technology upgrade in the PRC factory). There are no unfulfilled conditions or other contingencies attached to these subsidies.

8. OTHER (LOSSES)/GAINS, NET

	2024 HK\$	2023 HK\$
Exchange (losses)/gains, net	(1,547,036)	704,012
Gain on early termination of leases initiated by landlord	–	704,536
	(1,547,036)	1,408,548

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

9. FINANCE COSTS

	2024 HK\$	2023 HK\$
Interest charges on lease liabilities	227,180	194,276
Interest charges on convertible bonds	277,119	–
	504,299	194,276

10. PROFIT BEFORE INCOME TAX

	2024 HK\$	2023 HK\$
Profit before income tax is arrived at after charging/(crediting):		
Auditor's remuneration	730,000	730,000
Short-term leases	261,931	266,651
Variable lease payments not included in the measurement of lease liabilities (note 26)	1,649,965	1,630,526
Costs of inventories recognised as an expense (note)	37,591,717	51,371,188
Reversal of impairment loss on trade receivables (note 39.2(i))	–	(473)
Impairment loss on other receivables (note 39.2(ii))	56,314	15,389
Written-off of property, plant and equipment (note 18)	26,301	254,420
Depreciation		
– Property, plant and equipment (note 18)	2,126,346	1,924,918
– Right-of-use assets (note 20)	3,319,762	3,387,704
Employee benefit expenses (note 14)	22,821,891	25,795,371

Note:

Cost of inventories recognised as an expense includes HK\$17,345,124 (2023: HK\$20,310,038) relating to depreciation of property, plant and equipment, depreciation of right-of-use assets, employee benefit expenses and lease charges, which amounts are also included in the respective total amounts disclosed above and in note 14 for these expenses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

11. INCOME TAX CREDIT

	2024 HK\$	2023 HK\$
Deferred tax (<i>note 29</i>)	–	(4,707)
Total income tax credit	–	(4,707)

Reconciliation between income tax credit and profit before income tax at applicable tax rates is as follows:

	2024 HK\$	2023 HK\$
Profit before income tax	451,808	4,329,715
Income tax at Hong Kong Profits Tax rate of 16.5% (2023: 16.5%)	74,548	714,403
Effect of different tax rates of subsidiaries operating in other jurisdictions	(55,673)	1,161,243
Tax effect of non-deductible expenses	777,023	779,145
Tax effect of non-taxable income	(475,601)	(15,206)
Tax effect of tax losses not recognised	722,497	858,644
Utilisation of tax losses previously not recognised	(1,037,909)	(3,500,048)
Tax effect of other temporary differences not recognised	(4,885)	(2,888)
Income tax credit	–	(4,707)

Notes:

(a) Hong Kong

Under the two-tiered profits tax rates regime in Hong Kong, the first HK\$2,000,000 of profits of qualifying group entity will be taxed at 8.25%, and the profits above HK\$2,000,000 will be taxed at 16.5%. The profits of entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. No Hong Kong Profits Tax has been provided for the year ended 31 December 2024, as the Group has sufficient tax losses brought forward to set off against assessable profits in Hong Kong (2023: the Group did not generate any assessable profits in Hong Kong).

(b) PRC

The PRC Enterprise Income Tax has been calculated at 25% (2023: 25%) on the estimated assessable profits for the year based on the existing legislation, interpretations and practices in respect thereof. No PRC Enterprise Income Tax has been provided for the year ended 31 December 2024, as the Group did not generate any assessable profits in the PRC during the year ended 31 December 2024 (2023: the Group has sufficient tax losses brought forward to set off against assessable profits in the PRC).

(c) Other jurisdictions

Pursuant to the rules and regulations of the Cayman Islands, the British Virgin Islands (the "BVI") and Taiwan, the Group is not subject to any income tax or did not generate any assessable profits in the Cayman Islands, the BVI and Taiwan (2023: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

12. DIVIDENDS

The Board of Directors does not recommend the payment of any dividend in respect of the year ended 31 December 2024 (2023: nil).

13. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculations of basic earnings per share are based on the profit for the year attributable to owners of the Company and the weighted average number of respective ordinary shares in issue of 525,347,500 (2023: 525,347,500) during the year.

The calculations of diluted earnings per share are based on the respective adjusted profit for the years attributable to owners of the Company and the adjusted weighted average number of ordinary shares outstanding, both of which are adjusted to assume exercise or conversion of all dilutive potential ordinary shares.

As at 31 December 2024, the Company has outstanding share options and convertible bonds (2023: share options). For the outstanding share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share. The convertible bonds were assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect.

As the exercise price of the share option exceeded the average market price of ordinary shares for the year ended 31 December 2024 and 2023 and the convertible bonds had an anti-dilutive effect to the basic earnings per share calculation for the year ended 31 December 2024, the potential exercise of the above share options and conversion of convertible bonds are not assumed in the computation of diluted earnings per share. Therefore, the diluted earnings per share attributable to owners of the Company for the years ended 31 December 2024 and 2023 are the same as the basic earnings per share, respectively.

14. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION)

	2024 HK\$	2023 HK\$
Salaries, wages and other benefits	21,650,558	24,857,373
Contributions to defined contribution retirement plans	1,171,333	937,998
	22,821,891	25,795,371

Notes to the Consolidated Financial Statements

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15. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' remuneration for the years ended 31 December 2024 and 2023 are as follows:

For the year ended 31 December 2024

	Fee HK\$	Salaries, allowances and benefits in kind HK\$	Discretionary bonus HK\$	Contributions to defined contribution retirement plans HK\$	Total HK\$
<i>Executive directors:</i>					
Ms. Lily Wu (<i>note (i)</i>)	–	340,798	–	17,040	357,838
Mr. Chang Wei Wen	–	938,595	75,000	35,934	1,049,529
Mr. Yang Meng Hsiu	–	278,595	–	14,934	293,529
Mr. Guo Rongxiang (<i>note (ii)</i>)	–	55,000	–	1,500	56,500
	–	1,612,988	75,000	69,408	1,757,396
<i>Independent non-executive directors:</i>					
Mr. Chan Siu Wing, Raymond	168,000	–	–	–	168,000
Ms. Wong Ka Wai, Jeanne	168,000	–	–	–	168,000
Mr. Yeung Man Chit, Daniel	168,000	–	–	–	168,000
	504,000	–	–	–	504,000
	504,000	1,612,988	75,000	69,408	2,261,396

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

15. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

For the year ended 31 December 2023

	Fee HK\$	Salaries, allowances and benefits in kind HK\$	Discretionary bonus HK\$	Contributions to defined contribution retirement plans HK\$	Total HK\$
<i>Executive directors:</i>					
Ms. Lily Wu (<i>note (i)</i>)	–	340,798	–	16,931	357,729
Mr. Chang Wei Wen	–	945,814	100,000	44,669	1,090,483
Mr. Yang Meng Hsiu	–	285,814	–	23,669	309,483
	–	1,572,426	100,000	85,269	1,757,695
<i>Independent non-executive directors:</i>					
Mr. Chan Siu Wing, Raymond	168,000	–	–	–	168,000
Ms. Wong Ka Wai, Jeanne	168,000	–	–	–	168,000
Mr. Yeung Man Chit, Daniel	168,000	–	–	–	168,000
	504,000	–	–	–	504,000
	504,000	1,572,426	100,000	85,269	2,261,695

Notes:

- (i) Ms. Lily Wu is also the chief executive officer of the Company and her emoluments disclosed above include those for services rendered by her as the chief executive officer for the years ended 31 December 2024 and 2023.
- (ii) On 11 September 2024, Mr. Guo Rongxiang was appointed as executive director of the Company.

Salaries, allowances and benefits in kind, discretionary bonus and contributions to defined contribution retirement plans paid to or for the executive directors of the Company are generally emoluments paid or payable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

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

During the years ended 31 December 2024 and 2023, no remuneration has been paid by the Group to the directors of the Company as an inducement to join or upon joining the Group, or as compensation for loss of office. There were no directors of the Company have waived any remuneration during the years ended 31 December 2024 and 2023.

During the year, no share options were granted to the directors or chief executive officer of the Company in respect of their services to the Group (2023: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

16. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals include one (2023: one) director of the Company whose remuneration is disclosed in note 15. The aggregate emoluments of the remaining four (2023: four) highest paid individuals are as follows:

	2024 HK\$	2023 HK\$
Salaries and allowances	2,339,326	2,406,925
Discretionary bonus	108,600	144,800
Contributions to defined contribution retirement plans	141,916	137,219
	2,589,842	2,688,944

The emoluments fell within the following band:

	Number of individuals	
	2024	2023
Emolument band		
Nil – HK\$1,000,000	4	4

During the years ended 31 December 2024 and 2023, no remuneration has been paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

17. RETIREMENT SCHEMES

Defined contribution retirement plans

Under the Mandatory Provident Fund Schemes Ordinance regulated by the Mandatory Provident Fund Schemes Authority in Hong Kong, the Group participates in a MPF Scheme operated by an approved trustee in Hong Kong and makes contributions for its eligible employees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income. The cap of monthly relevant income is HK\$30,000 (2023: HK\$30,000) during the year. Contributions to the scheme vest immediately.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefits scheme being operated by the local PRC government. The subsidiaries are required to contribute a specified percentage of the average basic salary to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

17. RETIREMENT SCHEMES (Continued)

Defined contribution retirement plans (Continued)

Pursuant to the labour regulations of Taiwan, the Group joined defined contribution retirement plans for its employees. The Group is required to make contributions to the retirement plans at the applicable rates of 6% (2023: 6%) based on the eligible employees' salaries.

During the year ended 31 December 2024, the aggregate amount of employer's contribution made by the Group is HK\$1,171,333 (2023: HK\$937,998).

Defined benefit retirement plans and LSP obligations

Hong Kong employees that have been employed continuously for at least five years are entitled to long service payments in accordance with the Hong Kong Employment Ordinance under certain circumstances. These circumstances include where an employee is dismissed for reasons other than serious misconduct or redundancy, that employee resigns at the age of 65 or above, or the employment contract is of fixed term and expires without renewal. The amount of LSP payable is determined with reference to the employee's final salary (capped at HK\$22,500) and the years of service, with an overall cap of HK\$390,000 per employee, reduced by the amount of any accrued benefits derived from the Group's contributions to MPF Scheme. Currently, the Group does not have any separate funding arrangement in place to meet its LSP obligation.

In June 2022, the Government of the Hong Kong Special Administrative Region of the PRC (the "Government") gazetted the amendment ordinance, which will eventually abolish the statutory right of an employer to reduce its LSP payable to a Hong Kong employee by drawing on its mandatory contributions to the MPF Scheme. The Government has subsequently announced that the amendment ordinance will come into effect from 1 May 2025 (the "Transition Date"). Separately, the Government's commitment for the LSP subsidy was approved on 22 November 2024.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee's service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

The Group has determined that the amendment ordinance cause immaterial impacts to the Group's LSP obligation with respect to Hong Kong employees. In the opinion of the directors of the Company, there is no significant actuarial assumption for determination of the LSP obligation.

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18. PROPERTY, PLANT AND EQUIPMENT

	Printing and testing equipment HK\$	Office equipment HK\$	Furniture and fixtures HK\$	Leasehold improvement HK\$	Motor vehicles HK\$	Total HK\$
At 1 January 2023						
Cost	24,059,365	1,253,222	1,673,820	2,973,245	1,180,384	31,140,036
Accumulated depreciation	(20,238,853)	(1,200,060)	(1,549,681)	(2,905,229)	(1,180,384)	(27,074,207)
Net carrying amount	3,820,512	53,162	124,139	68,016	–	4,065,829
Year ended 31 December 2023						
Opening net carrying amount	3,820,512	53,162	124,139	68,016	–	4,065,829
Additions	419,767	106,688	4,640	361,590	–	892,685
Depreciation	(1,798,392)	(42,267)	(683)	(83,576)	–	(1,924,918)
Written-off	(201,819)	–	–	(52,601)	–	(254,420)
Exchange realignment	(78,131)	(3,095)	(64)	2,607	–	(78,683)
Closing net carrying amount	2,161,937	114,488	128,032	296,036	–	2,700,493
At 31 December 2023 and 1 January 2024						
Cost	21,207,561	1,259,431	1,567,460	963,471	1,167,408	26,165,331
Accumulated depreciation	(19,045,624)	(1,144,943)	(1,439,428)	(667,435)	(1,167,408)	(23,464,838)
Net carrying amount	2,161,937	114,488	128,032	296,036	–	2,700,493
Year ended 31 December 2024						
Opening net carrying amount	2,161,937	114,488	128,032	296,036	–	2,700,493
Additions	397,986	260,656	112,463	2,375,360	–	3,146,465
Depreciation	(1,480,380)	(82,302)	(23,000)	(540,664)	–	(2,126,346)
Written-off	(26,301)	–	–	–	–	(26,301)
Exchange realignment	(65,486)	(9,614)	(3,240)	(76,251)	–	(154,591)
Closing net carrying amount	987,756	283,228	214,255	2,054,481	–	3,539,720
At 31 December 2024						
Cost	20,391,986	1,474,232	1,633,714	3,249,534	1,146,888	27,896,354
Accumulated depreciation	(19,404,230)	(1,191,004)	(1,419,459)	(1,195,053)	(1,146,888)	(24,356,634)
Net carrying amount	987,756	283,228	214,255	2,054,481	–	3,539,720

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18. PROPERTY, PLANT AND EQUIPMENT (Continued)

During the year ended 31 December 2023, the leased factory and office in the PRC was early terminated and the Group moved to a new factory in the PRC by entering into a new lease agreement. During the year ended 31 December 2024, certain printing and testing equipment with net carrying amount of HK\$26,301 (2023: certain printing and testing equipment and leasehold improvement with net carrying amount of HK\$201,819 and HK\$52,601 respectively) were written-off due to reallocation of factory.

As at 31 December 2024, certain items of property, plant and equipment were fully depreciated but are still in use, the gross carrying amounts before deducting accumulated depreciation of those assets amounted to HK\$16,687,940 (2023: HK\$12,559,707).

19. INTANGIBLE ASSETS

	PRC driving licence HK\$	Digital platform HK\$	Total HK\$
At 1 January 2023, 31 December 2023 and 1 January 2024			
Cost and net carrying amount	420,000	–	420,000
Year ended 31 December 2024			
Opening net carrying amount	420,000	–	420,000
Acquisition of a subsidiary (note 38)	–	4,286,589	4,286,589
Closing net carrying amount	420,000	4,286,589	4,706,589
At 31 December 2024			
Cost and net carrying amount	420,000	4,286,589	4,706,589

The PRC driving licence is considered to have an indefinite economic life as there is no foreseeable limit on the period of time over which the driving licence is expected to generate economic benefit to the Group and the licence is renewable at minimal cost. Accordingly, it is not amortised.

The digital platform represents a pan-entertainment digital ecosystem membership e-commerce platform – Dongchuang E-Commerce App Service Platform of 海南動創數娛科技集團有限公司 (Hainan Dongchuang Digital Entertainment Technology Group Company Limited*) (“Hainan Dongchuang”), which was acquired as part of the Group’s acquisition of Hainan Dongchuang during the year (note 38). The digital platform is amortised on straight-line basis over 5 years.

* The English translation of the Chinese name is for information purpose only, and should not be regarded as the official English translation of such name.

Notes to the Consolidated Financial Statements

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20. RIGHT-OF-USE ASSETS

	HK\$
Net carrying amount at 1 January 2023	4,287,058
Additions	6,889,542
Depreciation	(3,387,704)
Early termination of lease agreements	(1,128,939)
Exchange realignment	21,923
Net carrying amount at 31 December 2023 and 1 January 2024	6,681,880
Additions	481,200
Depreciation	(3,319,762)
Exchange realignment	(66,655)
Net carrying amount at 31 December 2024	3,776,663

The Group leases a factory, office, warehouse and certain staff quarters. Rental contracts are typically made for fixed periods of 2 to 3 years (2023: 2 to 3 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

	Net carrying amount at		Depreciation for the year	
	31 December		ended 31 December	
	2024	2023	2024	2023
	HK\$	HK\$	HK\$	HK\$
Factory	1,047,888	2,449,891	1,350,886	1,218,784
Office	1,747,017	2,590,838	843,821	1,295,390
Warehouse	89,031	201,483	112,452	202,510
Staff quarters	892,727	1,439,668	1,012,603	671,020
Total	3,776,663	6,681,880	3,319,762	3,387,704

The details in relation to these leases are set out in note 26.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

21. INVENTORIES

	2024 HK\$	2023 HK\$
Raw materials	570,933	308,992
Work-in-progress	396,825	337,909
Finished goods	1,136,396	389,837
	2,104,154	1,036,738

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2024 HK\$	2023 HK\$
Trade receivables (<i>note (a)</i>)	10,386,299	13,155,916
Other receivables, deposits and prepayments	8,818,010	8,733,589
Less: ECL allowance (<i>note 39.2(ii)</i>)	(683,165)	(626,851)
Other receivables, deposits and prepayments, net (<i>note (b)</i>)	8,134,845	8,106,738
Total trade and other receivables, deposits and prepayments	18,521,144	21,262,654
Less: Non-current deposits	(308,454)	(962,744)
Less: Non-current prepayments for acquisition of property, plant and equipment (<i>note (c)</i>)	(597,850)	(2,041,933)
Less: Non-current prepayment for acquisition of an associate (<i>note (d)</i>)	(2,746,482)	–
Current trade and other receivables, deposits and prepayments	14,868,358	18,257,977

As at 1 January 2023, trade receivables from contracts with customers amounted to HK\$9,665,873 (net of ECL allowance of HK\$473).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Notes:

- (a) The credit term granted by the Group to its trade customers normally ranges from 30 days to 90 days (2023: 30 days to 90 days). Based on the invoice dates, the ageing analysis of the Group's trade receivables (net of ECL allowance) is as follows:

	2024 HK\$	2023 HK\$
0 – 30 days	3,002,212	4,515,265
31 – 90 days	7,260,739	7,406,361
Over 90 days	123,348	1,234,290
	10,386,299	13,155,916

As at 31 December 2024, trade receivables included smart card technical advisory and consultancy services fee receivable with gross carrying amount of Renminbi ("RMB") 1,000,000 (equivalent to HK\$1,066,098) due from a related company, of which Mr. Guo Rongxiang, an executive director of the Company, has the equity interest in and is the managing director and legal representative. The amount due was trade in nature, unsecured, interest free and with a credit term of 90 days.

- (b) Included in the Group's other receivables, deposits and prepayments, net of ECL allowance are mainly other tax recoverable of HK\$2,949,063 (2023: HK\$2,640,579), rental and utilities deposits of HK\$1,025,430 (2023: HK\$1,571,873) respectively. As at 31 December 2023, other receivables, deposits and prepayments also included prepayment of consultancy fee of HK\$800,000, which had been utilised during the year ended 31 December 2024.
- (c) The balance represents the prepayment paid to the suppliers for acquisition of property, plant and equipment for the Group's operation.
- (d) The balance represents the prepayment paid to 杭州大品微揚科技有限公司 (Hangzhou Dapin Weiyang Technology Co., Ltd.) ("Hangzhou Dapin") for proposing subscription of its new registered capital. As at 31 December 2024, the due diligence review on Hangzhou Dapin was still conducting by the Group and the formal agreement was not entered. Subsequently, the Group decided not to carry out the proposed subscription of the registered capital of Hangzhou Dapin. The prepayment for acquisition of an associate were fully refunded to the Group subsequently. Further details are set out in the Company's announcements dated 25 August 2024, 29 November 2024 and 3 March 2025 respectively.

* The English translation of the Chinese name is for information purpose only, and should not be regarded as the official English translation of such name.

Notes to the Consolidated Financial Statements

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23. INVESTMENT IN TV PROGRAMMES

	HK\$
Balance at 1 January 2023	31,685,393
Total losses included in profit or loss:	
Fair value change	(1,321,585)
Exchange difference arising from translation, included in other (losses)/gains, net	(628,125)
Balance at 31 December 2023 and 1 January 2024	29,735,683
Total gains/(losses) included in profit or loss:	
Fair value change	2,878,465
Exchange difference arising from translation, included in other (losses)/gains, net	(951,035)
Balance at 31 December 2024	31,663,113

During the year ended 31 December 2019, the Group entered into a joint production agreement and supplemental agreement (collectively, the "Joint Production Agreement") with 浙江優盛影視文化有限公司 (Zhe Jiang You Sheng Ying Shi Wen Hua Company Limited*) ("Zhe Jiang You Sheng"), an independent TV programmes producer, pursuant to which the Group agreed to invest RMB24,000,000 (equivalent to HK\$26,850,000) in the production of TV programmes "Snow Leopard II", representing 30% of the budgeted production costs. In accordance with the Joint Production Agreement, the Group has no control, significant influence or joint control over the investment.

Pursuant to the Joint Production Agreement, if the actual production costs exceed the budgeted production costs, Zhe Jiang You Sheng would bear all addition costs. The Group is not liable and does not bear any additional costs and the interests in the investment in TV programmes would still be maintained at 30%.

The Group is entitled to 30% of net profit generated by the TV programmes for five years, after obtained broadcasting approval from the PRC government authority.

During the year ended 31 December 2023, the production of the TV programmes was completed. The management of Zhe Jiang You Sheng had decided to defer the broadcasting timetable due to the poor economic environment in the PRC. As at 31 December 2023, with reference to the broadcast progress provided by Zhe Jiang You Sheng, the directors of the Company revisited the broadcasting timetable with Zhe Jiang You Sheng and tentatively expected the TV programmes to be released in the PRC and the net profit distribution to be received during the year ending 31 December 2025. Therefore, the investment in TV programmes was classified as non-current assets as at 31 December 2023.

During the year ended 31 December 2024, the management of Zhe Jiang You Sheng is still under negotiation with television station in relation to the broadcast details and no agreement was concluded. As at 31 December 2024, with reference to the broadcast progress provided by Zhe Jiang You Sheng, the directors of the Company further revisited the broadcasting timetable with Zhe Jiang You Sheng and tentatively expected the TV programmes to be released in the PRC before the end of 2025 and the net profit distribution to be received by the end of the first quarter of 2026. Since the exact timetable for recovering the carrying amount remains uncertain, the investment in TV programmes was classified as non-current assets as at 31 December 2024.

* The English translation of the Chinese name is for information purpose only, and should not be regarded as the official English translation of such name.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

23. INVESTMENT IN TV PROGRAMMES (Continued)

The Group's investment in TV programmes is measured at fair value in the consolidated statement of financial position on a recurring basis, categorised into three levels of a fair value hierarchy. The levels are based on the observability of significant inputs to the measurements, as follows:

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

The level in the fair value hierarchy within which the investment in TV programmes is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The fair value of the investment in TV programmes is level 3 (2023: level 3) fair value measurement. There were no transfers between Levels 1, 2 and 3 during the year (2023: nil).

Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments by adopting an income approach based on discounted cash flow.

Fair value measurements using significant unobservable inputs (level 3)

The above movement presents the changes in level 3 item for the years ended 31 December 2024 and 2023.

Significant unobservable inputs	Unobservable inputs	Relationship of unobservable inputs to fair value
Discount rate	21.29% (2023: 21.78%)	The higher/lower the discount rate, the lower/higher the fair value.
Estimated revenues generated by the TV programmes	RMB210,000,000 (2023: RMB210,000,000)	The higher/lower the estimated revenue generated by the TV programmes, the higher/lower the fair value.

Should the discount rate increase or decrease by 3% respectively, the fair value of the investment in TV programmes would be decreased by HK\$949,809 (2023: HK\$1,315,208) or increased by HK\$1,004,067 (2023: HK\$1,229,067), respectively. Should the estimated revenues generated by the TV programmes increase or decrease by 10% respectively, the fair value of the investment in TV programmes would be increased or decreased by HK\$3,168,911 (2023: HK\$2,949,341), respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

24. CASH AND CASH EQUIVALENTS

	2024 HK\$	2023 HK\$
Cash at banks and in hand	13,822,703	7,224,481
Denominated in:		
RMB	6,733,492	2,425,687
HK\$	884,374	1,070,275
United States dollars ("US\$")	1,657,799	36,627
New Taiwan dollars ("NTD")	4,547,038	3,691,892
	13,822,703	7,224,481

As at 31 December 2024, bank balances of the Group denominated in RMB amounted to HK\$6,305,160 (2023: HK\$2,408,873) are deposits with banks in the PRC. RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

25. TRADE AND OTHER PAYABLES

	2024 HK\$	2023 HK\$
Trade payables (<i>note</i>)	7,392,585	8,715,302
Other payables and accrual	8,978,190	11,764,689
	16,370,775	20,479,991

Included in other payables and accrual of the Group are mainly audit fee payable, legal and professional fee payables, variable lease payable, salaries and wages payables, consultancy fee payable to Mr. Tsai and other tax payables. As at 31 December 2024, other payables and accrual also include payable for acquisition of intangible asset in relation to the acquisition of Hainan Dongchuang (note 38) with carrying amount of RMB1,560,000 (equivalent to HK\$1,663,113) due to a related company, of which Mr. Guo Rongxiang, an executive director of the Company, has the equity interest in and is the managing director and legal representative. The amount due was trade in nature, unsecured, interest free and with a credit term of 10 days. The payable was fully settled to the related company subsequently.

As at 31 December 2023, the Group received a deposit of HK\$1,000,000 from the holder of the convertible bonds, included in other payables and accrual, which is part of cash consideration for subscription of the convertible bonds issued during the year ended 31 December 2024.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

25. TRADE AND OTHER PAYABLES (Continued)

Note:

Credit periods granted by suppliers normally range from 30 days to 90 days (2023: 30 days to 90 days). Based on the invoice date, the ageing analysis of the trade payables is as follows:

	2024 HK\$	2023 HK\$
0 – 30 days	1,179,900	1,407,208
31 – 60 days	1,936,419	1,519,966
61 – 90 days	2,198,257	836,315
Over 90 days	2,078,009	4,951,813
	7,392,585	8,715,302

26. LEASE LIABILITIES

	2024 HK\$	2023 HK\$
Total minimum lease payments:		
Due within one year	2,917,652	3,453,430
Due over one year but within five years	1,196,262	3,716,474
	4,113,914	7,169,904
Future finance charges on leases liabilities	(142,840)	(342,466)
Present value of leases liabilities	3,971,074	6,827,438
Present value of minimum lease payments:		
Due within one year	2,803,989	3,231,661
Due over one year but within five years	1,167,085	3,595,777
	3,971,074	6,827,438
Less: Portion due within one year included under current liabilities	(2,803,989)	(3,231,661)
Portion due after one year included under non-current liabilities	1,167,085	3,595,777

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

26. LEASE LIABILITIES (Continued)

During the year, the total cash outflows for the leases including short-term leases are HK\$4,532,200 (2023: HK\$5,370,023).

The weighted average incremental borrowing rates applied to lease liabilities range from 2.7% to 5.9% (2023: 2.7% to 4.8%) per annum.

During the years ended 31 December 2024 and 2023, the Group has lease contracts for printing and testing equipment that contain variable payments based on the number of smart card produced. The following provides information on the Group's variable lease payments, included the magnitude in relation to fixed payments:

	Fixed payments HK\$	Variable payments HK\$	Total HK\$
Variable rent with minimum payment			
For the year ended 31 December 2024	–	1,649,965	1,649,965
For the year ended 31 December 2023	–	1,630,526	1,630,526

The Group has several lease contracts that include extension and termination options. In opinion of the directors of the Company, these options would provide with the Group flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised and these termination options are reasonably certain not to be exercised, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 December 2024, there is no such triggering event (2023: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

26. LEASE LIABILITIES (Continued)

Extension and termination options

As at 31 December 2024, the Group has entered into leases for a factory, an office, a warehouse and certain staff quarters.

Types of right-of-use assets	Number of leases	Range of remaining lease term	Particulars
Factory	1 (2023: 1)	0.84 year (2023: 1.84 years)	<ul style="list-style-type: none"> Contains a right to renew the lease after the end of the contract by giving a three months' notice to landlord before the end of the contract if the landlord agrees to continue leasing the property and an option to terminate the lease by giving a six months' notice to landlord.
Office	1 (2023: 1)	2.13 years (2023: 3.13 years)	<ul style="list-style-type: none"> No option to renew and terminate.
Warehouse	1 (2023: 1)	0.84 year (2023: 1.84 years)	<ul style="list-style-type: none"> Contains an option to terminate the lease by giving a one month's notice to landlord after 1 year of the lease terms.
Staff quarters	3 (2023: 3)	0.39 to 1.75 years (2023: 0.75 to 1.84 years)	<ul style="list-style-type: none"> Two of the contracts contain an option to terminate the lease by giving a one month's notice to landlord after 1 year of the lease terms. One of the contracts contains an option to renew the lease after the end of the contract by giving a three months' notice to landlord before the end of the contract if the landlord agrees to continue leasing the property and an option to terminate the lease by giving a six months' notice to landlord.

The Group considered that no extension option or termination option would be exercised at the lease commencement date.

27. OTHER BORROWINGS

	2024 HK\$	2023 HK\$
Other borrowings from the substantial shareholder of the Company, unsecured	–	987,342

As at 31 December 2023, the amount due to Mr. Tsai, the substantial shareholder of the Company was unsecured, interest-free and repayable on demand. The balance was fully repaid during the year ended 31 December 2024.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

28. CONVERTIBLE BONDS

On 3 September 2024 (the "Issue Date"), the Company issued an unsecured convertible bonds with an aggregate principal amount of HK\$16,500,000 (the "Convertible Bonds") to Mr. Guo Rongxiang, who was an independent third party prior to the subscription of the Convertible Bonds. Mr. Guo was appointed as an executive director of the Company with effect from 11 September 2024. The Convertible Bonds has an coupon interest rate of 5% per annum, which will be paid on the maturity date based on the outstanding Convertible Bonds at the maturity date.

The Convertible Bonds mature three years from the Issue Date at its principal amount; or can be early redeemed by the Company in whole or part of the outstanding Convertible Bonds at 100% of the principal amount plus any accrued interest; or can be converted into shares of the Company on and after the Issue Date to the maturity date at the holder's option at the conversion price of HK\$0.30 per share, which is subject to certain adjustments prescribed in the convertible bonds subscription agreement.

The fair value of the liability component at the Issue Date was calculated using market interest rate for instruments without conversion option of comparable credit status which was referenced to a valuation performed by an independent qualified professional valuer. The residual amount, representing the value of the equity component, had been included in the convertible bonds equity reserve within equity.

The liability component was amortised over the term of the Convertible Bonds with the effective interest method. The effective interest rate of the liability component of the Convertible Bonds on initial recognition, which included the impact of direct related transaction costs, is 5.33% per annum and is subsequent carried at amortised cost.

	HK\$
Liability component	
Nominal value of the Convertible Bonds	16,500,000
Equity component at the Issue Date	(129,000)
Net of transaction costs	(107,846)
<hr/>	
Fair value of liability component at the Issue Date	16,263,154
Accrued effective interest (<i>note 9</i>)	277,119
<hr/>	
At 31 December 2024	16,540,273
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Equity component	
Equity component at the Issue Date and 31 December 2024	129,000

Up to the date of authorisation of these consolidated financial statements, there was no conversion of the Convertible Bonds.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

29. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the years are as follows:

	Depreciation allowance in excess of accounting depreciation HK\$
Balance at 1 January 2023	(4,707)
Credited to the consolidated statement of profit or loss and other comprehensive income during the year (<i>note 11</i>)	4,707
Balance at 31 December 2023, 1 January 2024 and 31 December 2024	–

The Group has not recognised deferred tax assets in respect of tax losses of HK\$53,474,701 (2023: HK\$60,424,729) as at 31 December 2024. Deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the Group can utilise benefits therefrom. Under the current tax legislation in Hong Kong, the tax losses amounting to HK\$37,877,506 (2023: HK\$41,126,686) do not have expiry period. Under the current tax legislation in the PRC, the tax losses amounting to HK\$5,263,636 (2023: HK\$6,673,379) can be carried forward for five years from the year when the corresponding loss was incurred. Under the current tax legislation in Taiwan, the tax losses amounting to HK\$10,333,559 (2023: HK\$12,624,664) can be carried forward for ten years from the year when the corresponding loss was incurred.

As at 31 December 2024, deferred tax liabilities have not been established for the withholding tax that would be payable on the undistributed earnings of HK\$12,066,629 (2023: HK\$18,312,264) of certain PRC subsidiaries because the Company controls the dividend policy of these subsidiaries and it is not probable that these subsidiaries will distribute such earnings in foreseeable future (2023: nil).

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30. SHARE CAPITAL

	2024		2023	
	Number of shares	Nominal value HK\$	Number of shares	Nominal value HK\$
Authorised:				
Ordinary shares of HK\$0.20 each				
At 1 January and 31 December	1,500,000,000	300,000,000	1,500,000,000	300,000,000
Issued and fully paid:				
Ordinary shares of HK\$0.20 each				
At 1 January and 31 December	525,347,500	105,069,500	525,347,500	105,069,500

All shares are equally eligible to receive dividends and to the repayment of capital and each of the shares are entitled to one vote at shareholders' meeting of the Company.

31. SHARE OPTIONS

Pursuant to the resolution passed by the shareholders of the Company at the extraordinary general meeting of the Company dated 8 January 2008, a share option scheme (the "Share Option Scheme") was approved and adopted. The summary of the terms of the Share Option Scheme is set out below.

The purpose of the Share Option Scheme is to recognise and motivate the contribution of employees to the growth of the Group. Under the Share Option Scheme, the Board of Directors which shall include the independent non-executive directors may, at its discretion, invite any employees including any executive directors of any companies in the Group to take up options at HK\$1.00 to subscribe for shares in the Company at the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediate preceding the date of grant; and (iii) the nominal value of a share.

The total number of shares which may be issued upon exercise of all options which may be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of shares in issue as at the date of approval of the Share Option Scheme.

Under the Share Option Scheme, any employee of the Group is eligible to participate as grantee in and receive share options. Unless approved by the shareholders in the manner set out below, the total number of shares issued and to be issued upon exercise of the share options granted to each participant (including both exercised and outstanding share options) in any 12-month period must not exceed 1 percent of the shares in issue ("Individual Limit"). Where any further grant of share options to a participant would result in the shares issued and to be issued upon exercise of all share options granted and to be granted to such participant (including exercised, cancelled and outstanding share options) exceeding his or her Individual Limit, such further grant must be separately approved by the shareholders in general meeting with such participant and his or her associates abstaining from voting.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

31. SHARE OPTIONS (Continued)

The option period in respect of any particular option shall be determined by the Board of Directors, provided that no option shall be exercisable after ten years from the date of its grant.

The share options are fully vested at the date of grant. All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

Summary of the share options outstanding during the years ended 31 December 2024 and 2023 are as follows:

For the year ended 31 December 2024

Name of participant	As at 1 January 2024	Lapsed during the year	As at 31 December 2024	Date of grant	Exercisable period	Exercise price HK\$
Executive directors						
Ms. Lily Wu	4,500,000	–	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Mr. Chang Wei Wen	4,500,000	–	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Mr. Yang Meng Hsiu	4,500,000	–	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Independent non-executive directors						
Mr. Chan Siu Wing, Raymond	450,000	–	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Ms. Wong Ka Wai, Jeanne	450,000	–	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
	14,400,000	–	14,400,000			
Other employees						
In aggregate	22,779,250	–	22,779,250	3 January 2018	3 January 2018 to 2 January 2028	0.20
	37,179,250	–	37,179,250			

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For the year ended 31 December 2024

31. SHARE OPTIONS (Continued)

For the year ended 31 December 2023

Name of participant	As at 1 January 2023	Lapsed during the year	As at 31 December 2023	Date of grant	Exercisable period	Exercise price HK\$
Executive directors						
Ms. Lily Wu	4,500,000	–	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Mr. Chang Wei Wen	4,500,000	–	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Mr. Yang Meng Hsiu	4,500,000	–	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Independent non-executive directors						
Mr. Chan Siu Wing, Raymond	450,000	–	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Mr. Leung Ka Kui, Johnny (note)	450,000	(450,000)	–	3 January 2018	3 January 2018 to 2 January 2028	0.20
Ms. Wong Ka Wai, Jeanne	450,000	–	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
	14,850,000	(450,000)	14,400,000			
Other employees						
In aggregate	22,779,250	–	22,779,250	3 January 2018	3 January 2018 to 2 January 2028	0.20
	37,629,250	(450,000)	37,179,250			

Note:

Mr. Leung Ka Kui, Johnny resigned as independent non-executive director of the Company with effect from 15 December 2022. His share options lapsed on 14 March 2023, being three months following the date of his resignation, according to the policy of Share Option Scheme.

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31. SHARE OPTIONS (Continued)

	As at 1 January 2024 HK\$	Lapsed during the year HK\$	As at 31 December 2024 HK\$
Weighted average exercise price per share	0.20	–	0.20
Weighted average remaining contractual life of options outstanding as at 31 December 2024			3.01 years
Number of options exercisable as at 31 December 2024			37,179,250
Weighted average exercise price per share of options exercisable as at 31 December 2024			HK\$0.20

	As at 1 January 2023 HK\$	Lapsed during the year HK\$	As at 31 December 2023 HK\$
Weighted average exercise price per share	0.20	0.20	0.20
Weighted average remaining contractual life of options outstanding as at 31 December 2023			4.01 years
Number of options exercisable as at 31 December 2023			37,179,250
Weighted average exercise price per share of options exercisable as at 31 December 2023			HK\$0.20

The Company did not grant any share options during the years ended 31 December 2024 and 2023. Except as disclosed above, no share options were exercised, lapsed or forfeited during the years ended 31 December 2024 and 2023.

32. DEFICIT IN RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Share premium represents the excess of the net proceeds from issuance of the shares of the Company over its par value, less any dividends paid out of the share premium account and any premium paid for the repurchase of shares of the Company.

Contributed surplus of the Group represents the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to a group reorganisation conducted in previous years over the nominal value of the share capital of the Company issued in exchange therefore, less share issue expenses.

Share option reserve represents the fair value of outstanding share options at each reporting date, which was measured at the respective grant date of each share option.

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For the year ended 31 December 2024

32. DEFICIT IN RESERVES (Continued)

The Group (Continued)

Translation reserve of the Group represents the exchange differences on translation of the financial statements of the PRC subsidiaries and a Taiwan subsidiary.

Certain portion of the retained earnings of the Company's PRC subsidiaries is restricted for distribution. Under the relevant PRC laws and regulations, the PRC subsidiaries are required to appropriate at least 10% of profit after tax to general reserve fund until reaching 50% of the registered capital. The general reserve fund can be applied to set-off accumulated losses and to convert into paid-in capital. Such restricted profits included in the Group's accumulated losses amounted to HK\$11,221,302 (2023: HK\$11,221,302).

The Company

The amounts of the Company's reserves and the movements therein for the current and prior years are presented as follows:

	Share premium HK\$	Contributed surplus HK\$	Share option reserve HK\$	Convertible bonds reserve HK\$ <i>(note 28)</i>	Other reserves HK\$	Accumulated losses HK\$	Total HK\$
Balance at 1 January 2023	363,340,792	24,190,659	3,339,000	–	7	(464,003,294)	(73,132,836)
Profit for the year and total comprehensive income for the year	–	–	–	–	–	6,291,421	6,291,421
Lapse of share options <i>(note 31)</i>	–	–	(39,930)	–	–	39,930	–
Balance at 31 December 2023 and 1 January 2024	363,340,792	24,190,659	3,299,070	–	7	(457,671,943)	(66,841,415)
Loss for the year and total comprehensive loss for the year	–	–	–	–	–	(2,175,338)	(2,175,338)
Issue of convertible bonds <i>(note 28)</i>	–	–	–	129,000	–	–	129,000
Balance at 31 December 2024	363,340,792	24,190,659	3,299,070	129,000	7	(459,847,281)	(68,887,753)

Share premium represents the excess of the net proceeds from issuance of the shares of the Company over its par value, less any dividends paid out of the share premium account and any premium paid for the repurchase of shares of the Company.

Contributed surplus of the Company represents the difference between the combined net assets value of the subsidiaries acquired pursuant to a group reorganisation conducted in previous years over the nominal value of the share capital of the Company issued in exchange therefore, less share issue expenses.

Share option reserve represents the fair value of outstanding share options at each reporting date, which was measured at the respective grant date of each share option.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

33. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION

<i>Notes</i>	2024 HK\$	2023 HK\$
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	–	–
Right-of-use assets	1,747,017	2,590,838
Interests in and amounts due from subsidiaries	53,581,460	39,946,656
Deposits	280,454	291,140
	55,608,931	42,828,634
Current assets		
Deposits and prepayments	391,995	346,460
Cash and cash equivalents	581,121	537,990
	973,116	884,450
Current liabilities		
Other payables	1,135,893	2,442,376
Lease liabilities	833,773	818,980
Amounts due to subsidiaries	719,631	409,875
	2,689,297	3,671,231
Net current liabilities	(1,716,181)	(2,786,781)
Total assets less current liabilities	53,892,750	40,041,853

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For the year ended 31 December 2024

33. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION (Continued)

	<i>Notes</i>	2024 HK\$	2023 HK\$
Non-current liabilities			
Lease liabilities		979,995	1,813,768
Convertible bonds		16,540,273	–
Defined benefit plan obligations		190,735	–
		17,711,003	1,813,768
Net assets		36,181,747	38,228,085
EQUITY			
Share capital	<i>30</i>	105,069,500	105,069,500
Deficit in reserves	<i>32</i>	(68,887,753)	(66,841,415)
Total equity		36,181,747	38,228,085

The financial statements of the Company were approved and authorised for issue by the Board of Directors on 20 March 2025 and are signed on its behalf by:

Lily Wu
Director

Chang Wei Wen
Director

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

34. INTERESTS IN SUBSIDIARIES

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

Name of company	Place of incorporation/ establishment and operation and kind of legal entity	Particulars of issued capital/paid-up registered capital	Percentage of interest held by the Company		Principal activities
			2024	2023	
Directly held:					
Waystech Group Limited	The BVI, limited liability company	US\$10,000	100%	100%	Investment holding
Indirectly held:					
Cardlink Technology (HK) Limited	Hong Kong, limited liability company	HK\$10,000	100%	100%	Investment holding
Elegant Future (Hong Kong) Limited	Hong Kong, limited liability company	HK\$1	100%	100%	Investment holding and trading of scrap vehicles
Elegant Future (Taiwan) Company Limited	Taiwan, limited liability company	NTD72,166,000	100%	100%	Sales and trading of scrap metals
InterCard Limited	Hong Kong, limited liability company	HK\$10,666,667	100%	100%	Sales of smart cards, system development and provision of research and development, marketing and sales
Kartop (Hong Kong) Limited	Hong Kong, limited liability company	HK\$10,000	100%	100%	Investment in media and entertainment industry
PMIS Limited	Hong Kong, limited liability company	HK\$10,000	100%	100%	Development and provision of smart card application systems
Hainan Dongchuang (<i>note 38</i>)	The PRC, limited liability company	Nil (<i>note</i>)	100%	–	Provision for operating a pan-entertainment digital ecosystem membership e-commerce platform
Billion Apex Limited	The BVI, limited liability company	US\$1	100%	100%	Investment holding
Fine Wise Holdings Limited	The BVI, limited liability company	US\$100	100%	100%	Investment holding
HOTA Recycling Group Corporation	The Cayman Island, limited liability company	US\$1	100%	100%	Investment holding
Ultra Force Holdings Limited	The BVI, limited liability company	US\$1	100%	100%	Investment holding
China Phoenixtron Energy Shares Limited	Hong Kong, limited liability company	HK\$1,000,000	100%	100%	Inactive
Manibo Limited	The Republic of Mauritius, limited liability company	US\$1	100%	100%	Investment holding
Beijing Desheng (as defined in note 38)	The PRC, limited liability company	US\$1,781,842	100%	100%	Investment holding
Top Wise Technology (Shenzhen) Limited	The PRC, limited liability company	HK\$10,000,000	100%	100%	Smart cards manufacturing and sales

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

34. INTERESTS IN SUBSIDIARIES (Continued)

None of the subsidiaries has issued any debt securities at the end of the year (2023: nil).

Note:

At 31 December 2024, Hainan Dongchuang's registered capital has not been fully paid up and the aggregated unpaid share capital amounted to RMB2,000,000 and is to be paid up before 7 July 2028.

35. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the consolidated financial statements, the following transactions were carried out by the Group in the ordinary course of business with related parties.

(a) Transactions with related parties

Related party relationship	Type of transactions	2024 HK\$	2023 HK\$
Mr. Tsai, the substantial shareholder of the Company	Consultancy fee expense	1,380,000	1,320,000
	Salaries and allowances	244,897	267,114
	Rental expense relating to short-term leases	261,931	266,651
	Non-interest bearing borrowings – proceeds	–	3,724,546
	Non-interest bearing borrowings – repayments	987,342	4,106,826
A related company (note (i))	Revenue from smart card technical advisory and consultancy services	2,002,272	–
A related company (note (ii))	Key management service expense	224,640	224,640

Notes:

(i) On 27 August 2024, one of the subsidiaries of the Company entered into a contract to provide smart card technical advisory and consultancy services with a company, of which Mr. Guo Rongxiang, an executive director of the Company, has the equity interest in and is the managing director and legal representative.

(ii) A director of several wholly-owned subsidiaries of the Company is the beneficial owner of this related company.

(b) Compensation of key management personnel

Members of key management personnel during the year comprised the directors of the Company whose remunerations are set out in note 15.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

36. COMMITMENTS

As at the end of the reporting period, the Group had significant commitments as follows:

(a) Capital commitments

	2024 HK\$	2023 HK\$
Contracted but not provided for:		
– Acquisition of property, plant and equipment	192,846	1,191,274

(b) Short-term lease commitments

As lessee

At the reporting date, the lease commitments for short-term leases are as follows:

	2024 HK\$	2023 HK\$
Within one year	43,024	44,658

As at 31 December 2024, the Group leases an office (2023: an office) with a lease period of 12 months, which is qualified to be accounted for under short-term lease exemption under HKFRS 16.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

37. CASH FLOW INFORMATION

Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Other borrowings – shareholder's loans HK\$	Other borrowings – other loans HK\$	Convertible bonds HK\$	Lease liabilities HK\$
At 1 January 2023	1,337,500	–	–	5,244,086
Changes from financing cash flows:				
– Proceeds from other borrowings	3,724,546	–	–	–
– Repayments of other borrowings	(4,106,826)	–	–	–
– Payment of capital element	–	–	–	(3,499,905)
– Payment of interest element	–	–	–	(194,276)
Other changes:				
– Early termination of lease agreements	–	–	–	(1,833,475)
– Exchange realignment	32,122	–	–	27,190
– Entering into new leases	–	–	–	6,889,542
– Interest expense	–	–	–	194,276
At 31 December 2023 and 1 January 2024	987,342	–	–	6,827,438
Changes from financing cash flows:				
– Proceeds from other borrowings	–	325,000	–	–
– Repayments of other borrowings	(987,342)	(318,902)	–	–
– Proceeds from the Convertible Bonds	–	–	15,500,000	–
– Payment of capital element	–	–	–	(3,267,581)
– Payment of interest element	–	–	–	(227,180)
Other changes:				
– Deposit received from the holder of the convertible bonds, included in other payables and accrual, in prior year	–	–	1,000,000	–
– Transaction cost of the Convertible Bonds, included in other receivables, deposits and prepayments, in prior year	–	–	(107,846)	–
– Equity component of the Convertible Bonds	–	–	(129,000)	–
– Exchange realignment	–	(6,098)	–	(69,983)
– Entering into new leases	–	–	–	481,200
– Interest expense	–	–	277,119	227,180
At 31 December 2024	–	–	16,540,273	3,971,074

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

38. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

On 13 December 2024, 北京德生萬利時印藝科技有限公司 (Beijing Desheng Wanlizi Printing Arts Technology Company Limited*) ("Beijing Desheng"), a wholly-owned subsidiary of the Company entered into a share transfer framework agreement with four independent vendors (the "Vendors"), pursuant to which the Group agreed to acquire the entire registered capital of Hainan Dongchuang at a cash consideration to the Vendors of RMB240,000 (equivalent to HK\$258,065). The acquisition was completed on 31 December 2024 (the "Acquisition Date").

As at the Acquisition Date, Hainan Dongchuang held the pan-entertainment digital ecosystem membership e-commerce platform – Dongchuang E-Commerce App Service Platform. After the acquisition, such platform has commenced trial operations and primarily provides entertainment e-commerce with private domain traffic, including the provision of digital products and services. The acquisition had been accounted for as acquisition of assets.

Assets acquired and liabilities assumed at the Acquisition Date were as follows:

	HK\$
Intangible asset (<i>note 19</i>)	4,286,589
Other receivables	114,286
Cash and cash equivalents	104,902
Amount due to the Group	(2,150,537)
Accruals and other payables (<i>note</i>)	(2,097,175)
Net assets of Hainan Dongchuang	258,065

Cashflow movement in relation to the acquisition during the year ended 31 December 2024:

	HK\$
Cash consideration paid to the Vendors	(258,065)
Cash consideration paid to the supplier of the intangible asset on behalf of Hainan Dongchuang before the Acquisition Date	(2,150,537)
Total cash consideration	(2,408,602)
Cash and cash equivalents	104,902
Net cash outflow arising on acquisition of assets through acquisition of a subsidiary	(2,303,700)

Note:

As at the Acquisition Date, accruals and other payables included payable for acquisition of intangible asset with carrying amount of RMB1,560,000 (equivalent to HK\$1,663,113) due to a related company, of which Mr. Guo, an executive director of the Company, has the equity interest in and is the managing director and legal representative, and one of the Vendors has the equity interest.

As at the Acquisition Date, accruals and other payables also included payable for acquisition of intangible asset with carrying amount of RMB400,000 (equivalent to HK\$426,439) due to a company, of which two of the Vendors have the equity interest in and is the managing director and legal representative, respectively.

Notes to the Consolidated Financial Statements

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39. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk and foreign currency risk). The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

In light of the simplicity of the operations, the risk management of the Group is carried out by the Board of Directors directly. The Board of Directors discusses both formally and informally principles for overall risk management, as well as policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, liquidity risk and use of financial instruments.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

39.1 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities:

	2024 HK\$	2023 HK\$
Financial assets		
Financial assets at FVTPL		
– Investment in TV programmes	31,663,113	29,735,683
Financial assets at amortised cost		
– Trade and other receivables and deposits	11,526,014	15,071,482
– Cash and cash equivalents	13,822,703	7,224,481
	57,011,830	52,031,646
Financial liabilities		
Financial liabilities at amortised cost		
– Trade and other payables	15,832,350	17,678,026
– Lease liabilities	3,971,074	6,827,438
– Other borrowings	–	987,342
– Convertible bonds	16,540,273	–
	36,343,697	25,492,806

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

39.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position at 31 December 2024 and 2023 is the carrying amount as disclosed in note 39.1.

(i) Trade receivables

The Group's policy is to deal only with credit worthy counterparties. Credit terms are granted to new customers after a credit worthiness assessment. When considered appropriate, customers may be requested to provide proof as to their financial position. Where available at reasonable cost, external credit ratings and/or reports on customers are obtained and used. Customers who are not considered creditworthy are required to pay in advance or on delivery of goods. Payment record of customers is closely monitored. It is not the Group's policy to request collateral from its customers.

In addition, as set out in note 2.7, the Group assesses ECL under HKFRS 9 on trade receivables based on provision matrix, the expected loss rates are based on the payment profile for sales in the past 36 months as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed. However, given the short period exposed to credit risk and no historical default in the past few years, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 90 days from the due date and failure to engage with the Company on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

39.2 Credit risk (Continued)

(i) Trade receivables (Continued)

On the above basis, the ECL for trade receivables as at 31 December 2024 and 2023 was determined as follows:

	Current HK\$	1 - 30 days past due HK\$	31 - 90 days past due HK\$	Total HK\$
Ageing based on the due date				
As at 31 December 2024				
ECL rate	0.00%	0.00%	0.00%	
Gross carrying amount				
– trade receivables	8,546,096	1,837,431	2,772	10,386,299
Lifetime ECL	–	–	–	–
As at 31 December 2023				
ECL rate	0.00%	0.00%	0.00%	
Gross carrying amount				
– trade receivables	8,760,702	3,153,474	1,241,740	13,155,916
Lifetime ECL	–	–	–	–

The movement in the ECL allowance of trade receivables is as follows:

	2024 HK\$	2023 HK\$
Balance at 1 January	–	473
ECL allowance reversed during the year	–	(473)
Balance at 31 December	–	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

39.2 Credit risk (Continued)

(ii) Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables and deposits and bank balances. In order to minimise the credit risk of other receivables, the management would make periodic collective and individual assessment on the recoverability of other receivables based on historical settlement records and past experience as well as current external information. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In these regards, the credit risk of other receivables is considered to be low. It is not the Group's policy to request collateral from its other debtors.

The management is of opinion that there is no significant increase in credit risk on these other receivables since initial recognition as the risk of default is low after considering the factors as set out in note 2.7 and, thus, ECL recognised is based on 12-month ECL and the impact of ECL is insignificant for the years ended 31 December 2024 and 2023.

The credit risks on bank balance are considered to be insignificant because the counterparties are banks/ financial institutions with high credit ratings assigned by international credit-rating agencies.

The policy to manage credit risk has been followed by the Group since prior years is considered to be effective.

The movement in the ECL allowance of other receivables and deposits is as follows:

	2024 HK\$	2023 HK\$
Balance at 1 January	626,851	611,462
ECL allowance recognised during the year	56,314	15,389
Balance at 31 December	683,165	626,851

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

39.3 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management.

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants by reviewing each operating entity's cash flow forecast, to ensure that the Group maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions and related parties to meet its liquidity requirements in the short and longer term. The liquidity policy has been followed by the Group since prior years and is considered to have been effective in managing liquidity risks.

	Within 1 year or on demand HK\$	Over 1 year but within 5 years HK\$	Total undiscounted amount HK\$	Carrying amount HK\$
At 31 December 2024				
Trade and other payables	15,832,350	–	15,832,350	15,832,350
Lease liabilities	2,917,652	1,196,262	4,113,914	3,971,074
Convertible bonds	–	18,975,000	18,975,000	16,540,273
	18,750,002	20,171,262	38,921,264	36,343,697
At 31 December 2023				
Trade and other payables	17,678,026	–	17,678,026	17,678,026
Lease liabilities	3,453,430	3,716,474	7,169,904	6,827,438
Other borrowings	987,342	–	987,342	987,342
	22,118,798	3,716,474	25,835,272	25,492,806

39.4 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk mainly arises from bank balances.

The Group conducts periodical review to determine preferred interest rates mix appropriate for the business profile. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The policy to manage interest rate risk has been followed by the Group since prior years is considered to be effective.

The Group has no significant exposure to interest rates risk as the Group currently has no material financial assets and liabilities with floating interest rates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

39.5 Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposures to currency risk arise from its investment in TV programmes and overseas sales and purchases, which are primarily denominated in RMB and US\$. These are not the functional currencies of the group entities to which these transactions relate.

To mitigate the Group's exposure to foreign currency risk, cash flows in foreign currencies are monitored into in accordance with the Group's risk management policies. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within 6 months) from longer term cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken. The policy to manage foreign currency risk has been followed by the Group since prior years and is considered to be effective.

Summary of exposure

The carrying amounts of the Group's financial assets and financial liabilities denominated in a currency other than functional currency of the respective group entities at the end of each year are as follows:

	2024		2023	
	Exposure of RMB HK\$	Exposure of US\$ HK\$	Exposure of RMB HK\$	Exposure of US\$ HK\$
Trade and other receivables and deposits	1,066,098	7,887,259	–	11,975,116
Investment in TV programmes	31,663,113	–	29,735,683	–
Cash and cash equivalents	10,066	1,657,799	13,125	36,627
Trade and other payables	–	(683,334)	(16,333)	(1,322,463)
Gross exposure arising from recognised financial assets and financial liabilities	32,739,277	8,861,724	29,732,475	10,689,280

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

39.5 Foreign currency risk (Continued)

Sensitivity analysis

As HK\$ is pegged to US\$, the directors of the Company consider that the Group's exposure on foreign currency risk in respect of US\$ is not significant. The following table illustrates the sensitivity of the Group's profit (2023: profit) for the year and accumulated losses in regards to a 5% (2023: 5%) appreciation in the group entities' functional currencies against other foreign currencies. The 5% (2023: 5%) is the rate used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the reporting period has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year and held constant throughout the year.

	Decrease/(increase) in profit for the year and increase/(decrease) in accumulated losses	
	2024 HK\$	2023 HK\$
Changes in exchange rate:		
HK\$ appreciate by 5% (2023: 5%) against RMB	1,636,964	1,241,331
HK\$ depreciate by 5% (2023: 5%) against RMB	(1,636,964)	(1,241,331)

The sensitivity analysis for the year ended 31 December 2023 has been prepared on the same basis. Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions.

39.6 Fair value measurements of financial instruments

The Group's financial instruments classified within Level 3 of the fair value hierarchy represent the investment in TV programmes, the valuation process and the reconciliation of its carrying amounts as at 31 December 2024 and 2023 are disclosed in note 23. Except as disclosed above, all other financial instruments are carried at amortised cost with amounts not materially different from their fair values as at 31 December 2024 and 2023.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

40. CAPITAL MANAGEMENT

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The capital structure of the Group consists of debt, which included other borrowings and convertible bonds as disclosed in notes 27 and 28 respectively, and equity attributable to the owners of the Company, comprising share capital and deficits in reserves disclosed in the consolidated statement of changes in equity. No changes in the objectives, policies or processes for managing capital were made during the year.

For the year ended 31 December 2024, the Group entered into agreements to purchase equipment for the new plant as disclosed in note 22. Partial prepayments were paid and the remaining balance of HK\$192,846 (2023: HK\$1,191,274) will be paid within 12 months after the financial year ended 31 December 2024.

The Group monitors capital on the basis of gearing ratio. The ratio defined and calculated by the Group as total borrowings including lease liabilities expressed as a percentage of total assets, was 26.3% (2023: 11.3%) as at 31 December 2024.

Financial Summary

For the year ended 31 December 2024

The following is a summary of the consolidated results and consolidated assets and liabilities of the Group for each of the five years ended 31 December 2024:

CONSOLIDATED RESULTS

	2020 HK\$	2021 HK\$	2022 HK\$	2023 HK\$	2024 HK\$
Revenue	76,098,619	72,755,127	58,482,208	79,104,966	59,583,826
Profit/(loss) from operations	4,330,127	(4,800,947)	(7,450,665)	4,523,991	956,107
Finance costs	(394,596)	(387,224)	(284,865)	(194,276)	(504,299)
Profit/(loss) before income tax	3,935,531	(5,188,171)	(7,735,530)	4,329,715	451,808
Income tax credit/(expense)	20,000	(574,887)	–	4,707	–
Profit/(loss) for the year	3,955,531	(5,763,058)	(7,735,530)	4,334,422	451,808

CONSOLIDATED ASSETS AND LIABILITIES

	2020 HK\$	2021 HK\$	2022 HK\$	2023 HK\$	2024 HK\$
Non-current assets	49,560,219	48,891,615	42,386,503	42,542,733	47,338,871
Current assets	44,401,769	36,327,425	23,931,512	26,519,196	30,795,215
Current liabilities	36,043,514	34,585,922	27,390,762	24,698,994	19,174,764
Non-current liabilities	7,523,495	5,154,467	2,238,735	3,923,115	18,034,696