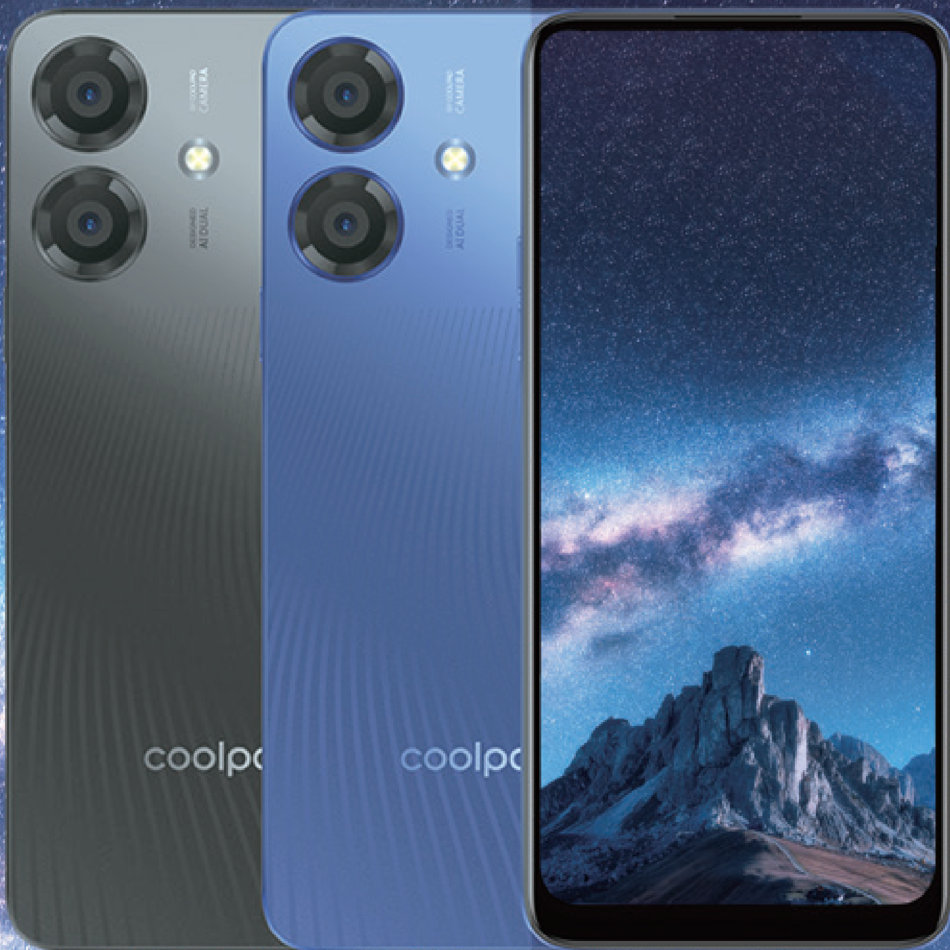
coolpad 酷派

COOLPAD GROUP LIMITED
酷派集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2369)

2023



ANNUAL REPORT

CORPORATE PROFILE

Coolpad Group Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability on 11 June 2002. The shares of the Company (the "**Shares**") were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 9 December 2004 (Stock Code: 2369).

The Company and its subsidiaries (collectively, the "**Group**") are committed to be a leading smartphone developer and manufacturer in the People's Republic of China ("**PRC**"). In the last decade, capitalizing on the development of wireless telecommunications technological know-how in wireless telecommunications across multiple wireless telecommunications network standards including TD-LTE, FDD-LTE, TD-SCDMA, CDMA-EVDO, WCDMA, GSM, and CDMA1X networks, the Group has developed a large number of proprietary technologies and patents in mobile operating systems, radio frequency, protocols and wireless data decomposed transmission technology, etc, and is one of the standard-setters in the communications industry. The Group never stops enhancing its research and development ("**R&D**") ability and is striving to be an important participant and a leader in the latest field of 5G and Artificial Intelligence. In addition, the Group is engaged in the leases of properties. Starting from the second half of 2023, the Group has actively pursued opportunities in Web 3.0 digital currency business.

Contribute in advancing technological innovations, as well as to strive along those with endeavours is the vision and mission of the Group. Relying on strong independent research and development strength and innovative market layout, the Group will lead the industry innovation in the digital era and provide consumers with continuously upgraded products and ecological services.

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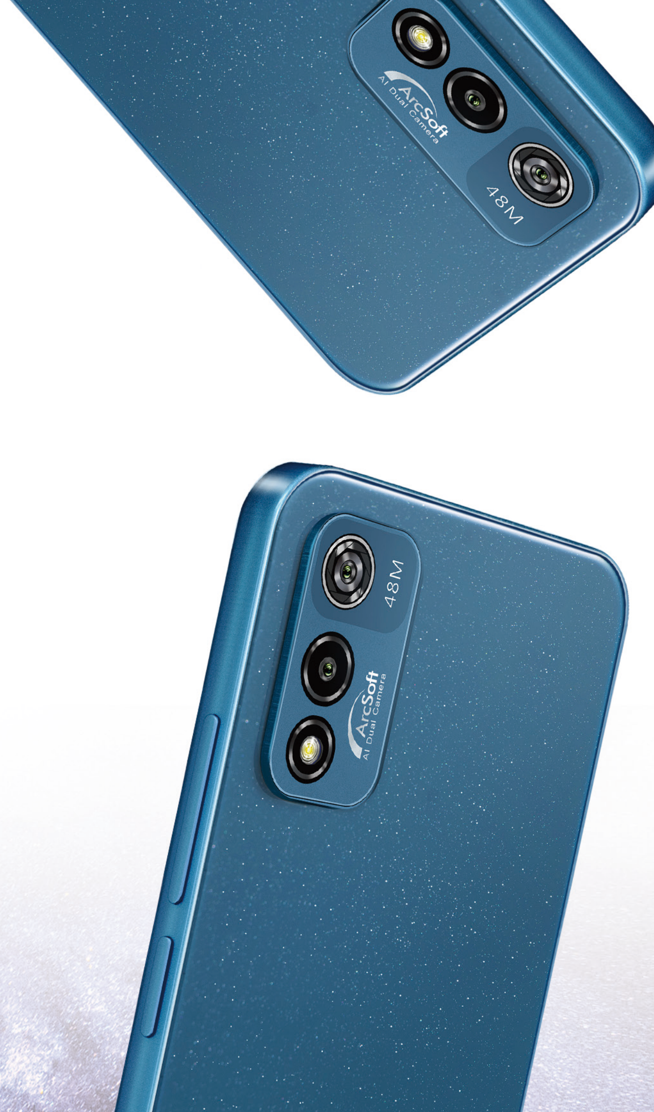

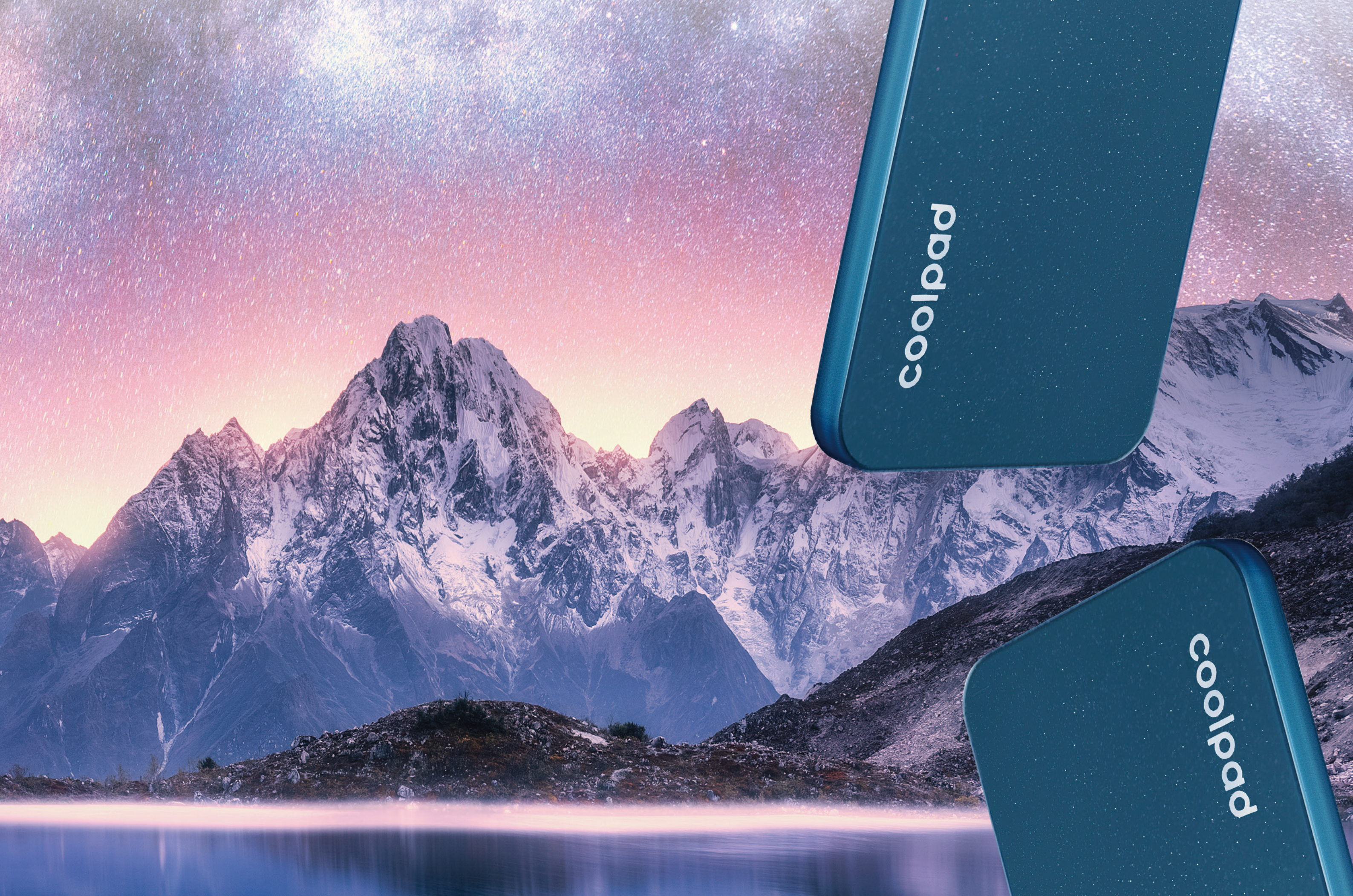

CORPORATE INFORMATION

Registered Office

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

Head Office and Principal Place of Business in the PRC

Coolpad Information Harbor
No. 8 of Gaoxin North 1st Road
Hi-Tech Industry Park (Northern)
Nanshan District
Shenzhen

Principal Place of Business in Hong Kong

Room 1506, 15/F., Wing On Centre
111 Connaught Road Central
Hong Kong

Company Secretary

Mr. MA Fei
Mr. TSANG Hing Bun (resigned on 29 October 2023)

Audit Committee and Remuneration Committee

Mr. CHEUK Ho Kan *(Chairperson)*
(appointed on 8 January 2024)
Mr. CHIU Sin Nang Kenny *(former Chairperson)*
(resigned on 8 January 2024)
Ms. WANG Guan (appointed on 11 October 2023)
Mr. NGAI Tsz Hin Michael (resigned on 11 October 2023)
Mr. GUO Jinghui

Nomination Committee

Mr. CHEN Jiajun *(Chairperson)*
(appointed on 11 October 2023)
Mr. NGAI Tsz Hin Michael *(former Chairperson)*
(resigned on 11 October 2023)
Mr. CHEUK Ho Kan (appointed on 8 January 2024)
Mr. CHIU Sin Nang Kenny (resigned on 8 January 2024)
Ms. WANG Guan (appointed on 11 October 2023)

Authorised Representatives

Mr. MA Fei
Mr. CHEN Jiajun

Contact Information for Investor Relations

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Email: ir@coolpad.com

Auditor

Zhonghui Anda CPA Limited ("**Zhonghui Anda**")
Certified Public Accountants
Registered Public Interest Entity Auditor
23/F, Tower 2
Enterprise Square Five
38 Wang Chiu Road
Kowloon Bay, Kowloon
Hong Kong

Legal Advisers to the Company as to Hong Kong Law

Baker & McKenzie
14th Floor
One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

Legal Advisers to the Company as to Cayman Islands Law

Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712–16
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

CMB Wing Lung Bank Limited
Bank of China Limited
China Construction Bank Corporation

Company Website

www.coolpad.com.hk

Stock Code

2369

FINANCIAL HIGHLIGHTS

The financial data below are extracted from the Group's audited financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

Results

	Year ended 31 December (HK$'000)				
	2023	2022 (restated)	2021	2020	2019
Revenue	**307,363**	299,208	665,380	811,757	1,858,090
(Loss)/profit before tax	**(234,015)**	(629,430)	(556,009)	(299,063)	118,111
Income tax credit	**13,023**	3,782	(16,367)	(45,965)	(3,299)
Loss for the year*	**(220,992)**	(625,648)	(572,376)	(393,828)	112,094

* Included discontinued operation results, if any

Financial Position

	As at 31 December (HK$'000)				
	2023	2022	2021	2020	2019
Non-current assets	**3,992,460**	3,816,929	3,762,172	3,233,696	1,720,375
Current assets	**443,493**	456,258	1,362,838	1,087,820	1,639,603
Non-current liabilities	**790,458**	377,148	418,948	383,479	328,057
Current liabilities	**1,553,821**	1,659,562	2,161,950	2,619,184	2,323,697
Net assets	**2,091,674**	2,236,477	2,544,112	1,318,853	708,224

CHAIRMAN OF THE BOARD'S STATEMENT

According to the data from the International Data Corporation, global smartphone shipments reached 1.17 billion units in 2023, representing a year-on-year decrease of 3.2%, marking the lowest annual shipment in a decade. However, the decline slowed to only 1% in the third quarter, and the market saw an 8% growth in the fourth quarter, indicating signs of recovery. The Group's sales also recovered month by month with the introduction of new products in the fourth quarter.

To adapt to the market, the Group adopted a multi-dimensional, integrated, and composite channel structure strategy in 2023. It established a comprehensive marketing network through partnerships with operators, e-commerce platforms, and offline social and industrial channels, achieving seamless online and offline coverage. The Group also deepened its cooperation with China Mobile and China Telecom, targeting the 5G entry-level market and elderly-friendly mobile phones. Products such as the "Daguan" series, "Fengshang" series, and "Cool" series were introduced for different sales channels, enhancing market share.

In overseas markets, the Group restarted its channel development, focusing on high-growth markets in Southeast Asia, Eastern Europe, the Middle East, and Latin America, with products covering mid-to-low price segments. By the end of 2023, the Group had expanded into dozens of countries.

The Group, having over 10,000 patents in telecommunications and over 100 related to 5G, embraced artificial intelligence ("**AI**") in 2023. It developed AI voice assistants and large language models, integrating them into the COOLOS operating system. The Group also contributed to the development of the Enhanced Read-Only File System ("**EROFS**"), which helped COOLOS save system space, improve app startup speed, and maintain performance over time. Additionally, COOLOS 3.0 improved camera functions, enhancing photo quality, and optimized security, emotional design, efficient interaction, and stability.

CHAIRMAN OF THE BOARD'S STATEMENT

As of 31 December 2023, the Group owned properties including the Coolpad Information Harbor in Shenzhen and the Coolpad Technology Ecological Park* (酷派科技生態園) in Dongguan Songshan Lake. The Coolpad Information Harbor Phases II and III are under stable construction, with roof-topping works of the main structure expected to be conducted in 2024 and completed in 2025. Currently, rental income is generated from Phase I of the Coolpad Information Harbor in Shenzhen and the Phase I and II factory plants at the Coolpad Technology Ecological Park* (酷派科技生態園) in Dongguan. The Dongguan Plant Phase III Project has passed completion acceptance and as of January 2024, received planning acceptance and obtained the real estate ownership certificate.

Since the second half of 2023, the Group has actively pursued business opportunities in Web 3.0 with smartphones and mobile internet in overseas markets, so as to enter the digital currency sector. In 2023, the Group commenced digital currency investment business, primarily through Bitcoin mining, with computing equipment server rooms hosted in North America. As of 31 December 2023, the Group had an effective computing power of 175,562 TH/S, and had accumulated approximately 31 BTC.

In 2024, the Group will focus on advancing the R&D of COOLOS, deepening AI integration, optimizing large language models, enhancing AI voice assistants, and accelerating commercialization. The Group will also promote domestically produced hardware platforms for 5G mobile phones and further integrate with the HarmonyOS platform, contributing to the maturity of the domestic supply chain.

Domestically, the Group will expand its product line around AI+5G, emphasizing elderly-friendly solutions due to China's aging population. The Group aims to develop 5G non-smartphones with retro appearances and simple operations, integrating lifestyle enhancements and AI voice assistants to meet the needs of elderly users.

In overseas markets, the Group will continue product iterations, expand its product line, and seek breakthroughs in key regional markets. It will explore cross-border e-commerce and enhance online and offline channels to improve profitability.

For real estate property leasing, the Group will advance construction of the Shenzhen Coolpad Information Harbor Phases II and III and the Dongguan Songshan Lake Project, while optimizing existing properties to stabilize leasing income.

Regarding digital currencies, the Group will expand investments, particularly in Bitcoin, evaluating global regions based on energy, policy, and legal environments.

With the smartphone market showing recovery in the fourth quarter of 2023, the Group aims to leverage this momentum for continued channel development and product innovation, targeting profitability in 2024.

Chen Jiajun
Chairman of the Board

Hong Kong, 11 February 2025

* *For identification purposes only*

MANAGEMENT DISCUSSION AND ANALYSIS

The financial data below are extracted from the Group's financial statements prepared under HKFRSs. The following discussion and analysis should be read in conjunction with the Group's audited financial statements.

	Year ended 31 December HK$ million		
	2023	2022 (Restated)	**Variance** (%)
REVENUE			
Sale of mobile phones and related accessories	**181.32**	180.73	0.33
Wireless application service income	**27.11**	26.90	0.77
Revenue from cryptocurrencies business	**8.54**	–	N/A
Rental income from investment properties operating leases	**90.39**	91.58	-1.29
Total revenue	**307.36**	299.21	2.73
Cost of sales	**(199.95)**	(351.98)	-43.19
Gross profit/(loss)	**107.42**	(52.77)	303.54
Other income and gains	**95.85**	75.78	26.48
Selling and distribution expenses	**(35.70)**	(71.18)	-49.85
Administrative and other operating expenses	**273.23**	480.03	-43.08
Finance costs	**(8.00)**	(16.97)	-52.84
Share of losses of associates and a joint venture	**(120.35)**	(84.25)	42.85
LOSS BEFORE TAX	**(234.02)**	(629.43)	-62.82
Income tax credit	**13.02**	3.78	244.34
LOSS FOR THE YEAR	**(220.99)**	(625.65)	-64.68

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue Analysis by Product Segments

A comparative breakdown of the consolidated revenue streams attributable to the various product segments are set forth in the following table for the years indicated:

	Year ended 31 December			
	2023		2022 (Restated)	
	Revenue HK$ million	**% of revenue**	Revenue HK$ million	% of revenue
Sale of mobile phones and related accessories	**181.32**	**58.99**	180.73	60.40
Wireless application service income	**27.11**	**8.82**	26.90	8.99
Revenue from cryptocurrencies business	**8.54**	**2.78**	–	–
Rental income from investment properties operating leases	**90.39**	**29.41**	91.58	30.61
Total	**307.36**	**100.00**	299.21	100.00

The Group recorded consolidated revenue for the year ended 31 December 2023 (the "**Year**") of HK$307.36 million, representing an increase of 2.73% as compared with the restated amount of HK$299.21 million for the year ended 31 December 2022. The increase in revenue was primarily attributable to the fact that starting from the second half of 2023, the Group has actively pursued opportunities in Web 3.0 digital currency business and has begun engaging in cryptocurrencies business.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit/(Loss)

	Year ended 31 December			
	2023		2022 (Restated)	
	Gross profit HK$ million	**Gross profit margin (%)**	Gross loss HK$ million	Gross loss margin (%)
Total	**107.42**	**34.95**	(52.77)	(17.64)

The Group recorded a gross profit of approximately HK$107.42 million for the Year as compared with a gross loss of HK$52.77 million for the previous year ended 31 December 2022. The Group's overall gross profit margin for the Year was 34.95%, as compared with 17.64% of gross loss margin for the year ended 31 December 2022. The turning of gross loss to gross profit was primarily attributable to the adjustment of the Group's product brand and sales incentive policies initiated in early 2023.

Selling and Distribution Expenses

	Year ended 31 December	
	2023	2022 (Restated)
Selling and distribution expenses (HK$ million)	**35.70**	71.18
Selling and distribution expenses/revenue (%)	**11.62**	23.79

Selling and distribution expenses of the Group during the Year decreased to approximately HK$35.70 million, representing a decrease of 49.85%, as compared with HK$71.18 million for the year ended 31 December 2022. The decrease in selling and distribution expenses was primarily attributable to the fact that the Group reconstructed its composite channel structure in 2023, focusing on reshaping the operator channel and launching a low-cost e-commerce channel.

Administrative and Other Operating Expenses

	Year ended 31 December	
	2023	2022 (Restated)
Administrative and other operating expenses (HK$ million)	**273.23**	480.03
Administrative and other operating expenses/revenue (%)	**88.89**	160.43

Administrative and other operating expenses decreased by 43.08% from HK$480.03 million for the year ended 31 December 2022 to HK$273.23 million for the Year. Administrative and other operating expenses as a percentage of total revenue decreased to 88.89% in 2023 from 160.43% in 2022. The decrease in the amount of administrative and other operating expenses was primarily due to the reduced investment in research and development costs in 2023.

Income Tax Credit

During the Year, the Group recorded loss before tax of HK$234.02 million, as compared with HK$629.43 million for the year ended 31 December 2022, and the Group recorded an income tax credit of approximately HK$13.02 million for the Year as compared with approximately HK$3.78 million for the year ended 31 December 2022. The increase of income tax credit was primarily attributable to the decrease in deferred tax liabilities relating to revaluation of buildings.

Liquidity, Financial Resource and Capital Structure

For the Year, the Group's operating capital was mainly generated from cash from its daily operation of its businesses, equity funding, interest-bearing loan and other borrowings. The Group's cash requirements related primarily to production and operating activities, repayment of due liabilities, capital expenditure, interest and other unforeseeable cash requirements. The Group had a gearing ratio of 47% as at 31 December 2023 (2022: 37%). The gearing ratio is equal to net debt divided by the sum of capital and net debt.

Cash and cash equivalents of the Group as at 31 December 2023 amounted to approximately HK$63.55 million, while it was HK$234.72 million as at 31 December 2022.

As at 31 December 2023, the Group had total debts (i.e. total borrowings) of approximately HK$542.65 million, which were all denominated in RMB. HK$101.57 million of the Group's borrowings are due in 2024 with a rate of 3.2% per annum and HK$441.08 million of the Group's borrowings are due in 2038 with a rate of prime rate minus 0.8% per annum.

As at 31 December 2023, the Company had 16,381,007,955 Shares of par value HK$0.01 each in issue.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingencies

Litigations with suppliers

The Group received several civil complaints in 2023 from suppliers demanding the Group to immediately repay the overdue accounts payable balance of RMB4,078,000 (equivalent to HK$4,500,000) (2022: HK$12,150,000). The arbitration procedures of the civil complaints were still in progress as at the date of approval of the consolidated financial statements.

Pledge of Assets

(a) As at 31 December 2022, the Group's 20% share in the investment in an associate, Nanjing Yulong Weixin Information Scientific Limited, with a carrying value of HK$101.29 million was pledged as security for a shareholder loan of this associate.

(b) As at 31 December 2023, the Group's time deposits of approximately HK$59.75 million were used as a performance guarantee and a letter of credit (2022: HK$59.41 million).

(c) As at 31 December 2023, the Group's other borrowings are secured by certain investment properties, property, plant and equipment and right-of-use assets of the Group with a carrying value of Nil (2022: HK$529,694,000), Nil (2022: HK$109,049,000) and Nil (2022: HK$23,231,000) as at 31 December 2023, respectively.

(d) As at 31 December 2023, the Group's bank borrowings are secured by certain investment properties, property, plant and equipment and right-of-use assets of the Group with a carrying value of HK$1,558,893,000 (2022: Nil), HK$70,697,000 (2022: Nil) and HK$14,001,000 (2022: Nil) respectively, and the 75% shareholding interest of a subsidiary of the Group, Dongguan Yulong Telecommunication Tech Co., Ltd. (2022: Nil).

Financial Review

For the Year, the Group recorded a turnover of HK$307.36 million, representing an increase of 2.73% as compared with HK$299.21 million for the year ended 31 December 2022. The increase in revenue was primarily attributable to the fact that starting from the second half of 2023, the Group has actively pursued opportunities in Web 3.0 digital currency business and has begun engaging in cryptocurrencies business. The Group recorded a gross profit of approximately HK$107.42 million for the Year as compared with a gross loss of approximately HK$52.77 million for the previous year ended 31 December 2022. The Group's overall gross profit margin for the Year was 34.95%, as compared with 17.64% of gross loss margin for the year ended 31 December 2022. The turning of gross loss to gross profit was primarily attributable to the adjustment of the Group's product brand and sales incentive policies initiated in early 2023. The selling and distribution expenses of the Group during the Year decreased to approximately HK$35.70 million, representing a decrease of 49.85%, as compared with approximately HK$71.18 million for the year ended 31 December 2022. The decrease in selling and distribution expenses was primarily attributable to the fact that the Group reconstructed its composite channel structure in 2023, focusing on reshaping the operator channel and launching a low-cost e-commerce channel. The administrative and other operating expenses decreased by 43.08% from HK$480.03 million for the year ended 31 December 2022 to HK$273.23 million for the Year. Administrative and other operating expenses as a percentage of total revenue decreased to 88.89% in 2023 from 160.43% in 2022. The decrease in the amount of administrative and other operating expenses was primarily due to the reduced investment in research and development costs in 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

For the Year, the Group recorded a loss before tax of HK$234.02 million, as compared with HK$629.43 million for the year ended 31 December 2022, and the Group recorded an income tax credit of approximately HK$13.02 million for the Year as compared with HK$3.78 million for the year ended 31 December 2022. The increase of income tax credit was primarily attributable to the fact that the decrease in deferred tax liabilities relating to revaluation of buildings.

Capital Support

On 27 August 2023, the Company entered into the subscription agreements (the "**Share Subscription Agreement**") with each of Beyond Merchant Limited, Saints Aura Investment Holdings Limited, Fly Smart Limited, Xinyang Asia Limited, Mr. Li Guanwen, Mr. Du Tianzhao, Ms. Lam Ka Ying (collectively, the "**Subscribers**") and (where applicable) the guarantors, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe for, an aggregate of 2,730,000,000 subscription shares (the "**Subscription Shares**") at the subscription price of HK$0.033 per Subscription Share and the net subscription price of HK$0.278 per Subscription Share, with an aggregate nominal value of HK$27.30 million (the "**2023 Share Subscription**"). On 21 September 2023, 26 September 2023 and 10 October 2023, the Company completed issuances of 1,661,000,000 Shares, 818,000,000 Shares and 251,000,000 Shares respectively, and successfully raised proceeds of approximately HK$54.81 million, HK$26.99 million and HK$8.28 million respectively. Details are set out in the announcements of the Company dated 27 August 2023 and 10 October 2023.

The 2023 Share Subscription is in the interests of the Company and the shareholders of the Company as a whole and the allotment and issuance of the Subscription Shares is an appropriate means of raising additional capital for the business operations of the Group and to further strengthen the Group's financial position since it provided the Company with immediate funding and broadened the shareholders' base of the Company.

Save as disclosed in this section headed "Capital Support" in this report, the Company has not conducted any equity fund raising activities during the Year, and the Company has not formed any detailed plans for material investment and capital asset in the coming year. The details of the proceeds raised from the various equity fundraising, original and revised allocation of such proceeds are as follows.

MANAGEMENT DISCUSSION AND ANALYSIS

1. 2021 Share and Warrant Subscription

The details of use of proceeds in connection to the share subscription agreements and warrant subscription agreement entered into by the Company on 4 October 2021 are as follows. For details, please refer to the announcements of the Company dated 4 October 2021, 9 December 2021, 24 December 2021, 14 January 2022, 28 January 2022 and 7 September 2022, and the circular of the Company dated 23 November 2021.

Date of Completion	Event	The name of the allottee(s)	Price of the Company's listed shares concerned on the date on which the terms of the issue were fixed *HK$ per Share*	Proceeds raised *(approximately)*	Intended use of proceeds	Original allocation of the net proceeds *(approximately)*	Original allocation of the unutilised net proceeds as at 31 August 2022	Change in use of the unutilised net proceeds as at 7 September 2022	Revised allocation of the unutilised net proceeds as at 7 September 2022	Proceeds brought forward as at 1 January 2023 *(approximately)*	Actual use of proceeds during the Year and expected timeline for unutilised net proceeds
28 January 2022	Issue and allotment of 600,000,000 new ordinary shares at a subscription price of HK$0.28 per share	Great Fortune Global Investment Limited	0.340	HK$168 million	(i) Expansion of the Group's mobile business in the PRC during the two years ending 31 December 2022 and six months ending 30 June 2023: (a) The establishment of new business channels and expansion of both online and offline business channels in the PRC: (1) establishment of new business channels for the mobile phone business in the Mainland China, i.e. the establishment of channels of authorized service stores and (2) among other things, improve the expansion of self-operated e-commerce channels and traditional distributor channels (b) Sales and marketing of the mobile phone business (ii) General working capital of the Group	(i) 90%, or HK$788.9 million (a) (1) 60%, or HK$525.9 million and (2) 10%, or HK$87.7 million (b) 20%, or HK$175.3 million (ii) 10%, or HK$87.7 million	(i) HK$466.1 million (a) HK$465.2 million (b) HK$0.9 million	(i) (a) The establishment of new business channels and expansion of both online and offline business channels in the PRC (b) Sales and marketing of the mobile phone business (ii) General working capital of the Group (iii) Product manufacturing and development of operating system in respect of the Group's mobile phone business	(i) (a) HK$165.2 million (b) HK$100.9 million (ii) – (iii) HK$200 million	HK$197.1 million	Approximately HK$165.1 million of the proceeds has been utilised as intended during the Year, amongst which (i) (a) approximately HK$44.4 million was utilised for the establishment of new business channels and expansion of both online and offline business channels in the PRC, (b) approximately HK$19.8 million was utilised for sales and marketing of the mobile phone business, (iii) approximately HK$100.9 million was utilised for product manufacturing and development of operating system in respect of the Group's mobile phone business. As at 31 December 2023, approximately HK$32.0 million of the proceeds has not been used, which would be utilised for the establishment of new business channels and expansion of both online and offline business channels in the PRC as disclosed in the announcement of the Company dated 7 September 2022. The Company intends to use the unutilised proceeds on or before 31 December 2024.
14 January 2022	Issue and allotment of 300,000,000 new ordinary shares at a subscription price of HK$0.28 per share	Sharp Ally International Limited	0.340	HK$84 million							
14 January 2022	Issue and allotment of 800,000,000 new ordinary shares at a subscription price of HK$0.28 per share	Elite Mobile Limited	0.340	HK$224 million							
30 December 2021	Issue and allotment of 150,000,000 new ordinary shares at a subscription price of HK$0.28 per share	Allove Group LIMITED	0.340	HK$42 million							
23 December 2021	Issue and allotment of 350,000,000 new ordinary shares at a subscription price of HK$0.28 per share	YH Fund SPC –YH01 SP I	0.340	HK$98 million							
17 December 2021	(i) Issue and allotment of 800,000,000 new ordinary shares at a subscription price of HK$0.28 per share (ii) Issuance of 800,000,000 warrants shares	SAI Growth Fund I, LLLP	0.340	HK$269.1 million							

MANAGEMENT DISCUSSION AND ANALYSIS

2. 2023 Share Subscription

The details of use of proceeds in connection to the Subscription Agreements entered into by the Company on 27 August 2023 in respect of the 2023 Share Subscription are as follows. For details, please refer to the announcements of the Company dated 27 August 2023 and 10 October 2023.

Date of Completion	Event	The name of the allottee(s)	Price of the Company's listed shares concerned on the date on which the terms of the issue were fixed *HK$ per Share*	Proceeds raised *(approximately)*	Intended use of proceeds	Original allocation of the net proceeds *(approximately)*	Proceeds brought forward as at 1 January 2023 *(approximately)*	Actual use of proceeds during the Year and expected timeline for unutilised net proceeds
21 September 2023	Allotment and issue of 455,000,000 new ordinary shares at a subscription price of HK$0.033 per share	Beyond Merchant Limited	0.038	HK$15.0 million	(i) approximately HK$80.0 million (or approximately 89.9%) for the new supply chain procurement demand due to the expansion of the Group's mobile business in the PRC, which is expected to be fully utilised before 30 June 2024; (ii) approximately HK$9.0 million (or approximately 10.1%) for the general working capital of the Group, which is expected to be fully utilised before 30 June 2024	(i) HK$80.0 million (ii) HK$9.0 million	N/A	Approximately HK$80.3 million of the proceeds has been utilised as intended during the Year, amongst which (i) approximately HK$75.3 million was utilised for the new supply chain procurement demand due to the expansion of the Group's mobile business in the PRC and (b) approximately HK$5.0 million was utilised for the general working capital of the Group. As at 31 December 2023, approximately HK$8.7 million of the proceeds has not been used, amongst which (i) approximately HK$4.7 million would be utilised for the new supply chain procurement demand due to the expansion of the Group's mobile business in the PRC and (ii) approximately HK$4.0 million would be utilised for the general working capital of the Group as disclosed in the announcement of the Company dated 27 August 2023. The Company intends to use the unutilised proceeds on or before 30 June 2024.
26 September 2023	Allotment and issue of 818,000,000 new ordinary shares at a subscription price of HK$0.033 per share	Saints Aura Investment Holdings Limited	0.038	HK$27.0 million				
21 September 2023	Allotment and issue of 297,000,000 new ordinary shares at a subscription price of HK$0.033 per share	Fly Smart Limited	0.038	HK$9.8 million				
10 October 2023	Allotment and issue of 160,000,000 new ordinary shares at a subscription price of HK$0.033 per share	Xinyang Asia Limited	0.038	HK$5.3 million				
21 September 2023	Allotment and issue of 606,000,000 new ordinary shares at a subscription price of HK$0.033 per share	Mr. Li Guanwen	0.038	HK$20.0 million				
21 September 2023	Allotment and issue of 303,000,000 new ordinary shares at a subscription price of HK$0.033 per share	Mr. Du Tianzhao	0.038	HK$10.0 million				
10 October 2023	Allotment and issue of 91,000,000 new ordinary shares at a subscription price of HK$0.033 per share	Ms. Lam Ka Ying	0.038	HK$3.0 million				

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

According to the data from the International Data Corporation, global smartphone shipments were 1.17 billion units in 2023, representing a year-on-year decrease of 3.2%, marking the lowest annual shipment in a decade. Data from Canalys indicated that the downward trend in the global smartphone market slowed in the third quarter, with a decline of only 1%. In the fourth quarter, global smartphone shipments grew by 8%, indicating some signs of market recovery. The Group was also affected by the general environment, as evidenced by the impact on sales volume. However, with the launch of new products by the Group in the fourth quarter, the sales increased month by month, showing a trend of recovery.

In terms of channel and product strategy, the Group adopted a multi-dimensional, integrated and composite channel structure strategy in 2023. Through partnerships with operators, e-commerce platforms and offline social and industry channels, the Group established a "vertical and horizontal (一豎一橫)" terminal marketing network nationwide, achieving seamless online and offline coverage to cater to different consumer purchasing habits. This also further expanded the brand's exposure and market share.

In terms of operators, the Group deepened its cooperation with major domestic operators, China Mobile and China Telecom, actively deploying 5G penetration and meeting special market demands. The Group launched cost-effective products targeting the 5G entry-level market and elderly-friendly mobile phones in response to the national elderly-friendly strategy. At the same time, customized sub-brands and products were introduced for different sales channels, such as "Daguan" series, "Fengshang" series and "Cool" series, which were aimed at the operator market, the public channel, and the e-commerce market, respectively, ensuring that products accurately matched the characteristics of each channel and effectively enhanced market share.

In overseas markets, the Group restarted its overseas channel development, focusing on high-growth global markets, with products covering mid-to-low price segments. As of 31 December 2023, the Group successfully accessed dozens of countries in regions such as Southeast Asia, Eastern Europe, the Middle East and Latin America, maintaining a stable market expansion trend.

The Group, as an experienced telecom enterprise, has accumulated substantial technical expertise and patent licenses, with more than 10,000 patents filed in the telecommunications sector and more than 100 patents related to 5G obtained. In 2023, the Group fully embraced AI, developing AI voice assistants and large language models, which were integrated into the COOLOS operating system. In addition, the Group integrated AI applications with the system in all aspects, utilizing the AI-driven CoolBrain decision-making system to respond quickly in areas such as self-start limitation and chain wake-up. This system can also intelligently judge user engagement with messages and frequency of phone usage, and reasonably allocate resources to achieve smart power savings.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Year, the Group also actively participated in the development of the EROFS file system, and became a major developer of the EROFS project. Through EROFS, COOLOS was able to effectively save system space, improve application startup speed, and maintain performance of the mobile phone system even after prolonged use, greatly enhancing the user experience. In addition, COOLOS 3.0 focused on improving camera functions, perfecting and optimizing portrait blur, beauty mode, HDR and super night scene features, which enriched photography options and significantly enhanced photo quality. With the maturity and improvement of the COOLOS 3.0 system, the Group's internet revenue continued to increase.

COOLOS 3.0, centered on "Trust, Inclusivity and Technology", emphasizes security, emotional design, efficient interactive experience and stability. It represents a crucial step in the Group's strategic upgrade from a single mobile phone brand to an AI+IoT ecological platform brand.

In terms of real estate property leasing, as of 31 December 2023, the Group owned properties including the Coolpad Information Harbor in Shenzhen and the Coolpad Technology Ecological Park* (酷派科技生態園) in Dongguan Songshan Lake. The Coolpad Information Harbor Phases II and III Projects are under stable construction.

Since the second half of 2023, the Group has actively pursued business opportunities in Web 3.0 with smartphones and mobile internet in overseas markets, so as to enter the digital currency sector. As an application of Web 3.0 technology, digital currency has gradually become an indispensable constituent of the history of currency evolution. Along with the continuous development of Web 3.0 technology and the rapid advancement of digital technology and financial markets, digital currency has increasingly transcended regional and cultural limitations and has been applied extensively around the world. In 2023, the Group commenced digital currency investment business, primarily through Bitcoin mining, with computing equipment server rooms hosted in North America. As of 31 December 2023, the Group had an effective computing power of 175,562 TH/S, and had accumulated approximately 31 BTC.

* *For identification purposes only*

MANAGEMENT DISCUSSION AND ANALYSIS

Business Outlook

In 2024, the Group will continue to commit itself to the research and development of smartphones for both domestic and international markets, with a view to further integrating AI technology into our product mix, while striving to enhance system stability and optimising user experience.

In the domestic market, the Group will continuously expand its product line around AI+5G, with a key emphasis on the development of the technology-driven elderly-friendly segment. As the aging of China's population accelerates, the elderly consumer market is emerging as a new blue ocean where enterprises are competing against each other. In the future, the Group will focus on technology-driven elderly-friendly solutions, integrating cutting-edge features such as lifestyle enhancements and AI voice assistants into 5G non-smartphones with retro appearance and simple operation, providing stable communication and fast internet access for the elderly population to meet their intelligent needs.

In the overseas market, the Group will continue to advance product iterations and actively expand its product line, striving for breakthroughs in key regional markets. At the same time, the Group will explore cross-border e-commerce business, enhance online and offline channels, and achieve mutual synergy to improve profitability.

In terms of real estate property leasing, the Group will continue to advance the construction of the Shenzhen Coolpad Information Harbor Phases II and III Projects and the project in Dongguan Songshan Lake, and improve the investment attraction for completed properties, while maintaining and optimizing existing properties, so as to stabilize property leasing income.

In terms of digital currency, the Group intends to continue to expand its investment in digital currencies, especially Bitcoin, in the future. It will assess other global regions based on various factors such as energy, policies and legal environments, and establish its presence therein. This strategic initiative demonstrates the Group's emphasis on digital currency business and showcases its technological layout and market expansion capabilities in the era of Web 3.0.

With the gradual recovery of global smartphone shipments in the fourth quarter of 2023, the smartphone market is expected to continue its recovery momentum in 2024. The Group will seize this opportunity to continue advancing channel development and product research and development, aiming to achieve profitability as soon as possible.

CORPORATE GOVERNANCE REPORT

Application of Corporate Governance Principles

The board (the "**Board**") of directors (the "**Directors**") of the Company is committed to enhancing the Group's corporate governance standards by improving corporate transparency through effective channels of information disclosure.

The Board believes that good corporate governance is beneficial for maintaining close and trustful relationships with its employees, business partners, shareholders and investors.

The Company has adopted and complied with the Code Provisions under the Corporate Governance Code (the "**Code**") contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") throughout the Year, save for the following deviation:

Under Code Provision B.2.2 of the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The annual general meeting of the Company had not been held during the year ended 31 December 2024 due to delay in completion of the audit of the annual results of the Group for the Year. Therefore, no Directors have been subject to retirement and re-election by the Shareholders at the annual general meeting. An annual general meeting of the Company will be arranged in due course, for the retirement and re-election of Directors.

Under Code Provision F.2.2 of the Code, the chairman of the Board should attend the annual general meeting, and invite the chairmen of the audit committee, remuneration committee, nomination committee and any other committees (as appropriate) to attend. The annual general meeting of the Company had not been held during the year ended 31 December 2024 due to delay in completion of the audit of the annual results of the Group for the Year. An annual general meeting of the Company will be arranged in due course.

Save as disclosed above and in the section headed "Chairman and Chief Executive Officer" below, none of the Directors is aware of any information which would reasonably indicate that the Company has not met the requirements under the Code during the Year.

Board of Directors

It is the duty of the Board to create value to the shareholders of the Company (the "**Shareholders**"), establish the Company's strategic direction, set the Company's objectives and plan in accordance therewith, and provide leadership and ensure availability of resources in the attainment of such objectives. The Board endeavours to manage the Company in a responsible and effective manner, and strive to ensure that each of the Directors carries out his or her duty in good faith and in compliance with the memorandum and articles of association of the Company (the "**Articles of Association**"), the applicable laws and regulations, and acts in the best interests of the Company and the Shareholders at all times.

The Board and management of the Company (the "**Management**") have clearly defined responsibilities under various internal control and checks-and-balance mechanism. The Board has delegated certain responsibilities to the Management, including implementation of decisions of the Board and organization and direction of the day-to-day operation and the Management in accordance with the management strategies and plans approved by the Board; preparation and monitoring of annual business plans and operating budget; and control, supervision and monitoring of capital, technical and human resources. The Board will review these arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

CORPORATE GOVERNANCE REPORT

Board Composition

The Board currently comprises nine Directors, three of whom are executive Directors, three are non-executive Directors and three are independent non-executive Directors ("**INEDs**"). The composition of the Board is set out as follows:

Executive Directors

Mr. CHEN Jiajun
Mr. MA Fei
Ms. LIU Juan (appointed on 2 August 2024)

Non-executive Directors

Mr. LIANG Rui
Mr. NG Wai Hung
Mr. XU Yibo

Independent Non-executive Directors

Mr. GUO Jinghui
Mr. CHIU Sin Nang Kenny (resigned on 8 January 2024)
Ms. WANG Guan (appointed on 11 October 2023)
Mr. NGAI Tsz Hin Michael (resigned on 11 October 2023)
Mr. CHEUK Ho Kan (appointed on 8 January 2024)

The biographies of the Directors are set out in the "Directors and Senior Management" on pages 30 to 33 of this Annual Report.

Ms. WANG Guan, who was appointed as an independent non-executive Director on 11 October 2023, obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 11 October 2023. Ms. LIU Juan, who was appointed as an executive Director on 2 August 2024, received the legal advice referred to in Rule 3.09D of the Listing Rules on 2 August 2024. Ms. WANG Guan and Ms. LIU Juan confirmed their understanding of their obligations as directors of a listed issuer.

To the best knowledge of the Company, none of the Directors has any relationship (including financial, business, family or other material or relevant relationship) with any other Director or chief executive.

The Company has arranged for appropriate liability insurance to indemnify the Directors for their liabilities arising out of corporate affairs. The insurance coverage is reviewed annually.

Chairman and Chief Executive Officer

Under Code Provision C.2.1 of the Code, 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. Currently, Mr. Chen Jiajun is the chairman of the Board and the chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management and believes that this structure enables the Group to make and implement decision promptly and efficiently.

Non-executive Directors

The non-executive Directors provide various expertise and experiences and maintain balance of interest to safeguard the interests of the Group and the Shareholders. They participate in Board meetings and committee meetings and make independent judgements on issues related to the Group's strategies, performance, interest conflicts and management process so as to ensure the interests of all Shareholders are properly considered. Currently, the non-executive Directors are appointed for a period of three years.

Independent Non-executive Directors

The INEDs have the same duties of care, skill and fiduciary duties as the executive Directors. They are expressly identified as such in all corporate communications that disclose the names of the Directors. The INEDs have expertise in respective areas of accounting, business management and possess in-depth industry knowledge. With their professional knowledge and experience, the INEDs have advised the Company on its operation and management; participated in the meetings of the audit committee of the Company (the "**Audit Committee**"), the meetings of the remuneration committee of the Company (the "**Remuneration Committee**") and the meetings of the nomination committee of the Company (the "**Nomination Committee**"). The INEDs have contributed to provide checks and balance to protect the interests of the Company and the Shareholders as a whole, and to promote the development of the Company.

The Company has received an annual confirmation of independence from each of the INEDs pursuant to Rule 3.13 of the Listing Rules and on this basis, considers that all INEDs are independent as at the date of this Annual Report.

Currently, each of the INEDs is appointed for a period of three years subject to renewal and retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association.

Board Operation

During the Year, four Board meetings, one Annual General Meeting ("**AGM**") and one Extraordinary General Meeting ("**EGM**") were held.

Attendance of individual Directors at the Board meetings in 2023, AGM and EGM is as follows:

Name of Directors	Board Meetings	AGM	EGM
Executive Directors			
Mr. CHEN Jiajun	4/4	1/1	1/1
Mr. MA Fei	4/4	1/1	1/1
Non-executive Directors			
Mr. LIANG Rui	4/4	1/1	1/1
Mr. NG Wai Hung	4/4	1/1	1/1
Mr. XU Yibo	4/4	1/1	1/1
Independent Non-executive Directors			
Mr. GUO Jinghui	4/4	1/1	1/1
Mr. CHIU Sin Nang Kenny	4/4	1/1	1/1
Ms. WANG Guan (appointed on 11 October 2023)	1/1	–	–
Mr. NGAI Tsz Hin Michael (resigned on 11 October 2023)	3/3	1/1	1/1

CORPORATE GOVERNANCE REPORT

Note: Mr. CHIU Sin Nang Kenny resigned as an independent non-executive Director on 8 January 2024, Mr. CHEUK Ho Kan was appointed as an independent non-executive Directors on 8 January 2024 and Ms. LIU Juan was appointed as an executive Director on 2 August 2024.

During the Year, pursuant to Code Provision C.2.7 of the Code, the chairman held one meeting with the INEDs without the presence of other Directors.

Corporate Governance Functions

The Board also assumes the corporate governance functions and is responsible for: developing and reviewing the Company's policies and practices on corporate governance; reviewing and monitoring training and continuous professional development of Directors and senior management; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the Company's code of conduct; and reviewing the Company's compliance with the Code and disclosure in this Corporate Governance Report. Besides, the Company has set up three committees including the Nomination Committee, the Remuneration Committee and the Audit Committee. Each committee has its specific terms of reference with reference to the Code.

Remuneration Committee

The written terms of reference of the Remuneration Committee are in compliance with the Code. The primary duties of the Remuneration Committee include (without limitation):

(a) to make recommendations to the Board on policies and structure for remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; and

(b) to determine with delegated responsibility, the remuneration packages for executive Directors and senior management, and to make recommendations to the Board on the remuneration of non-executive Directors.

During the Year, the Remuneration Committee is made up of all of the INEDs, namely, Mr. CHIU Sin Nang Kenny (Chairperson), Mr. GUO Jinghui, Ms. WANG Guan (appointed on 11 October 2023) and Mr. NGAI Tsz Hin Michael (resigned on 11 October 2023).

During the Year, the Remuneration Committee assessed the performance and remuneration of Directors and senior management, approved the terms of Directors' service contracts, reviewed the share option scheme and reviewed the remuneration policy and structure of the Company. The Remuneration Committee had one meeting during the Year which were attended by all the members of the Remuneration Committee, to review the remuneration packages of Directors and senior management of the Group. The attendance record of each member of the Remuneration Committee is set out below:

Name	Number of meeting attended
Mr. CHIU Sin Nang Kenny *(Chairperson)*	1/1
Mr. GUO Jinghui	1/1
Ms. WANG Guan (appointed on 11 October 2023)	–
Mr. NGAI Tsz Hin Michael (resigned on 11 October 2023)	1/1

Note: Mr. CHIU Sin Nang Kenny resigned as the chairperson of the Remuneration Committee on 8 January 2024, and Mr. CHEUK Ho Kan was appointed as the chairperson of the Remuneration Committee on 8 January 2024.

CORPORATE GOVERNANCE REPORT

No Director took part in any discussion about his or her own remuneration.

Pursuant to Code Provision E.1.5 of the Code, the remuneration of the members of the senior management by band for the Year is set out below:

Remuneration bands (HK$)	Number of persons
1 to 1,000,000	2
1,000,001 to 2,000,000	3
Total	5

Audit Committee

The major responsibility of the Audit Committee is to conduct independent and objective audit of the truth and accuracy of the Group's economic operation and financial activities, financial policies, financial procedures, risk management, internal control, external audit, internal audit, financial information reporting and financial data and assist the Board in discharging its relevant duties.

During the Year, the Audit Committee, comprising all of the INEDs, namely, Mr. CHIU Sin Nang Kenny (Chairperson), Mr. GUO Jinghui, Ms. WANG Guan (appointed on 11 October 2023) and Mr. NGAI Tsz Hin Michael (resigned on 11 October 2023) has reviewed the accounting principles and practices adopted by the Company and has discussed risk management, the auditing, internal control systems and financial reporting matters.

During the Year, the Audit Committee held three meetings. The attendance record of each member of the Audit Committee is set out below:

Name	Number of meetings attended
Mr. CHIU Sin Nang Kenny *(Chairperson)*	3/3
Mr. GUO Jinghui	3/3
Ms. WANG Guan (appointed on 11 October 2023)	1/1
Mr. NGAI Tsz Hin Michael (resigned on 11 October 2023)	2/2

Note: Mr. CHIU Sin Nang Kenny resigned as the chairperson of the Audit Committee on 8 January 2024, and Mr. CHEUK Ho Kan was appointed as the chairperson of the Audit Committee on 8 January 2024.

The Audit Committee has carefully reviewed and discussed the Company's half-yearly and annual results for the Year and system of internal control and has made recommendations for improvement. The Audit Committee has carried out and discharged its duties set out in Code.

CORPORATE GOVERNANCE REPORT

Nomination Committee

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for nomination and appointment of Directors and senior management, making recommendations to the Board on the appointment and succession planning of Directors and senior management, and assessment of the independence of the INEDs.

During the Year, the Nomination Committee comprises one executive Director and two INEDs, namely Mr. CHEN Jiajun (Chairperson) (appointed on 11 October 2023), Mr. NGAI Tsz Hin Michael (former Chairperson) (resigned on 11 October 2023), Mr. CHIU Sin Nang Kenny and Ms. WANG Guan (appointed on 11 October 2023) as members.

The Nomination Committee carries out the process of selecting and recommending candidates for directorship and senior management by making reference to the skills, experience, professional knowledge, personal integrity and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary. The Nomination Committee held one meeting during the Year. The attendance record of the Nomination Committee meeting is set out below:

Name	Number of meeting attended
Mr. CHEN Jiajun *(Chairperson)* (appointed on 11 October 2023)	1/1
Mr. NGAI Tsz Hin Michael *(former Chairperson)* (resigned on 11 October 2023)	1/1
Mr. CHIU Sin Nang Kenny	1/1
Ms. WANG Guan (appointed on 11 October 2023)	–

Note: Mr. CHIU Sin Nang Kenny resigned as a member of the Nomination Committee on 8 January 2024, and Mr. CHEUK Ho Kan was appointed as a member of the Nomination Committee on 8 January 2024.

The Nomination Committee recommended the re-appointment of the Directors standing for re-election at the next forthcoming annual general meeting of the Company.

Provision of Information to Directors

To assist the Directors in the discharge of their respective duties, the Company will provide every Director with a comprehensive induction program on the first occasion of his or her appointment, in which the Director will be provided with information on the Company's organisation and business, including the membership, duties and responsibilities of the Board, the various Board committees and the Management; corporate governance practices and procedures; and the latest financial information of the Company. Such information shall be supplemented with visits to the Company's key plant sites and meetings with key members of the Management.

Throughout their tenure, the Directors will be provided with updates on the business of the Company, latest developments of the Listing Rules and other applicable legal and regulatory requirements, corporate social responsibility matters and other changes affecting the Company from time to time.

Mechanisms to Ensure Independent Views

The Company ensures independent views and input are available to the Board via the below mechanisms:

(1) The Board composition and the independence of the independent non-executive Directors should be reviewed by the Nomination Committee on an annual basis, in particular the portion of the independent non-executive Directors and the independence of the independent non-executive director who has served for more than nine years;

(2) A written confirmation was received by the Company under Rule 3.13 of the Listing Rules from each of the independent non-executive Directors in relation to his or her independence to the Company. The Company considers all its independent non-executive Directors to be independent;

(3) In view of good corporate governance practices and to avoid conflict of interests, the Directors who are also directors and/or senior management of the Company's controlling shareholders and/or certain subsidiaries of the controlling shareholders, would abstain from voting in the relevant Board resolutions in relation to the transactions with the controlling shareholders and/or its associates;

(4) The chairman of the Board shall meet with independent non-executive Directors at least once annually without the presence of other Directors; and

(5) All members of the Board can seek independent professional advice when necessary to perform their responsibilities in accordance with the Company's policy.

The Board reviews the mechanisms for ensuring independent views and input are available to the Board on an annual basis, whether in terms of proportion, recruitment and independence of independent non-executive Directors, and their contribution and access to external independent professional advice.

CORPORATE GOVERNANCE REPORT

Continuous Professional Development

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged in-house trainings for Directors in the form of seminar and provision of training materials. A summary of training received by Directors during the Year according to the records provided by the Directors is as follows:

Name of Directors	Training on corporate governance, Directors' responsibilities and other relevant topics
Executive Directors	
Mr. CHEN Jiajun	√
Mr. MA Fei	√
Non-executive Directors	
Mr. LIANG Rui	√
Mr. NG Wai Hung	√
Mr. XU Yibo	√
Independent Non-executive Directors	
Mr. GUO Jinghui	√
Mr. CHIU Sin Nang Kenny	√
Mr. NGAI Tsz Hin Michael (resigned on 11 October 2023)	√
Ms. WANG Guan (appointed on 11 October 2023)	–

Note: Mr. CHIU Sin Nang Kenny resigned as an independent non-executive Director on 8 January 2024, Mr. CHEUK Ho Kan was appointed as an independent non-executive Directors on 8 January 2024 and Ms. LIU Juan was appointed as an executive Director on 2 August 2024.

Securities Transactions by Directors

The Company has adopted a code of conduct for securities transactions and dealings (the "**Code of Conduct**") based on the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the "**Model Code**"). The terms of the Code of Conduct are no less exacting than the standards in the Model Code, and the Code of Conduct applies to all relevant persons as defined in the Model Code, including all the Directors, all other employees of the Company, and director and employees of a subsidiary or holding company of the Company who, because of such office or employment, are likely to be in possession of unpublished price sensitive information in relation to the Company or its securities. Specific enquiry has been made of all the Directors who have confirmed in writing their compliance with the required standards set out in the Model Code and the Code of Conduct during the Year.

To supplement the Model Code, the Company has also put in place a disclosure of information policy for the handling and disclosure of inside information. The policy sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner and provides the Directors, senior management and relevant employees a general guide in monitoring information disclosure and responding to enquiries. Further, control procedures have been implemented to ensure that the unauthorized access and use of inside information is strictly prohibited.

Failure to Comply with the Listing Rules

The Company was not able to timely comply with the following financial reporting provisions under the Listing Rules: (i) announce the annual results for the Year; and (ii) issue the annual report for the Year, which contravened Rules 13.46(2)(a) and 13.49(1) of the Listing Rules. The Company failed to hold the annual general meeting for the Year within the time prescribed by the Listing Rules and the Articles of Associations.

The Board is of the view that the aforesaid delays are one-off incidents and that the aforesaid matters had been/will be rectified eventually and the Company had complied with the Listing Rules in keeping the Shareholders and investors informed of the progress of the aforesaid matters.

Corporate Accountability and Internal Control

The Board is responsible for the Group's risk management and internal control system and has the responsibility for reviewing its effectiveness. Such system is designed to manage rather than eliminate the foreign exchange exposure of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Directors are responsible for the preparation of the financial statements of the Group. In the preparation of financial statements, the Hong Kong financial reporting standards have been adopted and the appropriate accounting policies have been consistently used and applied. The Board aims to present a clear and balanced assessment of the Group's performance in the annual and interim reports to the Shareholders, and make appropriate disclosure and announcements in a timely manner. Pursuant to Code Provision D.1.1 of the Code, Management would provide sufficient explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

Procedures have been designed for safeguarding assets against unauthorised use or disposition, the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publications and the compliance of applicable laws, rules and regulations.

The Directors conducted an annual review of the overall effectiveness of the internal control system of the Group for the Year. A risk control department has been established to perform regular reviews and conduct audit of the Company and its subsidiaries and reported to the Board on any material issues and make recommendations to the Board. The work carried out by the risk control department will ensure the internal controls are in place and functioning properly as intended.

An external professional adviser was engaged by the Company in September 2023 to conduct an independent internal control review for the Year and to assist the management to improve the internal control system of the Group.

The Board also reviews, at least annually, the adequacy of resources, staff qualifications and experience of the Group's accounting and financial reporting function, internal audit function, risk management functions, ESG performance and reporting, and their training programmes and budget. The Board has also received a confirmation from the Management on the effectiveness of the Company's risk management and internal control systems.

CORPORATE GOVERNANCE REPORT

Overall, the Board and the Audit Committee consider that the risk management and internal control systems of the Group are effective and adequate, save for the deficiencies disclosed in the announcement of the Company dated 11 February 2025. As disclosed in the aforementioned announcement, the Board is of the view that (a) the internal control deficiencies identified have been fully addressed with appropriate rectification recommendations, (b) the remedial measures implemented by the Company are adequate and sufficient and (c) the Company has in place adequate and reliable governance, internal control and financial reporting systems and procedures to fulfill its obligations under the Listing Rules.

The Board will continue to monitor the effectiveness of the Company's internal control systems and procedures so as to meet its obligations under the Listing Rules and ensure reasonable and adequate internal control policies and procedures are in place and commensurate with its business operations.

Procedures for Identifying, Assessing and Managing Material Risks

The Company has set up procedures to identify, assess and manage material risks based on assessment basis, assessment dimension, risk rating and dispersion.

Firstly, the Company grades risks from aspects of assessment basis, assessment dimension, risk rating and dispersion:

In respect of assessment basis: risks will be graded by reference to the risks currently controlled by the Company (without taking into account the risks that may be controlled by the Company in the future).

In respect of assessment dimension: each risk will be graded according to the possibility of their occurrence and their impacts. The possibility represents the probability that a risk may occur, the impact represents the economic, operating, reputation and other losses that the risk may incur, and both adopt five-mark systems. Value at risk = probability × impacts, and as a result, value at risk ranges from 1–25 and the higher the value at risk, the greater the risks.

In respect of risk rating: risks are classified into high, medium and low three levels in accordance with risk assessment standard based on the value at risk calculated.

In respect of dispersion: dispersion represents the extent that a group of figures deviate from the average number, and the smaller the dispersion, the more consistent the assessment results.

Through identifying and assessing risks, the risks faced by the Company are categorized into 5 primary risks including strategic risk, financial risk, operational risk, legal risk and environmental, social, and governance risk and 26 secondary risks.

Secondly, the Company calculates the final assessment results of each risk after considering the grade of each assessment, pursuant to which the material risks faced by the Company during the Year are assessed.

Directors' Responsibilities for Financial Reporting in Respect of Financial Statements

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the Year. The Directors' responsibilities for preparing the financial statements of the Company for the Year are set out in the Report of the Directors on page 48 of the Annual Report.

CORPORATE GOVERNANCE REPORT

Board Diversity Policy

The Board has adopted a Board Diversity Policy in relation to the nomination and appointment of new Directors, which sets out: the selection of board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

Pursuant to Rule 13.92 of the Listing Rules, the Stock Exchange will not consider diversity to be achieved for a single gender board. As a transitional arrangement, issuers with a single gender board will have to appoint at least a director of a different gender on the board no later than 31 December 2024.

The above measurements were also reviewed annually by the Board when the Nomination Committee reviewed the composition of the Board. After assessing the suitability of the Directors' gender, skills and experience to the Company's business, the Nomination Committee confirmed that the existing Board was appropriately structured. As at 31 December 2023, the Board had seven male Directors and two female Directors. The gender diversity of Board was achieved.

In order to achieve gender diversity among employees, the Group has formulated a human resources policy to encourage recruitment without considering the gender, nationality, race, religious belief and cultural background of employees, and to select the best candidates based on objective factors such as their skills and qualifications in a fair and open competition.

As at 31 December 2023, the Group had 186 male employees (including senior management), accounting for approximately 64% of the total number of employees (including senior management), and 105 female employees (including senior management), accounting for approximately 36% of the total number of employees (including senior management). Currently, the gender diversity of employees was achieved.

Company Secretary

All Directors have access to the advice and services of the company secretary. The company secretary reports to the Board, and is responsible for ensuring that Board procedures are followed and for facilitating information flows and communications among Directors as well as with Shareholders and the Management.

Mr. Ma Fei and Mr. Tsang Hing Bun were appointed as the joint company secretaries of the Company on 29 October 2022 for a term of three years and the primary contact person at the Company is Mr. Ma Fei. Mr. Tsang Hing Bun ("**Mr. Tsang**") resigned as a joint company secretary of the Company with effect from 29 October 2023. Following Mr. Tsang's resignation, Mr. Ma Fei, the other existing joint company secretary of the Company who possesses the qualifications and experience of company secretary as required under Rule 3.28 of the Listing Rules remains in office and acts as the sole company secretary of the Company. He has complied with the 15 hours training requirements under Rule 3.29 of the Listing Rules.

External Auditor

Given Ernst & Young ("**EY**") was unable to estimate an audit timetable for the completion of audit of the Company's financial statements for the Year and the additional fees incurred due to significant outstanding matters, the Board considered that it would be appropriate to recommend EY to resign as the auditor of the Company. Upon the recommendation of the Company, EY has resigned as the auditor of the Company with effect from 28 March 2024. During the Year, HK$3.78 million and HK$1.43 million (2022: HK$3.03 million and HK$1.78 million) was incurred as remuneration to EY for the provision of audit services and non-audit services to the Group.

CORPORATE GOVERNANCE REPORT

With the recommendation from the Audit Committee, Zhonghui Anda CPA Limited ("**Zhonghui Anda**") was appointed as the new external auditor of the Company with effect from 16 April 2024 to fill the casual vacancy following the resignation of EY and to hold office until the conclusion of the next annual general meeting of the Company. An amount of approximately HK$2.42 million was charged by Zhonghui Anda for providing audit services in relation to the Group's financial statements for the year ended 31 December 2023. The responsibilities of the external auditor with respect to financial reporting are set out in the section headed "Independent Auditor's Report" on page 53 of this report.

Effective Communication with Shareholders and Shareholders' Rights

The Company recognizes the importance of effective communication with all Shareholders and investors. The Company's annual general meeting is a valuable forum for the Board to communicate directly with the Shareholders. The Company provides information relating to the Company and its business in its annual and interim reports and also disseminates such information electronically through its website www.coolpad.com.hk and the website of the Stock Exchange. All Shareholders are given a minimum of 21 days' notice of the date and venue of such annual general meeting. The Company supports the Code's principle to encourage Shareholders' participation and has reviewed its shareholders communication policy regularly to promote and ensure effective communication between the Company and Shareholders. The policy sets out various communication channels for the Shareholders to communicate their views on various matters affecting the Company, as well as steps taken to solicit and understand the views of the Shareholders.

Pursuant to Article 58 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition, and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may convene a physical meeting at only one location which will be the Principal Meeting Place, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The Group values feedback from the Shareholders on its effort to promote transparency and foster investor relationships. Comments and suggestions are always welcomed. To promote effective communication, specific enquiries and suggestions by Shareholders can be sent in writing to the Board or the company secretary at the Company's registered address or by e-mail to the Company's email address at ir@coolpad.com. Shareholders may put forward proposals to be discussed at general meetings. Shareholders who wish to do so shall send a written requisition to the Board or company secretary of the Company by post to the principal place of business of the Company in Hong Kong at Room 1506, 15/F., Wing On Centre, 111 Connaught Road Central, Hong Kong.

Having reviewed the implementation and effectiveness of the shareholders communication policy, including the multiple communication channels for Shareholders in place, the Company considers that the shareholders communication policy has been properly implemented and effective.

The Company is committed to maintaining a stable and sustainable dividend policy. The dividend policy is based on the principle of balancing Shareholders' expectations and maintaining the Company's sustainable development, with consideration of various factors, such as the current business position, future operations and income, and the financial position of the Company, current and future macroeconomic environment and development, capital needs and capital reserves, future major investment or acquisition plans, external financing environment, adjustment to relevant tax rates, adjustments to industry policies, all relevant legal and regulatory restrictions, continuity of past dividend policies and other factors as considered relevant by the Board. The Board will review and monitor the implementation of said policy from time to time to ensure its effectiveness and application.

Anti-corruption Policy

In line with the attitude of being responsible to Shareholders, investors and employees, the Company attaches great importance to anti-corruption and governance. The Company has a risk control department to conduct regular compliance reviews on its business and management.

The Company adopts a zero-tolerance principle in the fight against corruption and related non-compliances. Upholding business ethics, it formulated the "Employee Manual" and other relevant rules, which are revised, explained and reviewed annually by the Risk Control Department, and relevant training is arranged.

During the Year, the Company was not involved in any corruption litigation against the Company or its staff.

Whistleblowing Policy

The Company is committed to maintaining high standards of integrity and ethical business practices and understands that a system of controls and balances requires a channel for employees, business partners, suppliers and other third parties to raise their concerns to senior management and the whistleblowing policy is therefore established. Whistleblowers and reported parties include employees at all levels and other stakeholders, including suppliers, who may be affected by employees' misconduct behaviors. Whistleblowers can report misconduct, malpractice, and violations directly to the Company via email, mail and phone. The Company guarantees that whistleblowers will not be retaliated against and that the name of the whistleblower will be kept strictly confidential. The Company's whistleblowing policy sets out clear review and processing procedures, recording requirements and corresponding follow-up actions for all reported cases. If a reported case is substantiated and is considered serious, it will be reported to the Audit Committee and, if there is reasonable suspicion that the reported case involves a criminal offense, it will be reported to the local law enforcement agency. If the reported case can avoid significant financial loss to the Company, the whistleblower will be rewarded.

Constitutional Documents

During the Year, the Company has not made any changes to its Memorandum and Articles of Association. An updated version of the Company's Memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange.

DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of the Group as at the date of this report, are set out below:

Directors

Executive Directors

Mr. CHEN Jiajun

Mr. Chen, aged 33, is an executive Director, the chief executive officer and chairman of the board of the Group. Mr. Chen has extensive investment experience and currently has a wide variety of investments in different industry sectors. Mr. Chen holds a master's degree in Science of Finance from the University of Southern California ("**USC**"). Before joining the Group, Mr. Chen served at Shenzhen Kingkey Banner Commercial Management Ltd. (深圳市京基百納商業管理有限公司) as vice-president from May 2015 to May 2018 and president from May 2018 to January 2019. Mr. Chen currently also serves as a Director of USC South China Alumni Club. Mr. Chen has been appointed as (i) a non-independent director of Shenzhen Kingkey Smart Agriculture Times Co., Ltd. 深圳市京基智農時代股份有限公司, the shares of which are listed on Shenzhen Stock Exchange (stock code: 000048.SZ), from 23 June 2020 to 27 October 2022; (ii) an executive director of Kingkey Financial International (Holdings) Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1468.HK) from August 2020 to March 2024; and (iii) an executive director and the chairman of the Allegro Culture Limited (formerly known as Kingkey Intelligence Culture Holdings Limited), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 00550.HK) from August 2023 to May 2024. As at the date of this report, Mr. Chen is the director of 22 subsidiaries of the Company and the general manager of 4 subsidiaries of the Company.

Mr. MA Fei

Mr. Ma, aged 42, is the chief financial officer and company secretary of the Group. Mr. Ma obtained a bachelor's degree in accounting from Xi'an Jiaotong University. Mr. Ma is primarily responsible for the finance and investor relations of the Group. Mr. Ma has more than 10 years of experience in accounting and finance. Mr. Ma joined the Group in 2006, and has served successively as financial manager, vice director of investor relations department. From 2018 to 2019, Mr. Ma won the Shenzhen Innovation Talent Award for two consecutive years. Furthermore, he has been appointed as a non-executive director of the Allegro Culture Limited (formerly known as Kingkey Intelligence Culture Holdings Limited) (stock code: 00550.HK) from September 2023 to July 2024. As at the date of this report, Mr. Ma is the director of 22 subsidiaries of the Company, the supervisor of 3 subsidiaries of the Company and the general manager of 1 subsidiary of the Company.

Ms. LIU Juan

Ms. Liu, aged 42, is an executive Director of the Group. She obtained a degree of Bachelor of Engineering from Soochow University and a degree of Master of Business Administration from the Chinese University of Hong Kong. Ms. Liu has more than 17 years of experience in the finance industry in China and overseas. She has worked on structuring, cross-border investment and finance and mergers and acquisitions for a long time and is familiar with both China and Hong Kong markets. She has extensive professional experience in analysing markets and identifying opportunities. Ms. Liu previously served as vice president of New Faith Capital Limited* (新信資本有限公司) and general manager of the direct investment department of China Huarong International Holdings Limited. Ms. Liu also served as the head of the business department at the Shenzhen branches of two banks. She has been appointed as an independent non-executive director of the CNQC International Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code:1240.HK) since 12 December 2024.

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Directors

Mr. NG Wai Hung

Mr. Ng, aged 61, is a non-executive Director of the Group, and is a practicing solicitor and a partner in Iu, Lai & Li, a Hong Kong firm of solicitors and notaries. Mr. Ng has extensive experience in the areas of securities law, corporate law and commercial law in Hong Kong and China trades and has been involved in initial public offerings of securities in Hong Kong as well as corporate restructuring, mergers and acquisitions and takeovers of listed companies in Hong Kong. Mr. Ng is currently an independent non-executive director of four companies listed on the Stock Exchange, namely Lajin Entertainment Network Group Limited (formerly known as China Star Cultural Media Group Limited) (stock code: 8172.HK), MediNet Group Limited (stock code: 8161.HK), New Sparkle Roll International Group Limited (stock code: 970.HK) and Xinyi Electric Storage Holdings Limited (stock code: 8328.HK) since March 2015, July 2024, June 2024 and November 2016, respectively. Furthermore, he has been a non-executive director of Allegro Culture Limited (formerly known as Kingkey Intelligence Culture Holdings Limited) (stock code: 550.HK) from 24 September 2023 to 8 July 2024, an independent non-executive director of 1957 & Co.(Hospitality) Limited (stock code: 8495.HK) from 6 November 2017 to 19 August 2022 and an independent non-executive director of Winshine Science Company Limited (stock code: 209.HK) from 21 May 2019 to 16 June 2023, the shares of each of these companies are listed on the Stock Exchange.

Mr. LIANG Rui

Mr. Liang, aged 49, is a non-executive Director of the Group, and is currently a president of Shenzhen Shuibei Jewelry Group. Mr. Liang obtained a doctoral degree of Technical Economics and Management from the School of Economics and Business Administration of Chongqing University in 2007 and a postdoctoral degree in Applied Economics from the School of Economics and Finance of Xi'an Jiaotong University in 2009. From January 2000 to October 2014, he worked in the Shenzhen Luohu District People's Government, serving as an officer in the Education Bureau, deputy director-general of the State Bureau for Letters and Calls, director-level deputy director of the district (governmental) committee office, and director of the Bureau of Civil Administration. From September 2014 to November 2017, he served as Secretary and director of the Shenzhen Nanhu Sub-district Office. Mr. Liang has been appointed as an executive director and Chief Executive Officer of Carrianna Group Holdings Company Limited* (佳寧娜集團控股有限公司), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 0126.HK) since 2 January 2021.

Mr. XU Yibo

Mr. Xu, aged 50, is a non-executive Director of the Group. Mr. Xu obtained a bachelor's degree in electromagnetic field from Xidian University* (西安電子科技大學). Mr. Xu joined the Group in July 1998 and has about more than 15 years of experience in mobile communication, terminal security, cloud computing and mega data technology field, making contribution in standard work in more than 10 international and domestic standards organizations, such as 3GPP, IETF, IEEE, IMI-2020 (5G) Promotion Group, etc. Mr. Xu participated in the research and development of dual-standby technique which led to win the second prize of National Science and Technology Progress which is the highest award in the terminal field. As at the date of this report, Mr. Xu is the director of 6 subsidiaries of the Company and the general manager of 2 subsidiaries of the Company.

* *For identification purposes only*

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. GUO Jinghui

Mr. Guo, aged 53, is an independent non-executive Director of the Group. He obtained a bachelor's degree in radio technology (無線電技術) from Taiyuan University of Technology. From November 2007 to August 2009, he served as the supervisor of Shenzhen Guangming New District Administration Human Resources Office* (深圳市光明新區人力資源管理辦公室主任). From August 2009 to April 2013, he served as a member of the Party Working Committee and the head of the Organization and Personnel Bureau of Shenzhen Guangming New District* (深圳市光明新區黨工委委員、組織人事局局長). From April 2013 to May 2014, he served as a standing committee member and the head of the Organization Department of the Shenzhen Nanshan District committee* (深圳市南山區委常委、組織部長). From May 2014 to February 2018, he served as the deputy secretary of the party committee (黨委副書記) of Guosen Securities Company Limited.

Ms. WANG Guan

Ms. Wang, aged 38, is an independent non-executive Director of the Group and is currently a partner of Jingtian & Gongcheng. Ms. Wang graduated from Beijing Normal University with dual Bachelor degrees in Laws and Economics and obtained her Master of Law degree from New York University. Ms. Wang was admitted to the New York Bar Association in 2010 and was qualified to practice law in the People's Republic of China in 2013. In 2016, Ms. Wang obtained the China Securities Investment Fund Industry Practitioner Certificate. In 2022, she obtained the Qualification Certificate for Independent Directors of Listed Companies of Shenzhen Stock Exchange. Ms. Wang provides professional advice to national think tanks, including China Academy of Social Management and China Institute of Education and Social Development. Ms. Wang serves as the inaugural director of the Institute of Securities Law of Shenzhen Law Society, a member of the Securities Committee of the Shenzhen Lawyers Association, and a part-time arbitrator at the Shenzhen Labor and Personnel Dispute Arbitration Committee. Ms. Wang also teaches "Corporate Law and Commercial Law" course for postgraduates at The Chinese University of Hong Kong (Shenzhen). Ms. Wang has been serving as an independent director of Hynar Water Group Co Ltd. (stock code: 300961) and OFILM Group Co., Ltd. (stock code: 002456), both of which are listed on the Shenzhen Stock Exchange, since 14 October 2022 and 4 August 2023, respectively.

Mr. CHEUK Ho Kan

Mr. Cheuk, aged 37, is an independent non-executive Director of the Group. He obtained a degree of Bachelor of Commerce (Honours) in Accountancy from Hong Kong Baptist University in 2010. Mr. Cheuk has more than 10 years of experience in various areas including accounting, auditing, financial management, taxation, financing and corporate management. Mr. Cheuk is a member of the Hong Kong Institute of Certified Public Accountants and he is also a practicing accountant in Hong Kong. In 2013, he worked in the assurance department of BDO Limited. From 2013 to 2016, he worked in the assurance practice of PricewaterhouseCoopers Limited. From 2016 to 2018, Mr. Cheuk was a financial analyst at Merrill Corporation Hong Kong Limited (currently known as TOPPAN NEXUS LIMITED). Mr. Cheuk served as Senior Manager of Finance Department at Huarong Rongde (Hong Kong) Investment Management Company Limited from 2018 to 2019 and Vice President of Finance Department at China Huarong International Holdings Limited from 2020 to 2021.

* *For identification purposes only*

DIRECTORS AND SENIOR MANAGEMENT

Senior Management

Mr. CHEN Zhihui

Mr. Chen, aged 46, joined Coolpad in 2005 and is currently the general manager of the sales and service center. He is responsible for the management and operation of the marketing, sales and service system. Mr. Chen graduated from China University of Geosciences, Wuhan with a bachelor's degree in business administration. Mr. Chen has more than 20 years of experience in sales management. Prior to joining the Group, Mr. Chen served at some well-known multinational companies such as Sony Ericsson Mobile Communications AB* (索尼愛立信移動通訊公司), Beijing Putian Taili Communication Technology Co., Ltd* (北京普天太力通信科技有限公司) and Procter & Gamble (China) Co., Limited* (寶潔（中國）有限公司), responsible for the sales and marketing.

Mr. LIU Chaohui

Mr. Liu, aged 50, joined Coolpad in March 2019 and is currently the group vice president. He is responsible for the design, engineering, cost, investment attraction and operation of the industrial park. In 1996, he graduated from Southeast University, majoring in building management engineering, with a bachelor's degree. Mr. Liu has obtained the title of senior engineer and the qualification of national registered cost engineer. From July 2020 to October 2013, Mr. Liu served as Shenzhen Regional Cost Control Director of Shenzhen Zhenye Group Co., Ltd. He was responsible for the cost of company's real estate project and bidding and purchasing management. From November 2013 to March 2014, Mr. Liu served as the Deputy General Manager of the Cost Management Center of Shenzhen Yitian Group Co. He was responsible for the cost of company's real estate project and bidding and purchasing management. From March 2014 to February 2019, Mr. Liu served as the general manager and vice president of Shenzhen Kingkey Real Estate Co., Ltd. He was responsible for the cost management of the company's real estate project.

Save as disclosed above, as at the date of this report, none of the above Directors or senior management of the Company has any relationship with any Directors, senior management, substantial or controlling shareholders of the Company as defined in the Listing Rules or hold any other position with the Company or any member of the Group.

* *For identification purposes only*

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the consolidated financial statements of the Group for the Year to the Shareholders.

Principal Activities

The principal activity of the Company is investment holding. The Group is principally engaged in the production and sale of mobile phones and accessories, the provision of wireless application services and leasing of properties. Starting from the second half of 2023, the Group has actively pursued opportunities in Web 3.0 digital currency business. Details of the principal activities of the Company's subsidiaries are set out in note 1 to the financial statements.

Key Risks and Uncertainties

Risks and uncertainties involved in the business operations of the Group may affect the Group's financial conditions or growth prospects. The Group has been focusing on the control of risks and uncertainties with the aim of understanding and addressing the concerns of stakeholders.

Key risk factors and uncertainties affecting the Group include profit risks, the risks of supply chain management and the risks of increased cost. The potential risks of improper marketing competition strategies arise from which the Companies may not be able to fully and correctly understand market trends and customer preferences.

These factors are not exhaustive or comprehensive, and there may be other risks in addition to those shown above which are not known to the Group or which may not be material now but could become material in the future.

Results, Dividends and Distribution

The Group's profit for the Year and the state of affairs of the Company and the Group on that date are set out in the financial statements on pages 54 to 160.

Considering daily operation needs, the Directors do not recommend the payment of any final dividend for the Year.

Annual General Meeting

The date of annual general meeting of the Company will be stated in the notice of annual general meeting which will be dispatched in due course.

REPORT OF THE DIRECTORS

Summary of Financial Information

The following is a published summary of the consolidated financial results and of the consolidated assets and liabilities of the Group for the last five financial years.

Results

	Year ended 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000	HK$'000
Continuing Operations:					
Revenue	**307,363**	299,208	665,380	811,757	1,858,090
(Loss)/profit before tax	**(234,015)**	(629,430)	(556,009)	(299,063)	118,111
Income tax credit/(expense)	**13,023**	3,782	(16,367)	(45,965)	(3,299)
(Loss)/profit for the year	**(220,992)**	(625,648)	(572,376)	(345,028)	114,812
Discontinued Operation:					
Loss for the year from a discontinued operation	**–**	–	–	(48,800)	(2,718)
	(220,992)	(625,648)	(572,376)	(393,828)	112,094
Attributable to owners of the Company	**(220,931)**	(625,450)	(572,376)	(393,986)	112,321

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 13 to the financial statements.

Investment Properties

Details of movements in the investment properties of the Group are set out in note 14 to the financial statements.

REPORT OF THE DIRECTORS

Share Capital and Share Options

The share option scheme of the Company (the "**Share Option Scheme**") took effect on 23 May 2014 after an ordinary resolution to approve among others, the adoption of the same has been passed by the Shareholders at the annual general meeting of the Company held on the same day.

An option under the Share Option Scheme may be accepted by a participant within 28 days from the date of the offer of grant of the option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day upon which the offer for the grant of the option is accepted but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Summary of the Share Option Scheme is set out in note 30 to the financial statements.

The number of options available for grant under the scheme mandate of the Share Option Scheme at the beginning and the end of the financial year was 348,140,748 and 37,040,748, respectively. As at the date of this report, the total number of securities available for issue under the Share Option Scheme was 676,062,398 Shares (which represented approximately 4.13% of the issued share capital of the Company as at the date of this report), amongst which:

(i) 602,677,514 Shares (which represented approximately 3.68% of the issued share capital of the Company as at the date of this report) represented the aggregate of (a) 583,340,748 Shares, being the refreshed maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme as approved by the Shareholders on 19 June 2020 (the "**Refreshed Scheme Mandate Limit**") and (b) the number of outstanding share options granted under the Share Option Scheme after the Refreshed Scheme Mandate Limit taking effect and as adjusted as a result of the completion of the Rights Issue; and

(ii) 73,384,884 Shares (which represented approximately 0.45% of the issued share capital of the Company as the at date of this report) represented the aggregate of (a) the number of share options previously granted under the Share Option Scheme prior to the Refreshed Scheme Mandate Limit taking effect; and (b) the number of outstanding share options granted under the Share Option Scheme prior to the Refreshed Scheme Mandate Limit taking effect and as adjusted as a result of the completion of the Rights Issue.

The Company confirms that, among the grantees under the Share Option Scheme, save as disclosed herein: (i) there are no participants with options granted in excess of the 1% individual limit; (ii) there are no employees working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance; and (iii) there are no suppliers of goods or services.

REPORT OF THE DIRECTORS

The following table discloses movements in the Company's share options outstanding during the Year:

Name or category of participant	Number of share options						Date of grant of share options	Exercise period of share options	Exercise price of share options	Adjusted exercise price per Share	Closing price of the Company's listed shares immediately before the grant date of options	The weighted average closing price of the Company's listed shares for the five business days immediately preceding the date of grant
	As at 1 January 2023	Granted during the period	Exercised during the period	Expired/ lapsed during the period	Forfeited/ cancelled during the period	As at 31 December 2023	*(Note 1)*		HK$ per Share *(Note 5)*	HK$ per Share *(Note 6)*	HK$ per Share	HK$ per Share
Employees												
In aggregate – granted on 13 Nov 2019	163,235,292	–	–	–	–	163,235,292	13 November 2019	14 May 2020 to 13 May 2024 *(Note 3)*	0.2242	0.2060	0.218	0.2242
In aggregate – granted on 13 Nov 2019	73,839,222	–	–	–	454,338	73,384,884	13 November 2019	14 November 2020 to 13 November 2024 *(Note 2)*	0.2242	0.2060	0.218	0.2242
In aggregate – granted on 8 Apr 2021	245,070,592	–	–	–	9,685,294	235,385,298	8 April 2021	9 April 2022 to 8 April 2026 *(Note 2)*	0.510	0.4686	0.490	0.473
In aggregate – granted on 27 Dec 2023	–	320,000,000	–	–	–	320,000,000	27 December 2023	28 December 2024 to 27 June 2027 *(Note 4)*	0.075	N/A	0.059	0.056
Subtotal	482,145,106	320,000,000	–	–	10,139,632	792,005,474						
Directors												
In aggregate – granted on 13 Nov 2019												
Mr. Liang Rui	32,647,060	–	–	–	–	32,647,060	13 November 2019	14 May 2020 to 13 May 2024 *(Note 3)*	0.2242	0.2060	0.218	0.2242
Mr. Xu Yibo	13,058,824	–	–	–	–	13,058,824	13 November 2019	14 May 2020 to 13 May 2024 *(Note 3)*	0.2242	0.2060	0.218	0.2242
Mr. Ma Fei	8,705,879	–	–	–	–	8,705,879	13 November 2019	14 May 2020 to 13 May 2024 *(Note 3)*	0.2242	0.2060	0.218	0.2242
Mr. Lam Ting Fung Freeman (resigned on 18 Jan 2022)	2,285,295	–	–	–	–	2,285,295						
Mr. Ng Wai Hung	3,047,060	–	–	–	–	3,047,060	13 November 2019	14 May 2020 to 13 May 2024 *(Note 3)*	0.2242	0.2060	0.218	0.2242
Dr. Huang Dazhan (resigned on 18 Jan 2022)	1,958,824	–	–	–	–	1,958,824						
Mr. Xie Weixin (resigned on 21 Dec 2021)	1,958,824	–	–	–	–	1,958,824						
Mr. Chan King Chung (resigned on 30 Jun 2022)	1,958,824	–	–	–	–	1,958,824						
Mr. Guo Jinghui	1,958,824	–	–	–	–	1,958,824	13 November 2019	14 May 2020 to 13 May 2024 *(Note 3)*	0.2242	0.2060	0.218	0.2242
Subtotal	67,579,414	–	–	–	–	67,579,414						
In aggregate – granted on 8 Apr 2021												
Mr. Xu Yibo	6,529,412	–	–	–	–	6,529,412	8 April 2021	9 April 2022 to 8 April 2026 *(Note 2)*	0.510	0.4686	0.490	0.473
Mr. Ma Fei	4,352,940	–	–	–	–	4,352,940	8 April 2021	9 April 2022 to 8 April 2026 *(Note 2)*	0.510	0.4686	0.490	0.473
Subtotal	78,461,766	–	–	–	–	78,461,766						
Total	560,606,872	320,000,000	–	–	10,139,632	870,467,240						

Notes to the reconciliation of share options outstanding during the Year:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

2. For options granted with exercisable date determined based on the grant date of options, the first 25% of the total options can be exercised a year after the grant date, and each 25% of the total options will become exercisable in each subsequent year.

3. For options granted with exercisable date determined based on the grant date of options, the first 25% of the total options can be exercised half a year after the grant date, and each 25% of the total options will become exercisable in each subsequent year.

4. For options granted with exercisable date determined based on the grant date of options, the first 25% of the total options can be exercised a year after the grant date, and each 25% of the total options will become exercisable in each six months thereafter.

5. The exercise price of a share option is the amount that the employee is required to pay to obtain each share under the option.

6. The adjusted exercise price of a share option is the amount that the employee is required to pay to obtain each share under the Option adjusted due to the completion of the rights issue on 28 June 2021.

7. The number of shares that may be issued in respect of options and awards granted under all schemes of the issuer during the Year divided by the weighted average number of shares in issue for the Year is 6.05%.

Details of movements in the Company's share capital and share options during the Year are set out in notes 29 and 30 to the financial statements, respectively.

REPORT OF THE DIRECTORS

Share Award Plan

On 3 March 2008, the Directors approved the adoption of a share award plan (the "**Share Award Plan**") to recognise and reward the contribution of certain employees to the growth and development of the Group through an award of the Company's shares. The Share Award Plan became effective on 3 March 2008 and will remain in force for 10 years from that date. Accordingly, the Share Award Plan has expired on 10 March 2018. Please refer to the Company's announcement dated 3 March 2008 for further information on the Share Award Plan.

The Group has appointed a trustee (the "**Trustee**") for the purposes of administering the Share Award Plan. The Trustee was notified by the Directors in writing upon making of an award to an eligible employee under the Share Award Plan. Upon the receipt of such notice, the Trustee has set aside the appropriate number of awarded shares out of a pool of shares.

The Trustee purchased in aggregate 19,024,000 shares of the Company at a total cost (including related transaction costs) of approximately HK$3,799,000 during the period from October 2008 to January 2009.

As at the end of the year 2014, the Group had already awarded all the 19,024,000 shares of the Company to its directors or employees pursuant to the Share Award Plan. No Shares was granted by the Company to any employees of the Company or Directors pursuant to the Share Award Plan during the Year. No Shares were held by the Trustee.

Pension Scheme

Particulars of the Group's pension schemes are set out in note 2.4 to the financial statements.

Pre-emptive Rights

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

Permitted Indemnity Provision

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

Purchase, Redemption or Sale of Listed Securities of the Company

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

Reserves

Details of movements in the reserves of the Company and of the Group during the Year are set out in note 30 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

As at 31 December 2023, the Company's reserves available for distribution, calculated in accordance with the Companies Law (2001 Second Revision) of the Cayman Islands, amounted to HK$1,667,412,000. The Board do not recommend the payment of any final dividend for the Year. The distributable reserves include the Company's share premium account and contributed surplus, amounting to HK$3,517,890,000 in total as at 31 December 2023, which may be distributed provided that immediately following the date on which such reserves are proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Donations

No charitable donation was made by the Group during the Year (2022: Nil).

Compliance with Laws and Regulations

The Group recognises the importance of compliance with regulatory requirements. Compliance procedures have been enhancing to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

The Group's operations are mainly carried out by the Company's subsidiaries in Mainland China, Hong Kong and United States, while the Company itself was incorporated in the Cayman Islands and listed on the Stock Exchange in Hong Kong. Our establishment and operations accordingly shall comply with relevant laws and regulations in Hong Kong, Cayman Islands and other business operating areas. The Group has established compliance procedures to ensure its compliance with applicable laws, regulations and normative legal documents that are applicable (especially to the main business). If there is any change in the applicable laws, regulations and normative legal documents of the main business, the Group will notify relevant staff and relevant operating teams from time to time.

Save as disclosed in the section head "Application of Corporate Governance Principles", as far as the Company is aware of, the Group has complied in material respects with the relevant laws and regulations which have a significant impact on the business and operations of the Company during the Year.

Environmental Policies and Performance

The Group considers the importance of environmental affairs and believes business development and environment affairs are highly related. The Group recognizes its corporate responsibility, environmental and social sustainability and has therefore taken the initiatives with a view to reducing energy consumption, food and paper waste. The Group implements green office practices such as double-printing and copying, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliances. Through the initiative taken to control electricity consumption by using energy-efficient retrofits and air-conditioning and lighting control measures in workplaces, we have seen continued improvement in reducing the use of electricity. The Group also emphasized the social responsibility of eco-friendly production. Going forward, the Group will continue to promote environmental and social sustainability through various initiatives consistent with its policies and relevant laws and regulations.

For details, please refer to the report of "Environmental, Social and Governance".

REPORT OF THE DIRECTORS

Major Customers and Suppliers

In the Year, sales to the Group's five largest customers accounted for approximately 26.91% of the total sales for the Year and sales to the largest customer included therein amounted to approximately 7.32%. Purchases from the Group's five largest suppliers accounted for approximately 86.56% of the total purchases for the Year and purchases from the largest supplier included therein amounted to approximately 53.94%.

None of the Directors or any of their close associates or any Shareholders which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital had any beneficial interest in the Group's five largest customers and/or suppliers.

Relationships with Customers and Suppliers

The Group understands that it is important to maintain good relationship with its suppliers and customers to fulfil its long-term goals and maintain the leading position in the market. To maintain its core competitiveness and brand dominant status, the Group aims at delivering constantly high standards of quality in the service to its customers.

Management Contracts

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or subsisting during the Year.

Directors

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

Executive Directors

Mr. CHEN Jiajun
Mr. MA Fei
Ms. LIU Juan (appointed on 2 August 2024)

Non-executive Directors

Mr. LIANG Rui
Mr. NG Wai Hung
Mr. XU Yibo

Independent Non-executive Directors

Mr. GUO Jinghui
Mr. CHIU Sin Nang Kenny (resigned on 8 January 2024)
Ms. WANG Guan (appointed on 11 October 2023)
Mr. NGAI Tsz Hin Michael (resigned on 11 October 2023)
Mr. CHEUK Ho Kan (appointed on 8 January 2024)

Under the provisions of the Articles of Association, one-third of the Directors are subject to retirement by rotation and re-election at each annual general meeting.

REPORT OF THE DIRECTORS

In accordance with the Articles of Association, certain Directors will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company. Save for the aforesaid, the other remaining directors of the Company would continue in office.

The Company has received from each of the INEDs an annual confirmation pursuant to Rule 3.13 of the Listing Rules and the Board still considers each of the INEDs to be independent from the Company.

Directors' and Senior Management's Biographies

Save as disclosed in this annual report, there are no changes in information of Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules as at the date of this report. Biographical details of the Directors and the senior management of the Group are set out on pages 30 to 33 of the Annual Report.

Directors' Service Contracts

Ms. WANG Guan, an independent non-executive Director, has entered into a letter of appointment with the Company for a term of three years commencing from 11 October 2023.

Mr. CHEUK Ho Kan, an independent non-executive Director, has entered into a letter of appointment with the Company for a term of three years commencing from 8 January 2024.

Ms. LIU Juan, an executive Director, has entered into a service agreement with the Company for a term of three years commencing from 2 August 2024.

None of the Directors has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Remuneration

The Directors' fees are subject to Shareholders' approval at general meetings. Other emoluments are determined by the Company's Board with reference to Directors' duties, responsibilities and performance and the results of the Group.

Directors' Interests in Transaction, Arrangement or Contract of Significance

Save as disclosed in note 35 to the financial statements, neither Director nor entity connected with the Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group subsisting at any time during the Year or at the end of the Year to which the Company or any of its subsidiaries was a party.

Controlling Shareholders' Interests in Transaction, Arrangement or Contract of Significance

Save as disclosed in note 35 to the financial statements, no controlling shareholders of the Company had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group subsisting at any time during the Year or at the end of the Year to which the Company or any of its subsidiaries was a party.

REPORT OF THE DIRECTORS

Continuing Connected Transactions

On 23 December 2022, Yulong Computer Telecommunication Scientific (Shenzhen) Co., Ltd. ("**Yulong Shenzhen**"), an indirect wholly-owned subsidiary of the Company had entered into the property management services agreement ("**2022 Property Management Services Agreement**") with Shenzhen Kingkey Property Management Co., Ltd ("**Shenzhen Kingkey**") in relation to the provision of property management services in respect of Coolpad Building by Shenzhen Kingkey. For details, please refer to the announcement of the Company dated 23 December 2022.

On 14 July 2023, Dongguan Yulong Telecommunication Tech Co., Ltd. ("**Dongguan Yulong**"), an indirect wholly-owned subsidiary of the Company, and Shenzhen Kingkey entered into the Industrial Park Management Services Agreement ("**Industrial Park Management Services Agreement**") for a term commencing from the delivery of the Industrial Park, which was expected to be on 1 October 2023, and ending on 31 December 2025 (both dates inclusive). Pursuant to the Industrial Park Management Services Agreement, Shenzhen Kingkey agreed to provide, through itself or its wholly-owned subsidiary, Dongguan Kingkey Property Management Company Limited ("**Dongguan Kingkey**"), to Dongguan Yulong property management services in respect of factory plants and dormitories situated at Industrial West One Road, Songshan Lake, Dongguan, PRC. For details, please refer to the announcement of the Company dated 14 July 2023 and the circular of the Company dated 15 August 2023.

As Shenzhen Kingkey is ultimately controlled by Mr. Chen Hua, who is an immediate family member of Mr. Chen Jiajun, a substantial Shareholder, an executive Director, the chief executive officer and chairman of the Company. Accordingly, Shenzhen Kingkey is an associate of Mr. Chen Jiajun and a connected person of the Company and the transactions contemplated under the 2022 Property Management Services Agreement and the Industrial Park Management Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Company has complied with the annual review and reporting requirements under Chapter 14A of the Listing Rules.

The Group seeks to engage a professional property management company to provide property management services, which typically include security, cleaning, landscaping, repair and maintenance of common area and shared facilities, in order to ensure the provision of sound property management services and the maintenance of good building conditions and environment to enhance satisfaction of property owners and tenants and enhance property value. Shenzhen Kingkey and Dongguan Kingkey are reputable in the PRC for providing reliable, efficient and satisfactory property management services to property developers in the PRC, as compared to other services providers who are independent third parties. In addition, the Company believes that Shenzhen Kingkey and Dongguan Kingkey generally maintain better and more efficient communication with the Group and have a more thorough understanding of the conditions of the Group's property projects and the requirements of the services needed. The detail information of the continuing connected transactions was as follows:

2022 Property Management Services Agreement

Background:	On 25 March 2020, Yulong Shenzhen entered into a property management services agreement with Shenzhen Kingkey in relation to the provision of property management services in respect of Coolpad Building by Shenzhen Kingkey. The property management services agreement entered into in 2020 expired on 31 December 2022 and on 23 December 2022, Yulong Shenzhen and Shenzhen Kingkey entered into the 2022 Property Management Services Agreement for a term of three years commencing from 1 January 2023 and ending on 31 December 2025 (both dates inclusive). Particulars of the 2022 Property Management Services Agreement together with the total consideration for the Year are disclosed below pursuant to the Listing Rules.
Nature of transaction:	Purchase of property management service, including repairs and maintenance of communal areas and facilities, cleaning, traffic safety management, security and greening services, for Coolpad Building from Shenzhen Kingkey.
Terms:	The property management service fees are determined with reference to the rate of RMB25 (tax inclusive) per month per square meter and other extra service expense.
Annual cap (tax inclusive):	RMB18,000,000
Total consideration for the Year (tax inclusive):	RMB13,952,238

Industrial Park Management Services Agreement

Background:	On 14 July 2023, Dongguan Yulong and Shenzhen Kingkey entered into the Industrial Park Management Services Agreement for a term commencing from the delivery of the Industrial Park, which was expected to be on 1 October 2023, and ending on 31 December 2025 (both dates inclusive). Particulars of the Industrial Park Management Services Agreement together with the total consideration for the Year are disclosed below pursuant to the Listing Rules.
Nature of transaction:	Purchase of property management service in respect of factory plants and dormitories situated at Industrial West One Road, Songshan Lake, Dongguan, PRC, including management, repairs and maintenance of communal areas and facilities, cleaning, parking and traffic safety management, security control and greening and landscape maintenance.
Terms:	The property management service fees are calculated based on the agreed monthly charging rates (tax inclusive) applicable to different types of properties and the gross floor area of the relevant properties to be managed as below:

Types of property	Monthly charging rate *(RMB/square meter)*
Phase 1 Factory Plant	3.8
Phase 1 Dormitory	2.5
Phase 2 (幸福樓) Dormitory	3.3
Phase 2 (幸福樓) Amenities	3.8
Phase 3 Factory Plant	6.5

Annual cap (tax inclusive):	RMB8,000,000
Total consideration for the Year (tax inclusive):	RMB2,009,754

REPORT OF THE DIRECTORS

The Company has confirmed that the execution and enforcement of the implementation agreements under the continuing connected transactions set above for the Year has followed the pricing principles of such continuing connected transactions.

The independent non-executive Directors have reviewed and confirmed that the continuing connected transactions mentioned above conducted in the Year have been entered into:

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

(b) on normal commercial terms or better; and

(c) according to the relevant agreements governing these transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have confirmed that (1) the continuing connected transactions have been approved by the Company's Board of Directors; (2) there is a written agreement in place governing the continuing connected transactions and the transactions have been entered into in accordance with such agreements. No side agreement has been entered into in respect of any transaction; and (3) the aggregate annual values of the continuing connected transactions have not exceeded the annual caps of relevant amount. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group above in accordance with Rule 14A.56 of the Listing Rules.

Other Connected Transactions

Save for the related parties transactions disclosed in note 35 to the consolidated financial statements, no related parties transactions disclosed in the consolidated financial statements constitutes a discloseable connected transaction as defined under the Listing Rules. The Company has complied with the disclosure requirements set out in Chapter 14A of the Listing Rules.

REPORT OF THE DIRECTORS

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2023, the interests and short positions of the Directors, the chief executive or their respective associates in the share capital, 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**")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long Positions in Shares of the Company

Name of director	*Notes*	Directly beneficially owned	Through spouse or minor corporation	Through controlled corporation	Beneficiary of a trust	Founder of a trust	Share Option	Total	Approximate percentage of the Company's issued share capital as at 31 December 2023
Mr. CHEN Jiajun	*1*	–	–	3,131,355,500	–	–	–	3,131,355,500	19.12
Mr. MA Fei	*2*	–	–	–	–	–	13,058,819	13,058,819	0.08
Mr. XU Yibo	*2*	4,500,000	–	–	–	–	19,588,236	24,088,236	0.15
Mr. LIANG Rui	*2*	–	–	–	–	–	32,647,060	32,647,060	0.20
Mr. NG Wai Hung		–	–	–	–	–	–	–	–
Ms. WANG Guan		–	–	–	–	–	–	–	–
Mr. GUO Jinghui	*2*	–	–	–	–	–	1,958,824	1,958,824	0.01
Mr. CHIU Sin Nang Kenny	*3*	–	–	–	–	–	–	–	–

Notes:

1. As at 31 December 2023: (i) 2,331,355,500 Shares were directly held by Great Shine Investment Limited ("**Great Shine**") (formerly known as Kingkey Financial Holdings (Asia) Limited), which is 100% directly held by Great Splendid Holdings Limited. Mr. Chen Jiajun is the director of Great Splendid Holdings Limited and holds 100% shares of Great Splendid Holdings Limited; and (ii) 800,000,000 Shares were directly held by Elite Mobile Limited, which was ultimately controlled by Mr. Chen Jiajun. Therefore, Mr. Chen Jiajun was indirectly interested in 3,131,355,500 Shares, of which 2,331,355,500 Shares were held through Great Shine and 800,000,000 Shares were held through Elite Mobile Limited.

2. The interests of these Directors are in the underlying Shares of the options granted to the relevant Directors by the Company under the share option scheme adopted by the Company on 23 May 2014. For further details, please refer to the section headed "Share Capital and Share Options" of this report.

3. Mr. Chiu Sin Nang Kenny resigned as an independent non-executive Director on 8 January 2024.

4. As at 31 December 2023, the total number of issued Shares was 16,381,007,955.

REPORT OF THE DIRECTORS

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares and Debentures

As at 31 December 2023, the following interests and short positions of 5% or more in the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long Positions in Shares of the Company

Name	*Notes*	Number of Shares in which interested	Nature of interest	Total number of Shares interested	Approximate percentage of the Company's issued share capital as at 31 December 2023
Mr. CHEN Jiajun	*1*	3,131,355,500	Interest of controlled corporation	3,131,355,500	19.12
Mr. Jeffrey Steven YASS	*2*	1,333,340,000	Interest of controlled corporation	1,333,340,000	8.14
Mr. LIU Feng	*3*	920,260,000	Interest of controlled corporation	1,420,260,000	8.67
		500,000,000	Beneficial owner		
Mr. TU Erfan	*4*	903,696,000	Interest of controlled corporation	903,696,000	5.52
Great Shine Investment Limited	*1*	2,331,355,500	Beneficial owner	2,331,355,500	14.23
Elite Mobile Limited	*1*	800,000,000	Beneficial owner	800,000,000	4.88
SAI Growth Fund I, LLLP	*2*	800,000,000	Beneficial owner	1,333,340,000	8.14
		533,340,000	Derivative interest of warrants		
YH Fund SPC – YH01 SP I	*3*	920,260,000	Beneficial owner	920,260,000	5.62
New Prestige Developments Limited	*4*	903,696,000	Beneficial owner	903,696,000	5.52

REPORT OF THE DIRECTORS

Notes:

1. As at 31 December 2023: (i) 2,331,355,500 Shares were directly held by Great Shine, which is 100% directly held by Great Splendid Holdings Limited. Mr. Chen Jiajun is the director of Great Splendid Holdings Limited and holds 100% shares of Great Splendid Holdings Limited; and (ii) 800,000,000 Shares were directly held by Elite Mobile Limited, which was ultimately controlled by Mr. Chen Jiajun. Therefore, Mr. Chen Jiajun was indirectly interested in 3,131,355,500 Shares, of which 2,331,355,500 Shares were held through Great Shine and 800,000,000 Shares were held through Elite Mobile Limited.

2. 800,000,000 Shares were directly held by SAI Growth Fund I, LLLP which was ultimately controlled by Mr. Jeffrey Steven Yass. The warrants conferring the rights to subscribe for a maximum number of 800,000,000 warrant shares based on the initial exercise price were issued to SAI Growth Fund I, LLLP by the Company on 17 December 2021. Among these, the 2-year warrants for 266,660,000 warrant shares expired on December 17, 2023. Therefore, Mr. Jeffrey Steven Yass is indirectly interested in the 1,333,340,000 shares of the Company.

3. As at 31 December 2023: (i) 920,260,000 Shares were directly held by YH Fund SPC – YH01 SP I, which was ultimately controlled by Mr. Liu Feng; and (ii) 500,000,000 Shares were directly held Mr. Liu Feng.

4. The 903,696,000 Shares were directly held by New Prestige Developments Limited, which was ultimately controlled by Mr. Tu Erfan. Accordingly, as at 31 December 2023, Mr. Tu Erfan is also interested in 903,696,000 Shares.

5. As at 31 December 2023, the total number of issued Shares was 16,381,007,955.

Save as disclosed above, as at 31 December 2023, so far as the Directors are aware, there are no other persons, other than the Directors and chief executive of the Company, who had interests or short positions in the shares, underlying shares or debentures of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and are required to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, at no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Audit Committee

The Audit Committee, which currently comprises three independent non-executive Directors, has reviewed the accounting principles and practices adopted by the Company and has discussed auditing, internal control and financial reporting matters. The Audit Committee has reviewed the Group's annual results for the Year.

Directors' Interests in a Competing Business

As at 31 December 2023, none of the Directors or any of their respective associates had any interest in any business which competes or likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules.

REPORT OF THE DIRECTORS

Material Legal Proceedings

Save as disclosed in note 32 to the financial statements, the Company was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against the Company during the Year as far as the Board was aware of.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the percentage of shares of the Company in public hands is in compliance with the prescribed level of the minimum public float as set out in Rule 8.08 of the Listing Rules.

Foreign Exchange Exposure

The main business operations of the Group during the Year are conducted in Mainland China, its income, cost and assets are denominated primarily in Renminbi ("**RMB**"), while the Group's consolidated financial statements are expressed in HK$. The exchange rate risk of the Group arises mainly from foreign exchange exposures associated with the sales, purchases and assets settled in currencies other than HK$ and the volatility of exchange rates. The Group has not entered into any derivative contracts to hedge against the risk in the Year.

Interest Rate Risk

The risk in interest rate concerning the Group primarily relates to its short-term bank loans, long-term bank loan and other borrowings. The interests are calculated at fixed and floating rates. Any rise in the current interest rate will increase the interest cost. As at the end of the Year, the Group had not executed any form of interest rate agreement or derivative to hedge against the fluctuation in interest rate.

Employees and Remuneration Policy

During the Year, the Group's staff costs (including Directors' remuneration) amounted to approximately HK$97.33 million (2022: HK$218.69 million). The remuneration of the Group's employees (including the Directors) was commensurate with their responsibilities and market rates, with discretionary bonuses and training given on a merit basis. As of 31 December 2023, the Group had 299 employees (including the Directors) (2022: 304 employees (including the Directors)).

Significant Investments

As at 31 December 2023, the Group had no significant investment with a value of 5% or more of the Group's total assets.

Material Acquisitions and Disposal

Save as disclosed in notes 17 and 18 to the financial statements, the Company and its subsidiaries had no material acquisition and disposal transactions during the Year.

Directors' Responsibilities for the Financial Statements

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the Year. The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

REPORT OF THE DIRECTORS

Events after the Year

The Group does not have any important event after the Year that needs to be disclosed.

Auditor

Zhonghui Anda will retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Coolpad Group Limited

Chen Jiajun
Executive Director
Chief Executive Officer
Chairman

11 February 2025, Hong Kong

INDEPENDENT AUDITOR'S REPORT

中汇
ZHONGHUI

TO THE SHAREHOLDERS OF COOLPAD GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Coolpad Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 54 to 160, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, 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 ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 2.1 to the consolidated financial statements which mentions that the Group incurred a loss of HK$220,992,000 for the year ended 31 December 2023 and as at 31 December 2023, the Group had net current liabilities of HK$1,110,328,000. As stated in note 2.1, these events or conditions, along with other matters as set forth in note 2.1, indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters (Continued)

Valuation of investment properties

Refer to Note 14 to the consolidated financial statements

The Group measured its investment properties at fair value with the changes in fair value recognised in the consolidated profit or loss. This fair value measurement is significant to our audit because the balance of investment properties of HK$3,263,126,000 as at 31 December 2023 and the fair value loss of HK$49,263,000 for the year then ended are material to the consolidated financial statements. In addition, the Group's fair value measurement involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the competence, independence and integrity of the external valuer engaged by client;
- Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;
- Checking key assumptions and input data in the valuation model to supporting evidence;
- Checking arithmetical accuracy of the valuation model; and
- Assessing the disclosure of the fair value measurement in the consolidated financial statements.

We consider that the Group's fair value measurement of the investment properties is supported by the available evidence.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters (Continued)

Impairment of property, plant and equipment

Refer to Note 13 to the consolidated financial statements

The Group tested the amount of property, plant for impairment. This impairment test is significant to our audit because the balance of property, plant and equipment of HK$375,218,000 as at 31 December 2023 is material to the consolidated financial statements. Management measures the respective recoverable amounts which are the higher of fair value less costs to disposal and their value in use. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures for those using value-in-use calculations included, among others:

– Assessing the competence, independence and integrity of the external valuer engaged by client;

– Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;

– Assessing the identification of the related cash generating units;

– Assessing the arithmetical accuracy of the value-in-use calculations;

– Comparing the actual cash flows with the cash flow projections;

– Assessing the reasonableness of the key assumptions (including revenue growth, profit margins, terminal growth rates and discount rates); and

– Checking input data to supporting evidence.

Our audit procedures for those using fair value less costs of disposal included, among others:

– Assessing the competence, independence and integrity of the external valuer engaged by client;

– Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;

– Checking key assumptions and input data in the valuation model to supporting evidence;

– Checking arithmetical accuracy of the valuation model; and

– Assessing the disclosure of the fair value measurement in the consolidated financial statements.

We consider that the Group's impairment test for property, plant and equipment is supported by the available evidence.

INDEPENDENT AUDITOR'S REPORT

Other Information

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

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

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

Responsibilities of Directors for the Consolidated Financial Statements

The directors 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 determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at: https://www.hkicpa.org.hk/en/Standards-setting/Standards/Our-views/auditre. This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Li Shun Fai
Audit Engagement Director
Practising Certificate Number P05498

Hong Kong, 11 February 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000 (Restated)
REVENUE	5	**307,363**	299,208
Cost of sales		**(199,947)**	(351,981)
GROSS PROFIT/(LOSS)		**107,416**	(52,773)
Other income and gains	5	**95,851**	75,781
Selling and distribution expenses		**(35,695)**	(71,182)
Administrative and other operating expenses		**(273,229)**	(480,033)
Finance costs	7	**(8,004)**	(16,973)
Share of losses of associates and a joint venture		**(120,354)**	(84,250)
LOSS BEFORE TAX	6	**(234,015)**	(629,430)
Income tax credit	10	**13,023**	3,782
LOSS FOR THE YEAR		**(220,992)**	(625,648)
OTHER COMPREHENSIVE LOSS			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(20,266)**	(89,404)
Release of translation reserve upon disposal of an associate		**2,363**	–
Share of other comprehensive loss of associates and a joint venture		**(3,986)**	(43,479)
		(21,889)	(132,883)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Gain/(loss) on property revaluation		**4,574**	(30)
Income tax effect on gain/(loss) on property revaluation	28	**(1,143)**	7
		3,431	(23)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(18,458)**	(132,906)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(239,450)**	(758,554)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000 (Restated)
Loss for the year attributable to:			
Owners of the Company		**(220,931)**	(625,450)
Non-controlling interests		**(61)**	(198)
		(220,992)	(625,648)
Total comprehensive loss attributable to:			
Owners of the Company		**(239,387)**	(758,335)
Non-controlling interests		**(63)**	(219)
		(239,450)	(758,554)
Loss per share	*12*		
– Basic (HK cents)		**(1.54)**	(4.58)
– Diluted (HK cents)		**(1.54)**	(4.58)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment	13	**375,218**	1,033,364
Investment properties	14	**3,263,126**	2,143,745
Right-of-use assets	15(a)	**56,685**	86,840
Intangible assets	16	**–**	–
Investments in a joint venture	17	**–**	56,502
Investments in associates	18	**180,149**	340,827
Financial assets at fair value through profit or loss	23	**4,747**	96,059
Other non-current assets	22	**112,535**	59,303
Deferred tax assets	28	**–**	289
Total non-current assets		**3,992,460**	3,816,929
Current assets			
Inventories	19	**76,494**	55,748
Cryptocurrencies	20	**8,539**	–
Trade receivables	21	**60,088**	46,657
Prepayments, deposits and other receivables	22	**91,360**	42,916
Financial assets at fair value through profit or loss	23	**83,714**	13,783
Amounts due from associates	35	**–**	3,029
Pledged deposits	24	**59,751**	59,408
Bank balances and cash	24	**63,547**	234,717
Total current assets		**443,493**	456,258
Current liabilities			
Trade payables	25	**152,099**	138,950
Other payables and accruals	26	**1,154,043**	1,195,202
Interest-bearing bank and other borrowings	27	**101,568**	177,929
Lease liabilities	15(b)	**2,875**	4,587
Amounts due to associates	35	**37,035**	37,847
Amounts due to related parties	35	**3,516**	1,314
Tax payable		**102,685**	103,733
Total current liabilities		**1,553,821**	1,659,562
Net current liabilities		**(1,110,328)**	(1,203,304)
Total assets less current liabilities		**2,882,132**	2,613,625

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current liabilities			
Lease liabilities	*15(b)*	**2,578**	9,944
Interest-bearing other borrowings		**441,086**	–
Deferred tax liabilities	*28*	**329,319**	346,325
Other non-current liabilities		**17,475**	20,879
Total non-current liabilities		**790,458**	377,148
Net assets		**2,091,674**	2,236,477
Capital and reserves			
Share capital	*29*	**163,810**	136,510
Reserves	*29*	**1,927,737**	2,099,777
Equity attributable to owners of the Company		**2,091,547**	2,236,287
Non-controlling interests		**127**	190
Total equity		**2,091,674**	2,236,477

Chen Jiajun
Director

Ma Fei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

		Attributable to owners				
	Notes	Share capital HK$'000 *(note 29(a))*	Share premium account HK$'000 *(note 29(b))*	Contributed surplus HK$'000	Asset revaluation reserve HK$'000	Statutory reserve HK$'000 *(note 29(b))*
At 1 January 2023		**136,510**	**3,410,593**	**390**	**981,194**	**201,080**
Loss for the year		–	–	–	–	–
Other comprehensive loss for the year:						
Gain on property revaluation, net of tax		–	–	–	**3,431**	–
Release of translation reserve upon disposal of an associate		–	–	–	–	–
Exchange differences on translation of foreign operations		–	–	–	–	–
Share of other comprehensive loss of associates and a joint venture		–	–	–	–	–
Total comprehensive loss for the year		–	–	–	**3,431**	–
Release of reserve upon disposal of an associate		–	–	–	**(67,954)**	–
Issue of shares upon private placement	*29*	**27,300**	**62,790**	–	–	–
Share issue expenses		–	**(485)**	–	–	–
Equity-settled share option arrangements		–	–	–	–	–
Lapse of warrants	*30(b)*	–	–	–	–	–
At 31 December 2023		**163,810**	**3,472,898***	**390***	**916,671***	**201,080***

* These reserve accounts comprise the consolidated reserves of HK$1,927,737,000 (2022: HK$2,099,777,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

of the Company								
Share option reserve HK$'000	Share award reserve HK$'000	Capital redemption reserve HK$'000 *(note 29(b))*	Other reserve HK$'000 *(note 29(b))*	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
241,982	43,564	3,410	1,570,874	(41,282)	(4,312,028)	2,236,287	190	2,236,477
–	–	–	–	–	(220,931)	(220,931)	(61)	(220,992)
–	–	–	–	–	–	3,431	–	3,431
–	–	–	–	2,363	–	2,363	–	2,363
–	–	–	–	(20,264)	–	(20,264)	(2)	(20,266)
–	–	–	–	(3,986)	–	(3,986)	–	(3,986)
–	–	–	–	(21,887)	(220,931)	(239,387)	(63)	(239,450)
–	–	–	–	–	67,954	–	–	–
–	–	–	–	–	–	90,090	–	90,090
–	–	–	–	–	–	(485)	–	(485)
5,042	–	–	–	–	–	5,042	–	5,042
(33,934)	–	–	–	–	33,934	–	–	–
213,090*	43,564*	3,410*	1,570,874*	(63,169)*	(4,431,071)*	2,091,547	127	2,091,674

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

		Attributable to owners				
	Notes	Share capital HK$'000 *(note 29(a))*	Share premium account HK$'000 *(note 29(b))*	Contributed surplus HK$'000	Asset revaluation reserve HK$'000	Statutory reserve HK$'000 *(note 29(b))*
At 1 January 2022		121,050	2,978,703	390	981,217	205,897
Loss for the year		–	–	–	–	–
Other comprehensive loss for the year:						
Loss on property revaluation, net of tax		–	–	–	(23)	–
Exchange differences on translation of foreign operations		–	–	–	–	–
Share of other comprehensive losses of associates and a joint venture		–	–	–	–	–
Total comprehensive loss for the year		–	–	–	(23)	–
Liquidation of subsidiaries		–	–	–	–	(4,817)
Issue of shares upon private placement	*29*	17,000	459,000	–	–	–
Share issue expenses	*29*	–	(5,019)	–	–	–
Shares repurchased	*29*	(1,540)	(22,091)	–	–	–
Equity-settled share option arrangements	*30*	–	–	–	–	–
At 31 December 2022		136,510	3,410,593*	390*	981,194*	201,080*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

of the Company								
Share option reserve HK$'000	Share award reserve HK$'000	Capital redemption reserve HK$'000 *(note 29(b))*	Other reserve HK$'000 *(note 29(b))*	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
238,413	43,564	1,870	1,570,874	91,580	(3,689,855)	2,543,703	409	2,544,112
–	–	–	–	–	(625,450)	(625,450)	(198)	(625,648)
–	–	–	–	–	–	(23)	–	(23)
–	–	–	–	(89,383)	–	(89,383)	(21)	(89,404)
–	–	–	–	(43,479)	–	(43,479)	–	(43,479)
–	–	–	–	(132,862)	(625,450)	(758,335)	(219)	(758,554)
–	–	–	–	–	4,817	–	–	–
–	–	–	–	–	–	476,000	–	476,000
–	–	–	–	–	–	(5,019)	–	(5,019)
–	–	1,540	–	–	(1,540)	(23,631)	–	(23,631)
3,569	–	–	–	–	–	3,569	–	3,569
241,982*	43,564*	3,410*	1,570,874*	(41,282)*	(4,312,028)*	2,236,287	190	2,236,477

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(234,015)**	(629,430)
Adjustments for:			
Bank interest income		**(1,398)**	(3,799)
Finance costs		**8,004**	16,973
Share of losses of associates and joint ventures		**120,354**	84,250
Gain on disposal of items of property, plant and equipment		**(182)**	(110)
Gain on disposal of right-of-use assets		**–**	(2,817)
Loss on disposal of an associate		**15,749**	–
Gain on disposal of a joint venture		**(79,316)**	–
Gain on debt restructuring		**–**	(32,172)
Gain on lease modification		**(1,132)**	–
Fair value loss of investment properties		**49,263**	32,639
Valuation deficit upon transferral of investment properties from construction in progress		**3,937**	–
Fair value loss on financial assets at fair value through profit or loss		**14,646**	33,212
Depreciation of property, plant and equipment		**20,166**	21,118
Depreciation of right-of-use assets		**5,703**	5,323
Amortisation of patents, licences and computer software		**–**	6,533
Reversal of impairment of trade receivables, net		**(9,123)**	(5,959)
Impairment of property, plant and equipment and intangible assets		**–**	34,065
Impairment of right-of-use assets		**–**	1,729
Write-down of inventories at net realisable value, net		**5,550**	43,492
Recognition of equity-settled share option expenses		**5,042**	3,569
Unrealised exchange difference		**9,394**	38,063
Operating loss before working capital changes		**(67,358)**	(353,321)
Increase in other non-current assets		**(4,884)**	(18,444)
Increase in inventories		**(26,969)**	(41,757)
(Increase)/decrease in trade receivables		**(5,095)**	5,783
(Increase)/decrease in prepayments, deposits and other receivables		**(26,661)**	288,486
Increase in cryptocurrencies		**(8,539)**	–
Decrease/(increase) in amounts due from associates		**2,756**	(81)
Increase in trade payables		**15,237**	37,820
Increase/(decrease) in other payables and accruals		**71,190**	(111,562)
Increase/(decrease) in an amount due to a related party		**2,236**	(1,114)
(Decrease)/increase in other non-current liabilities		**(3,404)**	328
Cash used in operations		**(51,491)**	(193,862)
Income tax refund/(paid)		**13**	(100)
Net cash flows used in operating activities		**(51,478)**	(193,962)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,398**	3,799
Payments for items of property, plant and equipment and investment properties		**(689,185)**	(418,702)
Additions to other intangible assets		**–**	(109)
Proceeds from disposal of items of property, plant and equipment		**182**	1,152
Proceeds from disposal of a joint venture		**87,182**	–
Proceeds from disposal of an associate		**44,438**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**6,634**	700
Additional investment in an associate		**(33)**	(70)
Additional investment in a joint venture		**–**	(1,731)
Purchase of equity investments at fair value through profit or loss		**–**	(87,687)
Cash transferred to pledged bank deposits		**(1,172)**	(3,576)
Cash received from pledged bank deposits		**–**	3,588
Net cash flows used in investing activities		**(550,556)**	(502,636)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	*29*	**90,090**	392,000
Share issue expenses	*29*	**(485)**	(5,019)
Payments for repurchase of shares	*29*	**–**	(23,631)
New bank and other borrowings	*31*	**546,331**	–
Repayment of bank and other borrowings	*31*	**(176,575)**	(47,877)
Interest paid	*31*	**(23,601)**	(25,680)
Repayment of lease liabilities (including principal portion)	*15, 31*	**(3,750)**	(3,224)
Repayment of an amount due to a related party	*31*	**–**	(150,013)
Net cash flows from financing activities		**432,010**	136,556
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(170,024)**	(560,042)
Cash and cash equivalents at beginning of year		**234,717**	814,812
Effect of foreign exchange rate changes, net		**(1,146)**	(20,053)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**63,547**	234,717
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**63,547**	234,717

NOTES TO FINANCIAL STATEMENTS

31 December 2023

1 Corporate and Group Information

Coolpad Group Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the production and sale of mobile phones and accessories, the provision of wireless application services and leases of properties. Starting from the second half of 2023, the Group has actively pursued opportunities in Web 3.0 digital currency business.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Yulong Infotech Inc.	The British Virgin Islands ("BVI")/Mainland China	US$50,000	100	–	Investment holding
Digital Tech Inc.	BVI/Mainland China	US$10	100	–	Investment holding
Yulong Computer Telecommunication Scientific (Shenzhen) Co., Ltd. ("Yulong Shenzhen")**	The People's Republic of China ("PRC")/Mainland China	RMB1,403,000,000	–	100	Sale of mobile phones
Coolpad Software Tech (Shenzhen) Co., Ltd.*	PRC/Mainland China	HK$10,000,000	–	100	Provision of product design and software development for mobile handsets
Dongguan Yulong Telecommunication Tech Co., Ltd.***	PRC/Mainland China	RMB120,000,000	–	100	Manufacture of mobile phones
Coolpad Overseas Limited	Hong Kong	US$1,550,000	–	100	Sale of mobile phones
Coolpad Technologies Inc.	United States	US$2,300,000	–	100	Sale of mobile phones
Shenzhen Coolpad Technologies Co., Ltd. ("SZ Coolpad Technologies")***	PRC/Mainland China	RMB100,000,000	–	100	Provision of product design and software development for mobile handsets
Yulong Technologies (Hong Kong) Co., Ltd.	Hong Kong	US$1,000,000	–	100	Sale of mobile phones

1 Corporate and Group Information (Continued)

Information about subsidiaries (Continued)

Company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
China Wireless Technologies Limited	Cayman Islands	US$1	–	100	Investment holding
China Wireless Technologies Limited	Hong Kong	HK$1,000	–	100	Investment holding
Coolpad Xinzhi Technology (Nanjing) Co., Ltd.*	PRC/Mainland China	US$10,000,000	–	100	Dormant
Nanjing Coolpad Software Tech Co., Ltd.***	PRC/Mainland China	RMB100,000,000	–	100	Provision of product design and software development for mobile handsets
Shenzhen Helong Technology Co., Ltd. ("Helong Technology")^	PRC/Mainland China	RMB11,000,000	–	100	Provision of wireless application services
Nanchang Coolpad Zhongying Intelligent Technology Co., Ltd. ("Zhongying Intelligent Technology")^	PRC/Mainland China	RMB11,000,000	–	100	Provision of wireless application services
Coolpad Global Inc.	Cayman Islands	US$1	100	–	Investment holding
Coolpad Global Limited	Hong Kong	US$100	–	100	Investment holding
Xcentz Limited	Hong Kong	US$100,000	–	100	Cryptocurrencies business
Xcentz Inc	United States	US$1	–	100	Dormant
Coolpad Technologies CA, Inc	Canada	US$10	–	100	Sale of mobile phones
Dongguan Coolpad Software Tech Co., Ltd.***	PRC/Mainland China	RMB100,000,000	–	100	Provision of product design and software development for mobile handsets
Shenzhen Huihengying Investment Management Co., Ltd.***	PRC/Mainland China	RMB500,000	–	100	Investment holding
Hunan Helongsheng Trading Co., Ltd.***	PRC/Mainland China	RMB10,000,000	–	60	Dormant

NOTES TO FINANCIAL STATEMENTS

31 December 2023

1 Corporate and Group Information (Continued)

Information about subsidiaries (Continued)

Company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Dongguan Yikuaixiu Technology Co., Ltd.*	PRC/Mainland China	RMB10,000,000	–	100	Provision of mobile phone maintenance service
Coolpad International Holding (Shenzhen) Co., Ltd.*	PRC/Mainland China	RMB600,000,000	–	100	Investment holding
Jiangxi Coolpad Intelligent Technology Co., Ltd.	PRC/Mainland China	RMB800,000,000	–	100	Sale of mobile phones
Shenzhen Yikuaixiu Technology Co., Ltd.***	PRC/Mainland China	RMB10,000,000	–	100	Dormant
Coolpad Computer Communication Technology (Shenzhen) Co., Ltd.***	PRC/Mainland China	RMB10,000,000	–	100	Provision of product design and software development for mobile handsets
Metro Creative Limited	Hong Kong	HK$1	–	100	Investment holding
Sintime Industrial Limited	Hong Kong	HK$1	–	100	Investment holding
Coolbit Technologies Limited	Cayman Islands	US$100	100	–	Investment holding
Coolbit Mining Holdings Limited	BVI	US$100	–	100	Investment holding
Coolbit Mining PTE. LTD.	Singapore	US$100	–	100	Cryptocurrencies business
Magic Code Inc	Cayman Islands	US$1	–	100	Investment holding

* The subsidiaries were registered as wholly-owned foreign enterprises under PRC law.

** The subsidiaries were registered as co-operative joint ventures under PRC law.

*** The subsidiaries were registered as limited liability companies under PRC law.

^ The entities are consolidated through certain contractual arrangements.

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

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain buildings included as property, plant and equipment and equity investments at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern basis

For the year ended 31 December 2023, the Group incurred a net loss of HK$221 million and the Group recorded net current liabilities of HK$1,110 million as at 31 December 2023. The unrestricted cash and cash equivalent balance amounted to HK$64 million as at 31 December 2023. These circumstances may cast significant doubt on the Group's ability to continue as a going concern.

During the year, the directors have taken various measures with the aim of improving the Group's liquidity position, including but not limited to (i) the implementation of cost saving measures to control the daily operation costs; (ii) bank loan facility of RMB1 billion (equivalent to HK$1.1 billion) was granted during the year ended 31 December 2023 with total unutilized banking facility of RMB508 million (equivalent HK$559 million) as at 31 December 2023; (iii) on 10 October 2023, 2,730,000,000 shares were issued by the Company to seven independent parties, with net proceeds of approximately HK$89.0 million; and (iv) there were expanded stable cash inflow generated from the Group's operation of their investment properties contributing to the Group's working capital. During the year ended 31 December 2023, the Group recorded a rental income of HK$90.4 million (2022: HK$91.6 million).

The directors have prepared a cash flow forecast of the Group for the next twelve months based on the existing situation, future events and commitments of the Group. The directors considered that the Group will have adequate working capital to meet its obligations, and therefore the financial statements of the Group have been prepared on a going concern basis.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.1 Basis of Preparation (Continued)

Going concern basis (Continued)

Measures and estimations have been taken into consideration by the directors, including and not limited to:

(i) Existing unutilised loan facility of RMB480 million (equivalent to HK$528 million) from Kingkey Group Company Limited, a related party of the Group, granted during the year ended 31 December 2022 with expiry date of 31 December 2025.

(ii) The Group has obtained additional banking facilities of RMB430 million (equivalent to HK$473 million) from a bank subsequent to the reporting period. Also, the Group has been actively negotiating with the banks to obtain additional banking facilities to supplement its operating cash flows. Among others, the Group is in progress on obtaining a stand-by facility amounting to RMB300 million (equivalent to HK$330 million) from a bank subject to the final authorization from banks.

(iii) The Group is revisiting its operating strategies taking into account the potential business opportunities expected to arise from the 5th generation wireless system market, and would continue to expand the cooperation with its business partners from various channels. Further measures would be considered by the Group to tighten cost controls over various production costs and expenses with the aim to attain profitable and positive cash flow operations, including scaling down the operation, human resources optimisation and containment of capital expenditures.

(iv) The Group is evaluating the liquidity and market value of its current financial investment portfolio on hand. In the view of the directors, redemption or sale of certain financial investments would be one of their contemplations favoring improvement of the Group's liquidity position and supplement of working capital.

Notwithstanding the above, in consideration of uncertainty and vulnerability of the mobile phone industry and the increasingly intense competition in the market, material uncertainties exist as to whether the Group will be able to achieve the targeted growth in business and revive its market presence.

Should the Group fail to realise its plans to grow its business, by adjusting the progress of the construction projects and deferring its capital expenditure, and securing sufficient financial resources to improve its financial position, adjustments may have to be made to reflect the situation that assets may need to be realised at amounts other than those currently recorded in the consolidated statement of financial position as at 31 December 2023. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

2.1 Basis of Preparation (Continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2023. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

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2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

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

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have any material impact on the financial position or performance of the Group upon initial application.

2.2 Changes in Accounting Policies and Disclosures (Continued)

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Cooperation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2.3 Issued but Not Yet Effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKFRS 7 and HKAS 7	*Supplier Finance Arrangements*[1]
Amendments to HK Int 5	*Amendments in relation to Amendments to HKAS 1*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[1, 6]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2020 Amendments")[1, 6]
Amendments to HKAS 21	*Lack of Exchangeability*[2]
Amendments to HKFRS 7 and HKFRS 9	*Classification and Measurement of Financial Instruments*[3]
Amendments to HKFRS 18	*Presentation and Disclosure in Financial Statements*[4]
Amendments to HKFRS 19	*Subsidiaries without Public Accountability: Disclosures*[4]
Amendments to HKFRS10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[5]
Annual Improvements to HKFRS Accounting Standards – Volume 11	*Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7*[3]

1 Effective for annual periods beginning on or after 1 January 2024.
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.
5 No mandatory effective date yet determined but available for adoption.
6 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs may result in changes in accounting policies but are unlikely to have a material impact on the Group's results of operations and financial position.

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2.4 Material Accounting Policies

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 Material Accounting Policies (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, cryptocurrencies, deferred tax assets, financial assets, investment properties, certain buildings included in property, plant and equipment and assets classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset and other comprehensive income in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company;

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2.4 Material Accounting Policies (Continued)

Related parties (Continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Company are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Company are joint ventures of the same third party;

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

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

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

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

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

Property, plant and equipment and depreciation

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 Material Accounting Policies (Continued)

Property, plant and equipment and depreciation (Continued)

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to profit or loss. Any subsequent revaluation surplus is credited to profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of the previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.50%
Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture, fixtures and equipment	18% to 30%
Motor vehicles	18%
Cryptocurrencies business related assets	18%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

NOTES TO FINANCIAL STATEMENTS

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2.4 Material Accounting Policies (Continued)

Investment properties

Investment properties are interests in buildings, held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. 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.

Research and development costs

All research costs are charged to profit or loss as incurred.

Patents and licences

Purchased patents and licences are stated at cost less impairment losses and are amortised on the straight-line basis over their estimated useful lives of 3 to 15 years.

Computer software

Purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 10 years.

2.4 Material Accounting Policies (Continued)

Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of- use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	30 to 50 years
Properties	1 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When the right-of-use assets meet the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

NOTES TO FINANCIAL STATEMENTS

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2.4 Material Accounting Policies (Continued)

Leases (Continued)

Group as a lessee (Continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low value assets to leases of office equipment and computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.4 Material Accounting Policies (Continued)

Leases (Continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.4 Material Accounting Policies (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 Material Accounting Policies (Continued)

Investments and other financial assets (Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

– the rights to receive cash flows from the asset have expired; or

– the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

NOTES TO FINANCIAL STATEMENTS

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2.4 Material Accounting Policies (Continued)

Investments and other financial assets (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2.4 Material Accounting Policies (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to associates, an amount due to a joint venture, lease liabilities, amounts due to related parties and interest-bearing other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.4 Material Accounting Policies (Continued)

Cryptocurrencies

Cryptocurrencies are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and comprises direct value of the cryptocurrencies at initial recognition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

The Group provides for warranties in relation to the sale of mobile phones and related accessories for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate..

2.4 Material Accounting Policies (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

– when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

– when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.4 Material Accounting Policies (Continued)

Income tax (Continued)

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grants or subsidies will be received and all attaching conditions will be complied with. When the grant or subsidy relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(a) Sale of mobile phone products

Revenue from the sale of industrial products including mobile phones and related accessories is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the industrial products.

(b) Wireless application service income

Wireless application service income is recognised at the point in time when the specific installation and activation requirement has been met.

2.4 Material Accounting Policies (Continued)

Revenue recognition (Continued)

Other income

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

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

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract. (i.e., transfers control of the related goods or services to the customer).

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Share-based payments

The Company operates a share option scheme and warrant scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) and a business partner of the Group receive remuneration in the form of share-based payments, whereby employees and a business partner render services in exchange for equity instruments ("equity-settled transactions").

In situations where the share-based payment transactions are with employees of the Group, the cost of equity settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted, taking into account the terms and conditions upon which these equity instruments are granted. In situations where the share-based payment transactions are with non-employees of the Group, the cost of equity settled transactions is measured by reference to the fair value of goods or services received, unless that fair value cannot be estimated reliably. If the Group cannot estimate reliably the fair value of the goods or services received, the Group measures the goods or services received, indirectly, by reference to the fair value of the equity instruments granted.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.4 Material Accounting Policies (Continued)

Share-based payments (Continued)

The cost of equity-settled transactions is recognised in employee benefit expense and equity-settled expenses in connection with issue of warrants is recognised in administrative expenses, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 Material Accounting Policies (Continued)

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.4 Material Accounting Policies (Continued)

Foreign currencies (Continued)

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rate prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3 Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Contractual arrangements

The Group exercises control over Helong Technology and Zhongying Intelligent Technology and enjoys the economic benefits from their operation through a series of contractual arrangements.

The Group considers that it controls Helong Technology and Zhongying Intelligent Technology notwithstanding the fact that it does not hold direct equity interests in them, as it has power over the financial and operating policies of them and receives substantially all of the economic benefits from the business activities of them through the contractual arrangements. Accordingly, Helong Technology and Zhongying Intelligent Technology have been accounted for as subsidiaries during the year.

Going concern consideration

In the process of applying the Group's accounting policies, apart from those involving estimations, management has prepared the consolidated financial statements on the assumption that the Group will be able to operate as a going concern in the coming year, which is a critical judgement that has the most significant effect on the amounts recognised in the consolidated financial statements. The assessment of the going concern assumption involves making a judgement by the directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors consider that the Group has the capability to continue as a going concern and the major events or conditions, which may give rise to business risks, that may individually or collectively cast a significant doubt upon the going concern assumption are set out in note 2.1 to the consolidated financial statements.

Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3 Significant Accounting Judgements and Estimates (Continued)

Judgements (Continued)

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Income tax

Deferred tax is provided using the liability method, on all temporary differences as at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities have been established for withholding taxes that would be payable on certain profits of the subsidiaries in the PRC to be repatriated and distributed by way of dividends as the directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. If these undistributed earnings of subsidiaries in the PRC are considered to be repatriated and distributed by way of dividends, the deferred tax charge and deferred tax liabilities would have been increased by the same amount of approximately HK$256,057,000 (2022: HK$259,247,000) (note 28).

Determination of cash-generating units

In the process of impairment assessment of the Group's non-financial assets, management is required to identify cash-generating units. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Identification of a cash-generating unit involves judgement.

3 Significant Accounting Judgements and Estimates (Continued)

Judgements (Continued)

Cryptocurrencies

During the year ended 31 December 2023, the Group received and held cryptocurrencies generated from the hashrate capacity for cryptocurrencies business and the cryptocurrencies business related assets. In the process of developing and applying an accounting policy for cryptocurrencies, management of the Group noted that there are no HKFRSs that specifically apply to the accounting treatment for cryptocurrencies held by the Group.

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

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

Estimation uncertainty

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

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less cost of disposal and its value in use. The calculation of the fair value less cost of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. If there is no binding sale agreement or active market for that asset (or asset group), management will make reference to the best information available to reflect the amount that an entity could obtain at the end of the reporting period. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

During the year ended 31 December 2023, no impairment losses for property, plant and equipment and right-of-use assets in the mobile phone segment have been recognised (2022: property, plant and equipment, right-of-use assets and intangible assets in aggregate of HK$35,794,000). Further details are set out in notes 13 to the consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3 Significant Accounting Judgements and Estimates (Continued)

Estimation uncertainty (Continued)

Provision for product warranties

The Group provides one-year warranties on its products sold to its customers, under which faulty products are repaired or replaced. The amount of the warranty provision is estimated based on the sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate. At 31 December 2023, the best estimate of the carrying amount of provision for product warranties was HK$15,741,000 (2022: HK$15,083,000) (note 26).

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing from the date of issuing invoices for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type and, customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 21 to the financial statements.

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made based on the estimated net realisable value of the inventories. The determination of the written-down amount involves management's judgement and estimates. Where the actual outcome or expectation in future is different from the original estimates, such differences will have an impact on the carrying amounts of inventories and the write-down/write-back in the period in which such estimate has been changed. At 31 December 2023, the carrying amount of inventories was approximately HK76,494,000 (2022: HK$55,748,000) after netting off the allowance for inventories of approximately HK$28,279,000 (2022: HK$48,035,000).

3 Significant Accounting Judgements and Estimates (Continued)

Estimation uncertainty (Continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of accumulated unrecognised tax losses at 31 December 2023 was HK$2,212,600,000 (2022: HK$1,652,697,000). Further details are set out in note 28 to the consolidated financial statements.

Provision for compensation to suppliers

The Group provides for the compensation to suppliers regarding the cancellation of orders placed for procurement of raw materials yet to be received. Management estimates the provision at their best efforts for the possible amounts to be claimed by the suppliers based on historical settlement patterns and their negotiation status of each vendor affected. At 31 December 2023, the amount of the provision for compensation to suppliers included in other payables and accruals was approximately HK$27,269,000 (2022: HK$29,904,000).

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2023 was HK$3,263,126,000 (2022: HK$2,143,745,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 14 to the consolidated financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity specific estimates (such as the subsidiary’s stand-alone credit rating).

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3 Significant Accounting Judgements and Estimates (Continued)

Estimation uncertainty (Continued)

Fair value of unlisted equity investments and unlisted debt investment in convertible bond

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 37 to the consolidated financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. The fair value of the unlisted equity investments at 31 December 2023 was HK$88,461,000 (2022: HK$96,059,000).

The unlisted debt investment in convertible bond has been valued using Binomial Option Pricing Model as detailed in note 37 to the financial statements. The valuation requires the Group to determine expected volatility and discount rate adjusted for the specific risks of the issuers. The Group classifies the fair value of this debt investment as Level 3. The fair value of the unlisted debt investment in convertible bond as at 31 December 2023 was Nil (2022: HK$13,783,000).

Further details are included in note 23 to the consolidated financial statements.

4 Operating Segment Information

For management purposes, the Group is organised into business units based on its products and services and has three reportable operating segments as follows:

(a) the mobile phone segment engages in the research, development, production and sale of mobile phones and related accessories and the provision of wireless application service;

(b) the property investment segment invests in properties for their rental income potential and/or for capital appreciation; and

(c) the cryptocurrencies business segment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, non-lease-related finance costs, share of profits and losses of joint ventures and associates are excluded from such measurement.

Segment assets exclude investments in joint ventures, investments in associates, financial assets at fair value through profit or loss, deferred tax assets, amounts due from associates, pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing other borrowings, amounts due to associates, amounts due to related parties, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

4 Operating Segment Information (Continued)

Year ended 31 December 2023

	Cryptocurrencies business HK$'000	Mobile phone HK$'000	Property investment HK$'000	Total HK$'000
Segment revenue *(note 5)*				
Sales to external sources	8,539	208,432	90,392	307,363
Other revenue and gains	–	15,137	–	15,137
Total	8,539	223,569	90,392	322,500
Segment results	(1,635)	(190,835)	21,367	(171,103)
Reconciliation:				
Interest income				1,398
Finance costs (other than interest on lease liabilities)				(7,523)
Share of losses of associates and a joint venture				(120,354)
Loss on disposal of an associate				(15,749)
Gain on disposal of a joint venture				79,316
Loss before tax				(234,015)
Segment assets	122,147	480,222	3,322,698	3,925,067
Reconciliation:				
Investments in associates				180,149
Corporate and other unallocated assets				330,737
Total assets				4,435,953
Segment liabilities	–	1,311,595	17,475	1,329,070
Reconciliation:				
Corporate and other unallocated liabilities				1,015,209
Total liabilities				2,344,279
Other segment information:				
Reversal of impairment of trade receivables, net	–	(9,123)	–	(9,123)
Write-down of inventories to net realisable value, net	–	5,550	–	5,550
Fair value loss of investment properties	–	–	49,263	49,263
Valuation deficit upon transferral of investment properties from construction in progress	–	–	3,937	3,937
Depreciation and amortisation	1,330	24,539	–	25,869
Capital expenditure*	65,700	7,982	501,634	575,316

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31 December 2023

4 Operating Segment Information (Continued)

Year ended 31 December 2022

	Mobile phone HK$'000	Property investment HK$'000 (Restated)	Total HK$'000 (Restated)
Segment revenue *(note 5)*			
Sales to external sources	207,633	91,575	299,208
Other revenue and gains	71,982	–	71,982
Total	279,615	91,575	371,190
Segment results	(571,959)	39,104	(532,855)
Reconciliation:			
Interest income			3,799
Finance costs (other than interest on lease liabilities)			(16,124)
Share of losses of associates and a joint venture			(84,250)
Loss before tax			(629,430)
Segment assets	1,184,162	2,199,535	3,383,697
Reconciliation:			
Investments in joint ventures			56,502
Investments in associates			340,827
Corporate and other unallocated assets			492,161
Total assets			4,273,187
Segment liabilities	1,342,678	21,116	1,363,794
Reconciliation:			
Corporate and other unallocated liabilities			672,916
Total liabilities			2,036,710
Other segment information:			
Reversal of impairment of financial assets, net	(5,959)	–	(5,959)
Impairment of property, plant and equipment	21,980	–	21,980
Impairment of intangible assets	12,085	–	12,085
Impairment of right-of-use assets	1,729	–	1,729
Write-down of inventories to net realisable value	43,492	–	43,492
Fair value losses on investment properties	–	32,639	32,639
Reversal of product warranty	(1,493)	–	(1,493)
Depreciation and amortisation	32,974	–	32,974
Capital expenditure*	478,038	1,149	479,187

* Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets.

4 Operating Segment Information (Continued)

Geographical information

(a) Revenue from external customers

	2023	2022
	HK$'000	HK$'000
		(Restated)
Mainland China	**262,624**	268,265
Overseas	**44,739**	30,943
	307,363	299,208

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2023	2022
	HK$'000	HK$'000
Mainland China	**3,872,642**	3,716,334
Overseas	**113,608**	2,850
	3,986,250	3,719,184

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenue from major customers each individually amounting to 10% or more of the Group's revenue is as follows:

	Operating segment	**2023**	2022
		HK$'000	HK$'000
			(Restated)
Customer A	Mobile phone	**N/A***	45,477

* Customer A accounted for less than 10% of the Group's revenue for the year ended 31 December 2023.

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5 Revenue, Other Income and Gains

An analysis of revenue is as follows:

	2023 HK$'000	2022 HK$'000 (Restated)
Revenue from contracts with customers		
Sale of mobile phones and related accessories	**181,327**	180,735
Wireless application service income	**27,105**	26,898
	208,432	207,633
Revenue from other sources		
Revenue from cryptocurrencies business	**8,539**	–
Rental income from investment properties operating leases	**90,392**	91,575
	98,931	91,575
Total revenue	**307,363**	299,208

Revenue from contracts with customers

(i) Disaggregated revenue information

Mobile phone segment	2023 HK$'000	2022 HK$'000
Timing of revenue recognition:		
Goods and services transferred at a point of time	**208,432**	207,633

The following table shows the amount of revenue recognised in the current year that was included in the contract liabilities at the beginning of the reporting period:

	2023 HK$'000	2022 HK$'000
Sale of mobile phones and related accessories	**9,534**	18,152

No revenue recognised during the year related to performance obligations that were satisfied in prior years (2022: Nil).

5 Revenue, Other Income and Gains (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligation

Information about the Group's performance obligations is summarised below:

Sale of mobile phones and related accessories

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

Wireless application service

The performance obligation is satisfied when the specific installation and activation requirement has been met and payment is generally due within 30 days from satisfaction of the performance obligation.

Other income and gains

	2023	2022
	HK$'000	HK$'000
		(Restated)
Bank interest income	**1,398**	3,799
Government grants and subsidies*	**2,699**	13,877
	4,097	17,676
Gain on disposal of investment in a joint venture *(note 17)*	**79,316**	–
Gain on lease modification	**1,132**	–
Gain on termination of lease	**–**	2,817
Gain on debt restructuring**	**–**	32,172
Others	**11,306**	23,116
	95,851	75,781

* Government grants and subsidies represented refunds of VAT received from a tax bureau and grants received from certain finance bureaus to support certain of the Group's research and development activities. There are no unfulfilled conditions or contingencies relating to these grants and subsidies.

** During the year ended 31 December 2022, the Group completed a restructuring arrangement concerning certain receivables and an equity investment in prior years which were fully impaired. As a result, the Group recognised gain from restructuring arrangement of HK$32,172,000.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

6 Loss before Tax

The Group's loss before tax is arrived at after charging/(crediting):

	2023 HK$'000	2022 HK$'000 (Restated)
Cost of inventories sold	**188,699**	308,489
Depreciation of property, plant and equipment	**20,166**	21,118
Depreciation of right-of-use assets	**5,703**	5,323
Amortisation of intangible assets	**–**	6,533
Research and development costs*:		
Current year expenditure	**49,684**	167,743
Lease payments not included in the measurement of lease liabilities	**886**	1,521
Auditor's remuneration:		
Annual audit	**6,202**	3,031
Agreed-upon procedures	**600**	625
	6,802	3,656
Employee benefit expense (including directors' remuneration *(note 8)*):		
Wages and salaries	**80,228**	189,476
Staff welfare expenses	**2,586**	5,309
Pension scheme contributions (defined contribution scheme)	**9,474**	20,333
Equity-settled share option expense	**5,042**	3,569
	97,330	218,687
Reversal of impairment of trade receivables, net*	**(9,123)**	(5,959)
Impairment of right-of-use assets*	**–**	1,729
Impairment of property, plant and equipment and intangible assets*	**–**	34,065
Gain on disposal of items of property, plant and equipment#	**(182)**	(110)
Loss on disposal of an associate*	**15,749**	–
Gain on disposal of a joint venture#	**(79,316)**	–
Write-down of inventories to net realisable value, net&	**5,550**	43,492
Direct operating expenses arising on rental-earning investment properties*	**20,001**	17,946
(Reversal)/provision of product warranty@	**–**	(1,493)
Fair value losses on investment properties*	**49,263**	32,639
Valuation deficit upon transferral of investment properties from construction in progress*	**3,937**	–
Fair value losses on financial assets at fair value through profit or loss, net*	**14,646**	33,212

* Included in "Administrative and other operating expenses" in profit or loss

@ Included in "Selling and distribution expenses" in profit or loss

& Included in "Cost of sales" in profit or loss

Included in "Other income and gains" in profit or loss

7 Finance Costs

An analysis of finance costs is as follows:

	2023 HK$'000	2022 HK$'000
Interest on:		
Bank and other borrowings	**14,696**	15,124
An amount due to a related party	**–**	1,000
Interest on lease liabilities	**481**	849
	15,177	16,973
Less: capitalised in construction in progress	**(7,173)**	–
	8,004	16,973

8 Director's Remuneration

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

	2023 HK$'000	2022 HK$'000
Fees	**1,054**	1,260
Other emoluments:		
Salaries, allowances and benefits in kind	**6,831**	7,233
Equity-settled share option expense	**1,320**	1,357
Pension scheme contributions	**165**	161
	8,316	8,751
	9,370	10,011

* Certain executive directors of the Company are entitled to bonus payments which are determined by the performance of the Group and their departments. No such performance related bonuses are incurred and recognised during the years ended 31 December 2023 and 2022.

In prior years, certain directors were granted share options in respect of their services to the Group under the share option scheme of the Company, further details of which are set out in note 30 to the consolidated financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

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31 December 2023

8 Director's Remuneration (Continued)

(a) Independent non-executive directors

The fees paid to the Group's independent non-executive directors during the year were as follows:

	Fees	Equity-settled share option expense	Total remuneration
	HK$'000	HK$'000	HK$'000
2023			
Mr. CHIU Sin Nang Kenny*****	**360**	**–**	**360**
Mr. GUO Jinghui	**360**	**17**	**377**
Mr. NGAI Tsz Hin Michael*	**281**	**–**	**281**
Ms. WANG Guan****	**53**	**17**	**70**
	1,054	**34**	**1,088**
2022			
Mr. CHIU Sin Nang Kenny*****	360	–	360
Mr. GUO Jinghui	360	17	377
Mr. NGAI Tsz Hin Michael*	345	–	345
Mr. CHAN King Chung***	180	17	197
Dr. HUANG Dazhan**	15	17	32
	1,260	51	1,311

* Appointed as an independent non-executive director on 18 January 2022 and resigned on 11 November 2023.
** Resigned as an independent non-executive director on 18 January 2022.
*** Resigned as an independent non-executive director on 30 June 2022.
**** Appointed as an independent non-executive director on 11 November 2023.
***** Resigned as an independent non-executive director on 8 January 2024.

There were no other emoluments payable to the independent non-executive directors during the year (2022: Nil).

8 Director's Remuneration (Continued)

(b) Executive directors and non-executive directors

2023

	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Chief executive:				
Mr. CHEN Jiajun	4,406	–	84	4,490
Executive director:				
Mr. MA Fei	1,040	389	81	1,510
Non-executive directors:				
Mr. XU Yibo	360	582	–	942
Mr. LIANG Rui	665	288	–	953
Mr. NG Wai Hung	360	27	–	387
	1,385	897	–	2,282
	6,831	1,286	165	8,282

NOTES TO FINANCIAL STATEMENTS

31 December 2023

8 Director's Remuneration (Continued)

(b) Executive directors and non-executive directors (Continued)

2022

	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Chief executive:				
Mr. CHEN Jiajun	4,622	–	73	4,695
Executive directors:				
Mr. MA Fei	1,099	389	81	1,569
Mr. LAM Ting Fung Freeman*	100	20	–	120
	1,199	409	81	1,689
Non-executive directors:				
Mr. XU Yibo	354	582	7	943
Mr. LIANG Rui	698	288	–	986
Mr. NG Wai Hung	360	27	–	387
	1,412	897	7	2,316
	7,233	1,306	161	8,700

* Resigned as an executive director on 18 January 2022.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2022: Nil).

9 Five Highest Paid Employees

The five highest paid employees during the year included two directors (2022: one director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2022: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023 HK$'000	2022 HK$'000
Salaries, allowances and benefits in kind	**3,482**	9,103
Equity-settled share option expense	**14**	126
Pension scheme contributions	**340**	428
	3,836	9,657

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

	2023	2022
HK$1,000,001–HK$1,500,000	**2**	–
HK$1,500,001–HK$2,000,000	**1**	2
HK$2,500,001–HK$3,000,000	**–**	1
HK$3,000,001–HK$3,500,000	**–**	1
	3	4

During the year, no share options were granted to non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 30 to the consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

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10 Income Tax Credit

The Company is a tax exempted company registered in the Cayman Islands and conducts substantially all of its businesses through its subsidiaries established in Mainland China (the "PRC Subsidiaries").

No provision for Hong Kong profits tax has been made (2022: Nil) as the Group did not generate any assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group's subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

	2023	2022
	HK$'000	HK$'000
Current		
– corporate income tax	**(13)**	100
Deferred *(note 28)*	**(13,010)**	(3,882)
Total tax credit for the year	**(13,023)**	(3,782)

A reconciliation of the tax credit applicable to loss before tax at the statutory tax rate for the country in which the majority of the Company's subsidiaries are domiciled to the tax credit at the effective tax rate is as follows:

	2023	2022
	HK$'000	HK$'000
Loss before tax	**(234,015)**	(629,430)
Tax at the statutory tax rate	**(58,504)**	(157,357)
Effect of different tax rates for certain group entities	**5,844**	15,836
Tax losses utilised from prior periods	**(9,491)**	(3,227)
Income not taxable and expenses not deductible for tax	**13,133**	19,753
Additional deduction of research and development expenses	**(4,628)**	(25,348)
Effects of temporary differences	**–**	120
Tax losses not recognised	**40,623**	146,441
Tax credit at the Group's effective rate	**(13,023)**	(3,782)

10 Income Tax Credit (Continued)

The Group's PRC Subsidiaries are subject to corporate income tax ("CIT") at a rate of 25%. Certain subsidiaries of the Group operating in Mainland China are eligible for certain tax concessions. Major tax concessions applicable to those entities are detailed as follows:

(a) SZ Coolpad Technologies, the Company's wholly-owned subsidiary, was assessed and recognised as a high-technology enterprise in December 2022, and was subject to CIT at a rate of 15% for three years from 2022 to 2024. In this regard, SZ Coolpad Technologies was subject to CIT at a rate of 15% (2022: 15%) for the year ended 31 December 2023.

(b) Yulong Shenzhen, the Company's wholly-owned subsidiary, was assessed and recognised as a high-technology enterprise in December 2021, and is subject to CIT at a rate of 15% for three years from 2021 to 2023. Therefore, Yulong Shenzhen was subject to CIT at a rate of 15% (2022: 15%) for the year ended 31 December 2023.

(c) Nanjing Coolpad Software Tech Co., Ltd., the Company's wholly-owned subsidiary, was assessed and recognised as a high-technology enterprise in December 2023, and is subject to CIT at a rate of 15% for three years from 2023 to 2025. Therefore, Nanjing Coolpad Software Tech Co., Ltd. was subject to CIT at a rate of 15% (2022: 25%) for the year ended 31 December 2023.

11 Dividend

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

12 Loss per share Attributable to owners of the Company

The calculation of basic loss per share amounts is based on the loss for the year attributable to owners of the Company and the weighted average number of ordinary shares of 14,389,640,832 (2022: 13,642,225,730) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2023 and 2022 in respect of a dilution as the impact of the share options and warrants outstanding had no dilutive effect on the basic loss per share amount presented.

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31 December 2023

13 Property, Plant and Equipment

31 December 2023

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Cryptocurrencies business related assets HK$'000	Construction in progress HK$'000	Total HK$'000
Cost or valuation:							
At 1 January 2023	187,526	3,553	175,275	8,719	–	842,088	1,217,161
Additions	774	510	5,226	1,472	27,794	531,959	567,735
Surplus on revaluation	(10,287)	–	–	–	–	–	(10,287)
Disposals	–	–	(2,978)	(11)	–	–	(2,989)
Transfer to investment properties	–	–	–	–	–	(1,190,995)	(1,190,995)
Exchange realignment	(3,870)	(54)	(2,211)	(123)	–	(15,359)	(21,617)
At 31 December 2023	174,143	4,009	175,312	10,057	27,794	167,693	559,008
Accumulated depreciation and impairment:							
At 1 January 2023	–	3,553	171,525	8,719	–	–	183,797
Depreciation provided during the year	14,861	57	3,760	158	1,330	–	20,166
Revalutation	(14,861)	–	–	–	–	–	(14,861)
Disposals	–	–	(2,978)	(11)	–	–	(2,989)
Exchange realignment	–	(54)	(2,147)	(122)	–	–	(2,323)
At 31 December 2023	–	3,556	170,160	8,744	1,330	–	183,790
Net book value:							
At 31 December 2023	174,143	453	5,152	1,313	26,464	167,693	375,218

13 Property, Plant and Equipment (Continued)

31 December 2022

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Cryptocurrencies business related assets HK$'000	Construction in progress HK$'000	Total HK$'000
Cost or valuation:							
At 1 January 2022	219,673	17,950	172,152	9,440	–	444,222	863,437
Additions	–	–	20,749	12	–	457,168	477,929
Deficit on revaluation	(15,364)	–	–	–	–	–	(15,364)
Disposals	–	(15,730)	(3,152)	–	–	–	(18,882)
Transfers	1,264	2,319	–	–	–	(3,583)	–
Exchange realignment	(18,047)	(986)	(14,474)	(733)	–	(55,719)	(89,959)
At 31 December 2022	187,526	3,553	175,275	8,719	–	842,088	1,217,161
Accumulated depreciation and impairment:							
At 1 January 2022	–	17,950	165,686	4,911	–	–	188,547
Depreciation provided during the year	15,334	193	4,855	736	–	–	21,118
Revaluation	(15,334)	–	–	–	–	–	(15,334)
Impairment	–	2,041	16,516	3,423	–	–	21,980
Disposals	–	(15,730)	(2,110)	–	–	–	(17,840)
Exchange realignment	–	(901)	(13,422)	(351)	–	–	(14,674)
At 31 December 2022	–	3,553	171,525	8,719	–	–	183,797
Net book value:							
At 31 December 2022	187,526	–	3,750	–	–	842,088	1,033,364

13 Property, Plant and Equipment (Continued)

The properties in Dongguan were completed and inspected on 31 December 2023 and had been transferred from construction in progress to investment properties for rental purpose. As at 31 December 2023, these investment properties were revalued based on valuations performed by BonVision International Appraisals Limited, an independent professionally qualified valuers, at HK$1,206,082,000. As a result, the Group recorded a deficit on valuation of HK$3,937,000 debit to profit or loss for the current year.

At 31 December 2023, the Group had yet to obtain building ownership certificates for certain buildings with a net book value of approximately HK$26,575,000 (2022: HK$25,937,000).

The Group's buildings in relation to industrial properties and commercial properties were revalued individually at the end of the reporting period by Debenham Tie Leung Limited and Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent professionally qualified valuers, at an aggregate open market value of HK$173,045,000 (2022: HK$186,293,000) as at 31 December 2023 based on their existing use. As a result, the Group recorded a surplus on revaluation of HK$4,574,000 credited to other comprehensive income for the current year (2022: revaluation deficit of HK$30,000 debited to other comprehensive income).

As at 31 December 2023, certain property, plant and equipment of the Group with a net carrying value of HK$70,697,000 (2022: Nil) were pledged as security for the Group's loan from a bank and nil property, plant and equipment was pledged as security for the Group's loan from a third party (2022: HK$109,049,000). Further details are set out in note 27 to the consolidated financial statements.

As at 31 December 2023, included in the Group's property, plant and equipment, buildings with a carrying amount of HK$174,143,000 (2022: HK$187,526,000) were stated at fair value using revaluation model. The carrying amount that would have been recognised if the respective buildings had been carried under the cost model was HK$104,723,000 (2022: HK$119,624,000). The remaining property, plant and equipment (including construction in progress) with a carrying amount of HK$201,075,000 (2022: HK$845,838,000) were carried at historical cost.

13 Property, Plant and Equipment (Continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's buildings stated at revalued amounts:

	Fair value measurement at 31 December 2023 using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Recurring fair value measurement for:				
Industrial properties	**–**	**–**	**102,348**	**102,348**
Commercial properties	**–**	**–**	**70,697**	**70,697**
Others	**–**	**–**	**1,098**	**1,098**
	–	**–**	**174,143**	**174,143**

	Fair value measurement at 31 December 2022 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Industrial properties	–	–	109,049	109,049
Commercial properties	–	–	77,244	77,244
Others	–	–	1,233	1,233
	–	–	187,526	187,526

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

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31 December 2023

13 Property, Plant and Equipment (Continued)

Fair value hierarchy (Continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Others	Commercial properties	Industrial properties	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Carrying amount at 1 January 2022	1,473	88,430	129,770	219,673
Transfer from construction in progress	–	1,264	–	1,264
Depreciation provided during the year	(120)	(4,065)	(11,149)	(15,334)
Revaluation (deficit)/surplus recognised in other comprehensive income	–	(1,047)	1,017	(30)
Exchange realignment	(120)	(7,338)	(10,589)	(18,047)
Carrying amount at 31 December 2022 and 1 January 2023	**1,233**	**77,244**	**109,049**	**187,526**
Depreciation provided during the year	**(114)**	**(3,905)**	**(10,842)**	**(14,861)**
Addition	**–**	**774**	**–**	**774**
Revaluation (deficit)/surplus recognised in other comprehensive income	**–**	**(1,091)**	**5,665**	**4,574**
Exchange realignment	**(21)**	**(2,325)**	**(1,524)**	**(3,870)**
Carrying amount at 31 December 2023	**1,098**	**70,697**	**102,348**	**174,143**

13 Property, Plant and Equipment (Continued)

Fair value hierarchy (Continued)

Set out below is a summary of the valuation technique used and the key inputs to the valuation of buildings:

	Valuation technique	Significant unobservable inputs	Range or weighted average 2023	Range or weighted average 2022	Effect on fair value for increase of inputs
Commercial properties	Depreciated replacement cost ("DRC") approach	a. Construction cost (RMB/sq.m.)	**a. 7,260**	a. 7,540	Decrease
		b. Administrative expense rate	**b. 2%**	b. 2%	Decrease
		c. Unpredictable expense rate	**c. 5%**	c. 5%	Decrease
		d. Rate of newness	**d. 95%**	d. 96% to 97%	Increase
Industrial properties	DCR approach	a. Construction cost (RMB/sq.m.)	**a. 1,112 to 3,358**	a. 1,134 to 3,427	Decrease
		b. Administrative expense rate	**b. 2%**	b. 2%	Decrease
		c. Unpredictable expense rate	**c. 3%**	c. 3%	Decrease
		d. Rate of newness	**d. 71%**	d. 73%	Increase

The Group has determined that the highest and best use of the buildings at the measurement date would be to convert those properties for commercial purposes. For strategic reasons, the properties are not being used in this manner.

The DRC approach requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures from which deductions are then made to allow for the age, condition and functional obsolescence.

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14 Investment Properties

	2023 HK$'000	2022 HK$'000
Carrying amount at 1 January	**2,143,745**	2,375,184
Transferred from right-of-use assets	**19,024**	–
Transferred from construction in progress	**1,190,995**	–
Deficit on revaluation recognised in profit or loss upon transferral from right-of-use assets and construction in progress	**(3,937)**	–
Addition	**7,581**	1,149
Net loss from a fair value adjustment recognised in profit or loss	**(49,263)**	(32,639)
Exchange realignment	**(45,019)**	(199,949)
Carrying amount at 31 December	**3,263,126**	2,143,745

The properties in Dongguan were completed and inspected on 31 December 2023 and had been transferred from construction in progress to investment properties for rental purpose. As at 31 December 2023, these investment properties were revalued based on valuations performed by BonVision International Appraisals Limited, an independent professionally qualified valuer, at HK$1,206,082,000. As a result, the Group recorded a deficit on valuation of HK$3,937,000 debit to profit or loss for the current year.

The Group's investment properties consist of one commercial property and certain industrial properties in Mainland China. The Group's investment properties were revalued on 31 December 2023 based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, Debenham Tie Leung Limited and BonVision International Appraisals Limited, independent professionally qualified valuers, at HK$3,322,698,000. Each year, the Group's property manager and the chief financial officer decide on the appointment of external valuers for the valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's property manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

As at 31 December 2023, the market value of the Group's investment properties, as determined by the Group's external valuer, differs from the net book value presented in the consolidated statement of financial position due to the Group presenting lease incentives of HK$59,572,000 (2022: HK$55,433,000) as other non-current assets in note 22 separately.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 15 to the consolidated financial statements.

As at 31 December 2023, certain investment properties of the Group with a carrying value of HK$1,558,893,000 (2022: Nil) were pledged as security for the Group's loan from a bank and there was no investment property was pledged as security for the Group's loan from a third party (2022: HK$529,694,000). Further details are set out in note 27 to the consolidated financial statements.

14 Investment Properties (Continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement at 31 December 2023 using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Recurring fair value measurement for:				
Commercial properties	**–**	**–**	**1,558,893**	**1,558,893**
Industrial properties	**–**	**–**	**1,704,233**	**1,704,233**
	–	**–**	**3,263,126**	**3,263,126**

	Fair value measurement at 31 December 2022 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Commercial properties	–	–	1,614,051	1,614,051
Industrial properties	–	–	529,694	529,694
	–	–	2,143,745	2,143,745

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2022: Nil).

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14 Investment Properties (Continued)

Fair value hierarchy (Continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial property	Industrial properties	Total
	HK$'000	HK$'000	HK$'000
Carrying amount at 1 January 2022	1,785,862	589,322	2,375,184
Additions	977	172	1,149
Net losses from a fair value adjustment recognised in profit or loss *(note 6)*	(22,358)	(10,281)	(32,639)
Exchange realignment	(150,430)	(49,519)	(199,949)
Carrying amount at 31 December 2022 and 1 January 2023	**1,614,051**	**529,694**	**2,143,745**
Transferred from right-of-use assets	**–**	**19,024**	**19,024**
Transfer from construction in progress	**–**	**1,190,995**	**1,190,995**
Deficit on revaluation recognised in profit or loss upon transferral from right-of-use assets and construction in progress	**–**	**(3,937)**	**(3,937)**
Additions	**6,274**	**1,307**	**7,581**
Net losses from a fair value adjustment recognised in profit or loss *(note 6)*	**(23,793)**	**(25,470)**	**(49,263)**
Exchange realignment	**(37,639)**	**(7,380)**	**(45,019)**
Carrying amount at 31 December 2023	**1,558,893**	**1,704,233**	**3,263,126**

14 Investment Properties (Continued)

Fair value hierarchy (Continued)

Set out below is a summary of the valuation technique used and the key inputs to the valuation of investment properties:

	Valuation technique	Significant unobservable inputs	Range or weighted average 2023*	Range or weighted average 2022
Commercial properties	Investment approach	a. Market monthly rental (RMB/sq.m.)	**a. 73 to 182**	a. 73 to 184
		b. Discount rate	**b. 3% to 5.5%**	b. 3% to 5.5%
Industrial properties	Investment approach	a. Market monthly rental (RMB/sq.m.)	**a. 18 to 29**	a. 18 to 40
		b. Discount rate	**b. 4% to 5.5%**	b. 4% to 6.0%

* The investment properties as at 31 December 2023 and 2022 represented the manufacturing buildings and dormitories held for lease located in Dongguan City, the PRC and the commercial buildings held for lease located in Shenzhen City, the PRC.

The valuer adopted the investment approach to identify the property value by capitalising the rental income with due provisions for reversionary potential with a discount rate being determined by referring to sales evidence as available in the relevant market.

A significant increase (decrease) in the market monthly rental would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the discount rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

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15 Leases

The Group as a lessee

The Group has lease contracts for various items of machinery, equipment, office equipment and computers used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 30 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of properties generally have lease terms between 1 to 5 years. Other equipment and machinery generally have lease terms of 12 months or less and/or is individually of low value.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land	**Properties**	**Total**
	HK$'000	HK$'000	HK$'000
As at 1 January 2022	83,122	15,227	98,349
Additions	–	3,939	3,939
Termination	–	(254)	(254)
Depreciation charge	(2,358)	(2,965)	(5,323)
Impairment	–	(1,729)	(1,729)
Exchange realignment	(6,947)	(1,195)	(8,142)
As at 31 December 2022 and 1 January 2023	**73,817**	**13,023**	**86,840**
Transfer to investment properties	**(19,024)**	**–**	**(19,024)**
Modification	**–**	**(4,148)**	**(4,148)**
Depreciation charge	**(2,169)**	**(3,534)**	**(5,703)**
Exchange realignment	**(1,118)**	**(162)**	**(1,280)**
As at 31 December 2023	**51,506**	**5,179**	**56,685**

As at 31 December 2023, certain of the Group's leasehold land with a net carrying value of HK$14,001,000 (2022: Nil) was pledged as security for the Group's loan from a bank and there was no leasehold land pledged as security for the Group's loan from a third party (2022: HK$23,231,000). Further details are set out in note 27 to the consolidated financial statements.

15 Leases (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023 HK$'000	2022 HK$'000
Carrying amount as at 1 January	**14,531**	17,284
New leases	**–**	3,939
Accretion of interest recognised during the year	**481**	849
Modification	**(5,280)**	–
Termination	**–**	(3,071)
Payments	**(3,750)**	(3,224)
Exchange realignment	**(529)**	(1,246)
Carrying amount as at 31 December	**5,453**	14,531
Analysis into:		
Current portion	**2,875**	4,587
Non-current portion	**2,578**	9,944
	5,453	14,531

The maturity analysis of lease liabilities is disclosed in note 38 to the consolidated financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023 HK$'000	2022 HK$'000
Interest on lease liabilities	**481**	849
Depreciation charge of right-of-use assets	**5,703**	5,323
Expense relating to short-term leases (included in selling expense and administrative expenses)	**886**	1,521
Gain on lease modification	**1,132**	–
Gain on termination of lease	**–**	2,817

(d) The total cash outflow for leases is disclosed in note 31(b) to the consolidated financial statements. As disclosed in note 34 to the consolidated financial statements, there were no future cash outflows relating to leases that have not yet commenced as at 31 December 2023.

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15 Leases (Continued)

The Group as a lessor

The Group leases its investment properties (note 14) consisting of one commercial property and certain industrial properties in Mainland China under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK$90,392,000 (2022: HK$91,575,000), details of which are included in note 5 to the consolidated financial statements.

At 31 December 2023, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023	2022
	HK$'000	HK$'000
Within one year	**66,267**	84,664
After one year but within five years	**226,646**	274,950
After five years	**286,440**	379,584
	579,353	739,198

16 Intangible Assets

31 December 2023 and 2022

	Product development costs	**Patents and licences**	**Computer software**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Cost:				
At 1 January 2022	471,618	39,911	15,645	527,174
Additions	–	50	59	109
Exchange realignment	(36,736)	(3,383)	(1,325)	(41,444)
At 31 December 2022, 1 January 2023 and 31 December 2023	**434,882**	**36,578**	**14,379**	**485,839**
Accumulated amortisation and impairment:				
At 1 January 2022	471,618	22,498	13,119	507,235
Provided during the year	–	5,701	832	6,533
Impairment	–	10,474	1,611	12,085
Exchange realignment	(36,736)	(2,095)	(1,183)	(40,014)
At 31 December 2022, 1 January 2023 and 31 December 2023	**434,882**	**36,578**	**14,379**	**485,839**
Net carrying amount:				
At 31 December 2023	**–**	**–**	**–**	**–**
At 31 December 2022	–	–	–	–

17 Investments in a Joint Venture

	2023 HK$'000	2022 HK$'000
Share of net assets	–	48,184
Goodwill	–	8,318
	–	56,502

The Group's balances with a joint venture are disclosed in note 35(a) to the consolidated financial statements.

Particulars of the Group's material joint venture at 31 December 2023 and 31 December 2022 are as follows:

Name	Place of registration and business	Fully paid-up capital	Proportion of ownership interest, voting power and profit sharing 2023	2022	Principal activities
Dongguan Coolpad Tian'an Investment Development Co., Ltd. ("Dongguan Tian'an")	PRC/Mainland China	RMB136,000,000	–	50%	Investment holding and property development

Dongguan Tian'an

On 21 June 2016, the Group established Dongguan Tian'an with an independent third party whereby the Group and the independent third party each own 50% equity interest in Dongguan Tian'an. Certain assets, including a parcel of land and certain buildings under construction, were contributed by the Group as its investment in Dongguan Tian'an.

Dongguan Tian'an is engaged in investment holding and property development. Dongguan Tian'an is considered a material joint venture of the Group and is accounted for using the equity method.

On 25 September 2023, the Group entered into an equity transfer agreement with an independent third party and agreed to sell 50% equity interests in Dongguan Tian'an at a total consideration of RMB 80 million. The disposal has been completed on 25 September 2023 ("JV Disposal Date"). As a result, the Group recognised a gain on disposal of a joint venture of HK$79,316,000 upon the disposal of Dongguan Tian'an, calculated as the difference between the net disposal proceeds and the carrying amount of Dongguan Tian'an.

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17 Investments in a Joint Venture (Continued)

Dongguan Tian'an (Continued)

The following table illustrates the summarised financial information in respect of Dongguan Tian'an adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2022
	HK$'000
Cash and cash equivalents	13,653
Properties under development	512,489
Other current assets	1,645
Current assets	527,787
Investment property	808,322
Other non-current assets	367
Non-current assets	808,689
Other payables and accruals	(246,062)
Other current liabilities	(906,080)
Current liabilities	(1,152,142)
Non-current liabilities	(87,966)
Net assets	96,368
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	50%
Group's share of net assets of the joint venture	48,184
Goodwill	8,318
Carrying amount of the investment	56,502

17 Investments in a Joint Venture (Continued)

Dongguan Tian'an (Continued)

	From 1 January 2023 to JV Disposal Date HK$'000	For the year ended 31 December 2022 HK$'000
Revenue	**16,072**	26,514
Loss for the year	**(95,627)**	(154,064)
Other comprehensive loss for the period/year	**(1,646)**	(20,840)
Total comprehensive loss for the period/year	**(97,273)**	(174,904)

18 Investments in Associates

	2023 HK$'000	2022 HK$'000
Share of net assets	**235,431**	396,109
Goodwill	**1,201,710**	1,201,710
	1,437,141	1,597,819
Accumulated impairment	**(1,256,992)**	(1,256,992)
	180,149	340,827

The Group's balances with associates are disclosed in note 35(a) to the consolidated financial statements.

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18 Investments in Associates (Continued)

Particulars of the Group's material associates are as follows:

Name	Place of registration and business	Fully paid-up capital	Percentage of ownership interest attributable to the Group 2023	2022	Principal activities
Coolpad E-commerce Group	Cayman Islands	US$20	**25%**	25%	Investment holding
Nanjing Yulong Weixin Information Scientific Limited ("Nanjing Yulong")	PRC/Mainland China	–	**–**	20%	Property development

On 25 September 2023, the Group entered into an equity transfer agreement with an independent third party and agreed to sell 20% equity interests in Nanjing Yulong at a total consideration of RMB60 million. Pursuant to the equity transfer agreement, Nanjing Yulong shall also repay a shareholder's loan in the amount of approximately RMB2.48 million (equivalent to HK$2.76 million) to the Group. The disposal has been completed on 25 September 2023 ("Associate Disposal Date"). As a result, the Group recognized a loss on disposal of an associate of HK$15,749,000 upon the disposal of Nanjing Yulong, calculated as the difference between the net disposal proceeds and the carrying amounts of the associate.

18 Investments in Associates (Continued)

The following table illustrates the summarised financial information in respect of Coolpad E-commerce Group and Nanjing Yulong adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

Coolpad E-commerce Group

	2023	2022
	HK$'000	HK$'000
Cash and cash equivalents	**240,520**	529,108
Other current assets	**619,225**	522,270
Current assets	**859,745**	1,051,378
Non-current assets	**107,395**	87,880
Trade payables	**(38,359)**	(72,725)
Other current liabilities	**(361,387)**	(370,853)
Total current liabilities	**(399,746)**	(443,578)
Non-current liabilities	**(4,193)**	(4,254)
Net assets	**563,201**	691,426
Non-controlling interests	**(16,770)**	(28,498)
Equity attributable to owners of Coolpad E-commerce Group	**546,431**	662,928
Reconciliation to the Group's interests in Coolpad E-commerce Group:		
Proportion of the Group's ownership	**25%**	25%
Group's share of net assets of Coolpad E-commerce Group	**136,608**	165,732
Goodwill on acquisition (less cumulative impairment)	**166**	166
Carrying amount of the investment	**136,774**	165,898
Revenue	**187,888**	292,889
Loss for the year	**(103,845)**	(53,777)
Other comprehensive loss for the year	**(12,653)**	(68,023)
Total comprehensive loss for the year	**(116,498)**	(121,800)

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18 Investments in Associates (Continued)

Nanjing Yulong

	2022 HK$'000
Cash and cash equivalents	30,478
Other current assets	31,485
Current assets	61,963
Investment properties	1,097,317
Other non-current assets	10,405
Non-current assets	1,107,722
Trade payables	(71,242)
Other current liabilities	(39,944)
Current liabilities	(111,186)
Interest-bearing other borrowings	(429,659)
Other non-current liabilities	(122,385)
Non-current liabilities	(552,044)
Net assets	506,455
Reconciliation to the Group's interests in Nanjing Yulong:	
Proportion of the Group's ownership	20%
Group's share of net assets of the associate	101,292
Carrying amount of the investment	101,292

18 Investments in Associates (Continued)

Nanjing Yulong (Continued)

	From 1 January 2023 to Associate Disposal Date HK$'000	For the year ended 31 December 2022 HK$'000
Revenue	64,451	88,239
(Loss)/profit for the period/year	(91,336)	46,007
Other comprehensive loss for the period/year	(11,378)	(44,620)
Total comprehensive (loss)/income for the period/year	(102,714)	1,387

As at 31 December 2022, the Group's 20% share in the investment in an associate, Nanjing Yulong, with a carrying value of HK$101,292,000 was pledged as security for a shareholder loan of this associate.

Other individually immaterial associates

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2023 HK$'000	2022 HK$'000
Share of associates' loss for the year	(28,313)	(2,975)
Share of associates' total comprehensive loss for the year	(28,313)	(2,975)
Aggregate carrying amount of the Group's investments in associates	43,375	73,637

19 Inventories

	2023 HK$'000	2022 HK$'000
Raw materials	18,599	1,562
Work in progress	1,888	297
Finished goods	56,007	53,889
	76,494	55,748

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20 Cryptocurrencies

	2023 HK$'000	2022 HK$'000
Bitcoin	**8,539**	–

21 Trade Receivables

	2023 HK$'000	2022 HK$'000
Trade receivables	**70,422**	67,263
Accumulated impairment	**(10,334)**	(20,606)
	60,088	46,657

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. In the case of long-standing customers and those with a good repayment history, the Group may offer these customers with a credit period of 30 to 90 days. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the transaction date, is as follows:

	2023 HK$'000	2022 HK$'000
Within 3 months	**57,346**	31,271
4 to 6 months	**335**	2,812
7 to 12 months	**65**	14,857
Over 1 year	**12,676**	18,323
	70,422	67,263
Less: Accumulated impairment	**(10,334)**	(20,606)
	60,088	46,657

21 Trade Receivables (Continued)

The movements in the loss allowance for impairment of trade receivables are as follows:

	2023 HK$'000	2022 HK$'000
At 1 January	**20,606**	215,868
Reversal of impairment, net *(note 6)*	**(9,123)**	(5,959)
Amount written off as uncollectible	**(1,061)**	(189,700)
Exchange realignment	**(88)**	397
At 31 December	**10,334**	20,606

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2023

	Ageing			
	Within 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate	**0.41%–19.53%**	**27.95%**	**83.41%**	
Gross carrying amount (HK$'000)	**57,746**	**5,323**	**7,353**	**70,422**
Expected credit losses (HK$'000)	**2,713**	**1,488**	**6,133**	**10,334**

As at 31 December 2022

	Ageing			
	Within 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate	0.38%–31.21%	100%	100%	
Gross carrying amount (HK$'000)	48,940	4,925	13,398	67,263
Expected credit losses (HK$'000)	2,283	4,925	13,398	20,606

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22 Prepayments, Deposits and Other Receivables

	2023 HK$'000	2022 HK$'000
Prepayments for suppliers*	**38,111**	5,563
Lease incentives *(note 14)*	**59,572**	55,433
Deposits and other receivables****	**33,289**	3,993
Deductible input VAT	**18,243**	34,756
Prepayment for the purchase of property, plant and equipment**	**30,348**	–
Proceed receivable in relation to disposal of an associate***	**22,070**	–
Prepaid expenses	**2,262**	2,474
	203,895	102,219
Non-current portion	**(112,535)**	(59,303)
	91,360	42,916

Deposits and other receivables mainly represent rental deposits and deposits with suppliers. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied where there are no comparable companies as at 31 December 2023 was 0.1% (2022: 0.1%).

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2023 and 2022, the loss allowance was assessed to be minimal.

* The prepayments for suppliers represent the prepayment to suppliers in the mobile phone segment. The amount was utilized subsequent to the reporting period.

** The prepayment for the purchase of property, plant and equipment was related to the cryptocurrencies business. These assets were physically received by the Group from relevant suppliers, and had been in use subsequent to the reporting period.

*** The receivables represent the proceed receivable in relation to disposal of an associate, Nanjing Yulong. The amount has been fully settled subsequent to the reporting period.

**** Included in the deposits and other receivables HK$18,890,000 of deposits and other receivables represent the deposits of hosting services related to cryptocurrencies business related assets. The period of hosting services are 36–60 months and the deposits are refundable upon service completion.

23 Financial Assets at Fair Value through Profit or Loss

	2023 HK$'000	2022 HK$'000
Non-current:		
Other unlisted investments, at fair value	**4,747**	96,059
Current:		
Other unlisted investments, at fair value	**83,714**	13,783
	88,461	109,842

The above unlisted investments of HK$88,461,000 (2022: HK$109,842,000) were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

The fair value measurement of the financial assets at fair value through profit or loss are disclosed in note 37 of the consolidated financial statements.

Unlisted investments of HK$83,216,000 as at 31 December 2023 (2022: HK$86,343,000) represents the investment in two investment funds. Subsequent to 31 December 2023, these two unlisted investment funds had been disposed with aggregated consideration of HK$82,000,000.

24 Cash and Cash Equivalents and Pledged Deposits

	2023 HK$'000	2022 HK$'000
Cash and bank balances	**63,547**	234,717
Time deposits	**59,751**	59,408
	123,298	294,125
Less: Pledged deposits for:	**(59,751)**	(59,408)
Cash and cash equivalents	**63,547**	234,717

At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB amounted to approximately HK$49,741,000 (2022: HK$106,273,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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24 Cash and Cash Equivalents and Pledged Deposits (Continued)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

25 Trade Payables

An ageing analysis of the trade payables as at the end of the reporting period, based on the transaction date, is as follows:

	2023 HK$'000	2022 HK$'000
Within 3 months	**117,615**	93,694
4 to 6 months	**19**	9,201
7 to 12 months	**7**	2,682
Over 1 year	**34,458**	33,373
	152,099	138,950

The trade payables are non-interest bearing and are normally settled on terms of 30 to 60 days.

26 Other Payables and Accruals

	Notes	2023 HK$'000	2022 HK$'000
Accrued royalties		**349,840**	384,775
Contract liabilities	*(a)*	**15,304**	12,211
Product warranty provision	*(b)*	**15,741**	15,083
Refund liabilities		**52,928**	54,684
Accrued construction costs		**351,953**	437,112
Accrued staff costs and benefits expenses		**14,598**	22,890
Other accruals		**27,077**	19,615
Other payables		**326,602**	248,832
		1,154,043	1,195,202

Other payables and accruals are non-interest bearing and repayable on demand.

26 Other Payables and Accruals (Continued)

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2023 HK$'000	31 December 2022 HK$'000	1 January 2022 HK$'000
Short-term advances received from customers			
Sale of mobile phones and related accessories	**15,304**	12,211	20,570

Contract liabilities include short-term advances received to deliver mobile phones and accessories and service warranty. The decrease in contract liabilities in 2023 and 2022 was mainly due to the decrease in short-term advances received from customers in relation to the sale of goods close to the end of the year.

(b) The movements in the product warranty provision are as follows:

	2023 HK$'000	2022 HK$'000
At 1 January	**15,083**	18,269
Reversal of provision	**–**	(1,493)
Amounts utilised during the year	**–**	(644)
Exchange realignment	**658**	(1,049)
At 31 December	**15,741**	15,083

The Group provides one-year warranties for its products sold to overseas customers, under which faulty products are repaired or replaced. The amount of the warranty provision is estimated based on the sales volume and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised, where appropriate.

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27 Interest-bearing Bank and Other Borrowings

	31 December 2023			31 December 2022		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Other borrowings						
– secured	–	–	–	7.0	On demand	177,929
Bank borrowings						
– secured	3.2	2024	101,568	–	–	–
			101,568			177,929
Non-current						
Bank borrowings						
– secured	Prime rate -0.8%	2038	441,086	–	–	–
			542,654			177,929

	2023 HK$'000	2022 HK$'000
Analysed into other borrowings:		
Within one year or on demand	101,568	177,929
Analysed into bank borrowings:		
After five years	441,086	–
	542,654	177,929

Notes:

(a) At 31 December 2023, the Group's bank and other borrowings of HK$441,086,000 (2022: Nil) bore interest at floating rates.

(b) At 31 December 2023 and 2022, all bank and other borrowings are denominated in RMB.

(c) Save as disclosed in notes 13, 14 and 15 to the consolidated financial statements, the Group's other borrowings are secured by certain property, plant and equipment, investment properties and right-of-use assets of the Group with a carrying value of Nil (2022: HK$109,049,000), Nil (2022: HK$529,694,000) and Nil (2022: HK$23,231,000) as at 31 December 2023, respectively.

(d) Save as disclosed in notes 13, 14 and 15 to the consolidated financial statements, the Group's bank borrowings are secured by certain property, plant and equipment, investment properties and right-of-use assets of the Group with a carrying value of HK$70,697,000 (2022: Nil), HK$1,558,893,000 (2022: Nil) and HK$14,001,000 (2022: Nil) and 75% shareholding interests of Dongguan Yulong Telecommunication Tech Co., Ltd as at 31 December 2023, respectively.

28 Deferred Tax

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Revaluation of buildings HK$'000	Others HK$'000	Total HK$'000
At 1 January 2022	380,531	1,866	382,397
Credited to equity during the year	(7)	–	(7)
Credited to profit or loss for the year *(note 10)*	(3,989)	–	(3,989)
Exchange realignment	(32,076)	–	(32,076)
At 31 December 2022 and 1 January 2023	**344,459**	**1,866**	**346,325**
Charged to equity during the year	**1,143**	**–**	**1,143**
Credited to profit or loss for the year *(note 10)*	**(11,430)**	**(1,866)**	**(13,296)**
Exchange realignment	**(4,853)**	**–**	**(4,853)**
At 31 December 2023	**329,319**	**–**	**329,319**

Deferred tax assets

	Deductible amortisation allowance HK$'000
At 1 January 2022	427
Charged to profit or loss for the year *(note 10)*	(107)
Exchange differences	(31)
At 31 December 2022 and 1 January 2023	**289**
Charged to profit or loss for the year *(note 10)*	**(286)**
Exchange differences	**(3)**
At 31 December 2023	**–**

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28 Deferred Tax (Continued)

Deferred tax liabilities not recognised

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by the PRC subsidiaries in respect of their earnings generated from 1 January 2008.

At 31 December 2023, the Group has not recognised deferred tax liabilities of HK$256,057,000 (2022: HK$259,247,000) in respect of temporary differences relating to the undistributed profits of subsidiaries, amounting to HK$2,560,567,000 (2022: HK$2,592,469,000), that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and determines that it is not probable that these profits will be distributed in the foreseeable future.

Deferred tax assets not recognised

Deferred tax assets have not been recognised in respect of the following items:

	2023 HK$'000	2022 HK$'000
Tax losses	**1,777,225**	1,652,697
Deductible temporary differences	**329,239**	329,239
	2,106,464	1,981,936

The Group had total accumulated tax losses arising in Mainland China, United States and Hong Kong of HK$1,777,225,000 (2022: HK$1,652,697,000) for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that sufficient taxable profits will be available against which the above items can be utilised.

29 Share Capital and Reserves

(a) Share capital

	2023	2022
	HK$'000	HK$'000
Authorised:		
20,000,000,000 (2022: 20,000,000,000) ordinary shares of HK$0.01 each	**200,000**	200,000
Issued and fully paid:		
16,381,007,955 (2022: 13,651,007,955) ordinary shares of HK$0.01 each	**163,810**	136,510

A summary of the transactions during the year with reference to the movements in the Company's issued share capital is as follows:

	Number of shares in issue	**Share capital**	**Share premium account**	**Total**
		HK$'000	HK$'000	HK$'000
At 1 January 2022	12,105,019,955	121,050	2,978,703	3,099,753
Issue of shares upon private placement *(note (i))*	1,700,000,000	17,000	459,000	476,000
Shares repurchased *(note (ii))*	(154,012,000)	(1,540)	(22,091)	(23,631)
Share issue expenses	–	–	(5,019)	(5,019)
At 31 December 2022 and 1 January 2023	**13,651,007,955**	**136,510**	**3,410,593**	**3,547,103**
Issue of shares upon private placement *(note (iii))*	**2,730,000,000**	**27,300**	**62,790**	**90,090**
Share issue expenses	**–**	**–**	**(485)**	**(485)**
At 31 December 2023	**16,381,007,955**	**163,810**	**3,472,898**	**3,636,708**

NOTES TO FINANCIAL STATEMENTS

31 December 2023

29 Share Capital and Reserves (Continued)

(a) Share capital (Continued)

Notes:

(i) On 14 January 2022, 800,000,000 shares were issued by the Group to Elite Mobile Limited, being a company 100% owned by the Chairman of the Board and the chief executive officer of the Company, at the subscription price of HK$0.28 per share, resulting in the issue of 800,000,000 shares for a total consideration, before expense, of HK$224 million.

On 14 January 2022 and 28 January 2022, 300,000,000 and 600,000,000 shares were issued by the Group to two independent third parties respectively at the subscription price of HK$0.28 per share, resulting in the issue of 900,000,000 shares for a total consideration, before expense, of HK$252 million.

(ii) The Company purchased 154,012,000 of its shares on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") at a total consideration of HK$23,631,000. The purchased shares were cancelled during the year 2022 and the total amount paid for the purchase of the shares has been charged to share capital and share premium account of the Company.

(iii) On 21 September 2023, 26 September 2023 and 10 October 2023, 1,661,000,000, 818,000,000 and 251,000,000 shares which in aggregate of 2,730,000,000 shares were issued by the Group to seven independent parties at the subscription price of HK$0.033 per share, resulting in the issue of 2,730,000,000 shares for a total consideration, before expense, of HK$91 million.

(b) Reserves

(i) Share premium account

Share premium can be distributed provided that immediately following the date on which such reserves are proposed to be distributed, the Company would be in a position to pay off its debts as and when they fall due in the ordinary course of business.

(ii) Statutory reserve

Pursuant to the relevant laws and regulations in the PRC, the companies comprising the Group which are registered in the PRC shall appropriate a certain percentage of their net profit after tax (after offsetting any prior years' losses) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds. When the balance of this reserve reaches 50% of the entity's capital, any further appropriation is optional. The statutory reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after those usages.

(iii) Capital redemption reserve

Capital redemption reserve arises from repurchase of its own ordinary shares on the Stock Exchange. All the repurchased shares are cancelled by the Company upon such repurchase and accordingly the issued share capital of the Company is reduced by the nominal value of these shares. The premium paid on the repurchase is charged to the share premium account.

(iv) Other reserve

Other reserve mainly represents the difference between the cost of acquisition and the non-controlling interests acquired in the case of acquisition of additional non-controlling interests of subsidiaries, and, the difference between the proceeds from disposal and the non-controlling interests disposed of in the case of disposal of partial equity interests in subsidiaries to non-controlling shareholders without loss of control.

30 Share Option Scheme and Warrants

(a) Share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's non-executive directors, independent non-executive directors, employees, consultants, advisers, customers and any shareholder of any member of the Group. The Company's first share option scheme with a valid period of 10 years became effective on 21 November 2004 and was terminated on 23 May 2014 since this scheme expired on 21 November 2014. A new share option scheme was adopted by the Company and became effective on 23 May 2014 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all outstanding options to be granted under the Scheme and any other share option scheme of the Group is an amount equivalent, upon their exercise, to 10% of the shares in issue at the time dealings in the shares first commence on the Stock Exchange. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of one to three years and ends on a date which is not later than five years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

30 Share Option Scheme and Warrants (Continued)

(a) Share option scheme (Continued)

The following share options were outstanding under the Scheme during the year:

	2023		2022	
	Weighted average exercise price HK$ per share	Number of options '000	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**0.3259**	**560,607**	0.3805	928,241
Granted during the year	**0.0750**	**320,000**	–	–
Forfeited during the year	**0.4568**	**(10,140)**	0.4637	(367,634)
At 31 December	**0.2321**	**870,467**	0.3259	560,607

No share options were exercised during the year (2022: nil).

The following share options were outstanding under the Scheme during the year:

2023

Number of options* '000	Exercise price* HK$	Exercise period
57,132	**0.2060**	**14-05-20 to 13-05-24**
57,894	**0.2060**	**14-05-21 to 13-05-24**
57,894	**0.2060**	**14-05-22 to 13-05-24**
57,894	**0.2060**	**14-05-23 to 13-05-24**
30,377	**0.2060**	**14-11-20 to 13-11-24**
17,086	**0.2060**	**14-11-21 to 13-11-24**
13,822	**0.2060**	**14-11-22 to 13-11-24**
12,100	**0.2060**	**14-11-23 to 13-11-24**
150,775	**0.4686**	**09-04-22 to 08-04-26**
31,885	**0.4686**	**09-04-23 to 08-04-26**
31,804	**0.4686**	**09-04-24 to 08-04-26**
31,804	**0.4686**	**09-04-25 to 08-04-26**
80,000	**0.0750**	**28-12-24 to 27-06-27**
80,000	**0.0750**	**28-06-25 to 27-06-27**
80,000	**0.0750**	**28-12-25 to 27-06-27**
80,000	**0.0750**	**28-06-26 to 27-06-27**
870,467		

30 Share Option Scheme and Warrants (Continued)

(a) Share option scheme (Continued)

2022

Number of options* '000	Exercise price* HK$	Exercise period
57,132	0.2060	14-05-20 to 13-05-24
57,894	0.2060	14-05-21 to 13-05-24
57,894	0.2060	14-05-22 to 13-05-24
57,894	0.2060	14-05-23 to 13-05-24
30,377	0.2060	14-11-20 to 13-11-24
17,086	0.2060	14-11-21 to 13-11-24
13,822	0.2060	14-11-22 to 13-11-24
12,555	0.2060	14-11-23 to 13-11-24
152,135	0.4686	09-04-22 to 08-04-26
34,606	0.4686	09-04-23 to 08-04-26
34,606	0.4686	09-04-24 to 08-04-26
34,606	0.4686	09-04-25 to 08-04-26
560,607		

* The number of options and exercise price were adjusted upon the completion of the rights issue.

The fair value of the share options granted during the year was HK$13,404,000 (HK$0.042 each) at the date of grant, of which the Group recognised a share option expense of HK$115,000 during the year ended 31 December 2023. No share options were granted during the year ended 31 December 2022.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2023
Dividend yield (%)	**–**
Expected volatility (%)	**92.978**
Historical volatility (%)	**92.978**
Risk-free interest rate (%)	**3.058**
Expected life of options (year)	**3.5**
Weighted average share option price (HK$ per share)	**0.075**
Fair value share option price (HK$ per share)	**0.042**

NOTES TO FINANCIAL STATEMENTS

31 December 2023

30 Share Option Scheme and Warrants (Continued)

(a) Share option scheme (Continued)

The expected life of the options is based on the historical data over the past five years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The Group recorded a share option expense of HK$5,042,000 (2022: expense of HK$3,569,000).

At the end of the reporting period, the Company had 870,467,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 870,467,000 additional ordinary shares of the Company and additional share capital of HK$8,704,670 and share premium of HK$193,362,000 (before issue expenses).

Subsequent to the end of the reporting period, no share options were exercised forfeited and no share options were expired.

At the date of approval of these financial statements, the Company had 870,467,000 share options outstanding under the Scheme, which represented approximately 5.31% of the Company's shares in issue as at that date.

(b) Warrants

On 4 October 2021, the Company entered into a warrant subscription agreement (the "Warrant Subscription Agreement") with SAI Growth Fund I, LLLP ("SAI"), pursuant to which the Company agreed to issue the unlisted warrants for the subscription of a maximum number of 800,000,000 shares of the Company to SAI at an issue price of HK$0.055 per warrant option. Further details of which are set out in the circular of the Company dated 23 November 2021.

The warrants may be exercised from time to time on any day during the warrant exercise period at the exercise prices listed as follows:

2023

Number of warrants '000	Exercise price* HK$	Exercise period
266,667	**0.70**	**17-12-21 to 17-12-24**
266,666	**0.80**	**17-12-21 to 17-12-25**
533,333		

30 Share Option Scheme and Warrants (Continued)

(b) Warrants (Continued)

2022

Number of warrants '000	Exercise price* HK$	Exercise period
266,667	0.60	17-12-21 to 17-12-23
266,667	0.70	17-12-21 to 17-12-24
266,666	0.80	17-12-21 to 17-12-25
800,000		

* The exercise price of the warrants is subject to adjustment in the case of rights or bonus issues, or other similar changes in Company's share capital.

There was no exercise of warrants during the year. At the end of the reporting period, the Company had 533,333,000 warrants outstanding. The exercise in full of the outstanding warrants would, under the present capital structure of the Company, result in the issue of 533,333,000 additional ordinary shares of the Company and additional share capital of approximately HK$5.3 million and share premium of approximately HK$395 million (before issue expenses).

31 Notes to the Consolidated Statement of Cash Flows

(a) Changes in liabilities arising from financing activities

	2023			
	Band and other borrowings HK$'000	**Interest payable HK$'000**	**Lease liabilities HK$'000**	**Total liabilities from financing activities HK$'000**
At 1 January 2023	**177,929**	**9,617**	**14,531**	**202,077**
Changes from financing cash flows	**369,756**	**(23,601)**	**(3,750)**	**342,405**
Modification of leases	**–**	**–**	**(5,280)**	**(5,280)**
Interest expense	**–**	**14,696**	**481**	**15,177**
Exchange realignment	**(5,031)**	**(236)**	**(529)**	**(5,796)**
At 31 December 2023	**542,654**	**476**	**5,453**	**548,583**

NOTES TO FINANCIAL STATEMENTS

31 December 2023

31 Notes to the Consolidated Statement of Cash Flows (Continued)

(a) Changes in liabilities arising from financing activities (Continued)

	2022					
	Other borrowings HK$'000	Interest payable HK$'000	Advance in respect of a proposed issue of share HK$'000	An amount due to a related party HK$'000	Lease liabilities HK$'000	Total liabilities from financing activities HK$'000
At 1 January 2022	244,618	21,521	84,000	156,311	17,284	523,734
Changes from financing cash flows	(47,877)	(25,680)	(84,000)	(150,013)	(3,224)	(310,794)
New leases	–	–	–	–	3,939	3,939
Termination of leases	–	–	–	–	(3,071)	(3,071)
Interest expense	–	15,124	–	1,000	849	16,973
Exchange realignment	(18,812)	(1,348)	–	(7,298)	(1,246)	(28,704)
At 31 December 2022	177,929	9,617	–	–	14,531	202,077

(b) Total cash outflow for leases

Total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2023 HK$'000	2022 HK$'000
Within operating activities	**886**	1,521
Within financing activities	**3,750**	3,224
	4,636	4,745

32 Contingencies

Litigations with suppliers

The Group received several civil complaints in 2023 from suppliers demanding the Group to immediately repay the overdue accounts payable balance of RMB4,078,000 (equivalent to HK$4,500,000) (2022: HK$12,150,000). The arbitration procedures of the civil complaints were still in progress as at the date of approval of the consolidated financial statements.

33 Pledge of Assets

Details of the Group's assets pledged for the Group's bank and other borrowings, and for a performance guarantee provided to a bank and issuance of a letter of credit are included in notes 13, 14, 15, and 24, respectively, to the consolidated financial statements.

34 Commitments

The Group had the following capital commitments at the end of the reporting period:

	2023 HK$'000	2022 HK$'000
Contracted, but not provided for, construction in progress	–	118,718
Capital contributions payable to certain associates or an unlisted investment measured at fair value	**14,582**	14,738
	14,582	133,456

35 Related Party Transactions

(a) Balances with related parties

	Notes	2023 HK$'000	2022 HK$'000
Amounts due from associates	*(i)*	–	3,029
Amounts due to associates	*(i)*	**37,035**	37,847
Lease liabilities due to an associate	*(ii)*	–	10,555
Amounts due to other related parties	*(iii)*	**3,516**	1,314
		40,551	49,716

Notes:

(i) Amounts due from/to associates represented the trade receivables from and the deposits and advances payable to associates which arose in the course of the Group's operation.

(ii) The lease liabilities were related to the leasing of certain office premises for the Group's operation from an associate, Nanjing Yulong, during the year.

(iii) Amount due to Shenzhen Kingkey Property Management Co., Ltd ("Kingkey Property Management") for the property management service expense amounting to HK$3,334,000 as at 31 December 2023 (2022: HK$1,314,000), which is unsecured, interest-free and has no fixed terms of repayment.

Kingkey Group Company Limited ("Kingkey Group") is an associate of Great Shine Investment Limited, a substantial shareholder of the Company, and therefore a related party of the Group. Kingkey Property Management is a subsidiary of Kingkey Group.

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35 Related Party Transactions (Continued)

(b) Transactions with related parties

	2023 HK$'000	2022 HK$'000
Associates:		
Finance expense	–	782

	Notes	2023 HK$'000	2022 HK$'000
Other related parties:			
Management service expense	(i)	17,614	14,567
Sale of products		20	1,197
Interest expense	(ii)	–	1,000
Rental income		754	713
Share subscription	(iii)	–	224,000
Purchase of property, plant and equipment	(iv)	2,000	–

Notes:

(i) The management service expense incurred during the periods represents the property management service provided by Kingkey Property Management and Dongguan Kingkey Property Management Company Limited. Both Companies are ultimately controlled by Mr. Chen Hua, who is an immediate family member of a substantial shareholder of the Company. The management service fees were made according to the prevailing market rated charged by independent third parties offering comparable management services for properties of comparable scale and grade in the vicinity.

(ii) In 2018, Kingkey Group has agreed to provide a loan with a maximum amount of no more than RMB500 million to the Group for corporate operation with a term of 12 months at an annual interest rate of 6.5%. In 2019 and 2020, the loan arrangement was extended to 20 May 2021 and further extended to a date no later than 31 December 2022. The specific due date after extension is subject to further negotiation between both parties according to their own capital needs. The associated interest expense recognised for the current year was HK$1,000,000. As at 31 December 2022, principal of the loan and associated interest expense has been fully repaid.

In December 2022, Kingkey Group has agreed to provide a new loan with a maximum amount of no more than RMB480 million (equivalent to HK$537 million) to the Group for corporate operation with a due date of 31 December 2025 at an annual interest rate of 6.5%. Up to 31 December 2023, there was no loan amount drawn down by the Group under this new agreement.

(iii) During the year ended 31 December 2022, 800,000,000 shares were issued by the Group to a company 100% owned by the Chairman of the Board and the chief executive officer of the Group, at the subscription price of HK$0.28 per share, for a total consideration of HK$224 million.

(iv) During the year ended 31 December 2023, the Group purchased an asset from Mr. Chen Jiajun at a consideration of HK$2,000,000.

The above transactions with related parties were made based on mutually agreed terms.

The related party transactions in respect of note (i) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

35 Related Party Transactions (Continued)

(c) Compensation of key management personnel of the Group

In addition to the amounts paid to the Company's directors as disclosed in note 9 to the financial statements, compensation of other key management personnel of the Group is set out below:

	2023 HK$'000	2022 HK$'000
Salaries, allowances and benefits in kind	**4,577**	11,693
Pension scheme contributions	**499**	688
Equity-settled share option expense	**193**	140
Total compensation paid to other key management personnel	**5,269**	12,521

36 Financial Instruments by Category

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

Financial assets

2023

	Financial assets at amortised cost HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
Equity investments at fair value through profit or loss	**–**	**88,461**	**88,461**
Trade receivables	**60,088**	**–**	**60,088**
Financial assets included in deposits and other receivables	**55,359**	**–**	**55,359**
Pledged deposits	**59,751**	**–**	**59,751**
Cash and cash equivalents	**63,547**	**–**	**63,547**
	238,745	**88,461**	**327,206**

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36 Financial Instruments by Category (Continued)

Financial assets (Continued)

2022

	Financial assets at amortised cost HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
Equity investments at fair value through profit or loss	–	96,059	96,059
Debt investments at fair value through profit or loss	–	13,783	13,783
Trade receivables	46,657	–	46,657
Financial assets included in deposits and other receivables	3,993	–	3,993
Amounts due from associates	32,029	–	32,029
Pledged deposits	59,408	–	59,408
Cash and cash equivalents	234,717	–	234,717
	376,804	109,842	486,646

Financial liabilities

	2023 HK$'000	2022 HK$'000
Financial liabilities at amortised cost		
Trade payables	**152,099**	138,950
Financial liabilities included in other payables and accruals	**1,069,355**	1,110,730
Interest-bearing bank and other borrowings	**542,654**	177,929
Lease liabilities	**5,453**	14,531
Amounts due to associates	**37,035**	37,847
Amounts due to related parties	**3,516**	1,314
	1,810,112	1,481,301

37 Fair Value and Fair Value Hierarchy of Financial Instruments

Fair value measurement

The Group measures its investment properties, certain buildings included in property, plant and equipment and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The valuation process and results are discussed with the chief financial officer twice a year for interim and annual financial reporting.

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37 Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Financial instruments measured at fair value

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	**–**	**–**	**88,461**	**88,461**

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	–	–	109,842	109,842

The movements in fair value measurements within Level 3 during the year are as follows:

	2023 HK$'000	2022 HK$'000
At 1 January	**109,842**	27,263
Additions	**–**	118,041
Total loss recognised in the statement of profit or loss, net#	**(14,646)**	(33,212)
Disposal	**(6,878)**	(700)
Exchange realignment	**143**	(1,550)
At 31 December	**88,461**	109,842
# Include gains or losses for assets held at end of reporting period	**8,245**	33,212

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2022: Nil).

37 Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

Fair value hierarchy (Continued)

Financial instruments measured at fair value (Continued)

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in administrative and other operating expenses in the statement of profit or loss and other comprehensive income.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2023 and 2022:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average P/S and P/E multiple of peers	2023: 1.0% to -1.0% (2022: 1.18% to -1.18%)	1% (2022: 1%) increase/decrease in multiple would result in increase/decrease in fair value by approximately HK$31,000 (2022: HK$34,704)
		Discount for lack of marketability	2023: 1.40% to -1.40% (2022: 1.60% to -1.60%)	1% (2022: 1%) increase/decrease in discount would result in decrease/increase in fair value by approximately HK$43,000 (2022: HK$47,000)
	Asset-based approach	Adjusted Net Asset Value ("NAV")	*Note (a)*	*Note (a)*
Unlisted debt investments	Binomial Option Pricing Model	Risky Interest Rate	*Note (b)*	*Note (b)*

Notes:

(a) The fair values of unlisted equity investments are determined with reference to its net asset value. Accordingly, no sensitivity analysis was prepared.

(b) The fair value of the convertible bonds as at 31 December 2022 is derived by Binomial Option Pricing Model, which incorporates assumptions not entirely supported by observable market prices or rates. The key inputs are expected volatility of shares of the underlying listed company and discount rate adjusted for the specific risks of the issuers which are also the unobservable inputs. The discount rate of 15.29% was used in the valuation model. The relationship of unobservable input to fair value is that the higher the discount rate, the lower the fair value. If the discount rate to the valuation model had been 2.5% higher/lower while all the other variables were held constant, the carrying amount of the convertible bond would have decreased by HK$49,000/increase by HK$50,000 for the year ended 31 December 2022.

As at 31 December 2023, there was no unlisted debt investment.

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38 Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, amounts due to related parties, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities, such as trade receivables, trade payables and amounts due to associates, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies, where the revenue and cost of sales are denominated in US$. The Group is exposed to foreign exchange risk with respect mainly to USD. The Group makes rolling forecasts on foreign currency revenue and expenses and matches the currency and the amount incurred, so as to alleviate the impact on business due to exchange rate fluctuation.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD exchange rates, with all other variables held constant, of the Group's loss before tax (arising from USD denominated financial instruments). Other components of equity would have no change.

	Increase/ (decrease) in USD %	**Increase/ (decrease) in loss before tax HK$'000**
2023		
If RMB weakens against USD	**5**	**19,200**
If RMB strengthens against USD	**(5)**	**(19,200)**

	Increase/ (decrease) in USD %	Increase/ (decrease) in loss before tax HK$'000
2022		
If RMB weakens against USD	5	26,071
If RMB strengthens against USD	(5)	(26,071)

38 Financial Risk Management Objectives and Policies (Continued)

Credit risk

Credit risk for the sale of mobile phones

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	–	–	–	70,422	70,422
Financial assets included in deposits and other receivables					
– Normal**	55,359	–	–	–	55,359
– Doubtful**	–	–	–	–	–
Pledged deposits					
– Not yet past due	59,751	–	–	–	59,751
Cash and cash equivalents					
– Not yet past due	63,547	–	–	–	63,547
	178,657	–	–	70,422	249,079

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31 December 2023

38 Financial Risk Management Objectives and Policies (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	–	–	–	67,263	67,263
Financial assets included in deposits and other receivables					
– Normal**	3,993	–	–	–	3,993
– Doubtful**	–	–	–	–	–
Amounts due from associates					
– Not yet past due	3,029	–	–	–	3,029
Pledged deposits					
– Not yet past due	59,408	–	–	–	59,408
Cash and cash equivalents					
– Not yet past due	234,717	–	–	–	234,717
	301,147	–	–	67,263	368,410

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the consolidated financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

The credit risk for pledged deposits and cash and bank balances is considered minimal as such amounts are placed with banks with good credit standing. Further quantitative data in respect of the Group's exposure to credit risk from trade receivables are disclosed in note 21 to the consolidated financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by counterparty, by geographical region and by industry sector. At the end of the reporting period, the Group had concentrations of credit risk as 82% (2022: 41%) of the Group's trade receivables were due from the Group's five largest customers.

38 Financial Risk Management Objectives and Policies (Continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, lease liabilities and other interest-bearing loans.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	2023				
	On demand and less than 1 year HK$'000	**1 to 2 years HK$'000**	**2 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Trade payables	**152,099**	**–**	**–**	**–**	**152,099**
Financial liabilities included in other payables and accruals	**1,154,043**	**–**	**–**	**–**	**1,154,043**
Lease liabilities	**3,064**	**1,379**	**1,304**	**–**	**5,747**
Interest-bearing other borrowings	**117,735**	**26,238**	**124,126**	**393,329**	**661,428**
Amounts due to associates	**37,035**	**–**	**–**	**–**	**37,035**
Amounts due to related parties	**3,516**	**–**	**–**	**–**	**3,516**
	1,467,492	**27,617**	**125,430**	**393,329**	**2,013,868**

	2022				
	On demand and less than 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade payables	138,950	–	–	–	138,950
Financial liabilities included in other payables and accruals	1,110,730	–	–	–	1,110,730
Lease liabilities	5,028	4,841	5,937	–	15,806
Interest-bearing other borrowings	195,994	–	–	–	195,994
Amounts due to associates	37,847	–	–	–	37,847
Amounts due to related parties	1,314	–	–	–	1,314
	1,489,863	4,841	5,937	–	1,500,641

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38 Financial Risk Management Objectives and Policies (Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 2022.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes trade payables, other payables and accruals, interest-bearing bank and other borrowings, lease liabilities, amounts due to associates and amounts due to related parties, less cash and cash equivalents. Capital represents equity attributable to owners of the Company. The gearing ratios at the end of the reporting period were as follows:

	31 December 2023 HK$'000	31 December 2022 HK$'000
Trade payables	**152,099**	138,950
Other payables and accruals	**1,154,043**	1,195,202
Interest-bearing bank and other borrowings	**542,654**	177,929
Lease liabilities *(note 15(b))*	**5,453**	14,531
Amounts due to associates	**37,035**	37,847
Amounts due to related parties	**3,516**	1,314
Less: Cash and cash equivalents	**(63,547)**	(234,717)
Net debt	**1,831,253**	1,331,056
Equity attributable to owners of the Company	**2,091,547**	2,236,287
Capital and net debt	**3,922,800**	3,567,343
Gearing ratio	**47%**	37%

39 Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	–	–
Total non-current assets	–	–
CURRENT ASSETS		
Amounts due from subsidiaries	2,151,442	2,211,051
Prepayments, deposits and other receivables	156	156
Cash and cash equivalents	5,388	83,023
Total current assets	2,156,986	2,294,230
CURRENT LIABILITIES		
Amounts due to subsidiaries	62,023	51,985
Other payables and accruals	3,289	5,768
Total current liabilities	65,312	57,753
NET CURRENT ASSETS	2,091,674	2,236,477
TOTAL ASSETS LESS CURRENT LIABILITIES	2,091,674	2,236,477
Net assets	2,091,674	2,236,477
EQUITY		
Issued capital	163,810	136,510
Reserves *(note)*	1,927,864	2,099,967
Total equity	2,091,674	2,236,477

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39 Statement of Financial Position of the Company

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Share award reserve HK$'000	Capital redemption reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
At 1 January 2022	2,978,703	44,992	238,413	43,564	1,870	388	134,891	3,442,821
Issue of shares upon private placement	459,000	–	–	–	–	–	–	459,000
Share issue expenses	(5,019)	–	–	–	–	–	–	(5,019)
Shares repurchased	(22,091)	–	–	–	1,540	–	(1,540)	(22,091)
Total comprehensive loss for the year	–	–	–	–	–	–	(1,778,313)	(1,778,313)
Equity-settled share option arrangements	–	–	3,569	–	–	–	–	3,569
At 31 December 2022 and 1 January 2023	**3,410,593**	**44,992**	**241,982**	**43,564**	**3,410**	**388**	**(1,644,962)**	**2,099,967**
Issue of shares upon private placement	**62,790**	**–**	**–**	**–**	**–**	**–**	**–**	**62,790**
Share issue expenses	**(485)**	**–**	**–**	**–**	**–**	**–**	**–**	**(485)**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(239,450)**	**(239,450)**
Equity-settled share option arrangements	**–**	**–**	**5,042**	**–**	**–**	**–**	**–**	**5,042**
Lapse of warrants	**–**	**–**	**(33,934)**	**–**	**–**	**–**	**33,934**	**–**
At 31 December 2023	**3,472,898**	**44,992**	**213,090**	**43,564**	**3,410**	**388**	**(1,850,478)**	**1,927,864**

40 Comparative Figure

Certain comparative figures have been reclassified to conform to the current year's presentation. The changes included the reclassification of rental income from investment properties operating leases classified under other income to revenue. The new classification of the accounting items was considered to provide a more appropriate presentation of the state of affairs of the Group.

41 Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors of the Company on 11 February 2025.